

BYGG

max[®]

GROUP



2016 Annual Report



CONTENTS

BUSINESS DESCRIPTION

About the Bygghuset Group	3
The history of Bygghuset	4
The year in summary	5
Comments from the CEO	6
Vision, concept, targets and strategy	8
Bygghuset	10
Skånska Bygghuset	17
Buildor	19
Employees	20
Our responsibilities	22
Bygghuset makes a difference	31
The Bygghuset share	32
Chairman's comments	34

FINANCIAL REPORTS

Administration report	35
Corporate governance	40
Multi-year overview	44
Consolidated income statement	45
Consolidated balance sheet	46
Consolidated statement of changes in shareholders' equity	48
Consolidated statement of cash flows	49
Parent Company income statement	50
Parent Company balance sheet	51
Changes in Parent Company's shareholders' equity	53
Parent Company cash-flow statement	54
Accounting policies and notes	55
Auditors' report	81
Bygghuset Group management	86
Bygghuset Board of Directors	87
Content index including standard GRI disclosures	88
Definitions	93
Distribution of Annual Report	94

ABOUT THE BYGGMAX GROUP



ABOUT US

Byggmax Group consists of Byggmax, Skånska Byggvaror and Buildor. The first Byggmax store opened its doors in 1993 and 17 years later, in 2010, the Byggmax Group's share was listed on the Stockholm stock exchange. Buildor was acquired in November 2015, followed shortly after by the acquisition of Skånska Byggvaror in January 2016.

Byggmax Group has established a strong market position in the Nordic DIY market, and the aim is to continue growing with good profitability.

5.2

SEK BILLION NET SALES

140

PHYSICAL STORES

4

MARKETS

1,064

EMPLOYEES

15

NEW STORES IN 2016

-19%

CO2 EMISSIONS
SINCE 2009

OUR COMPANIES



THE HISTORY OF BYGGMAX

Byggmax now has net sales of SEK 5.2 billion and operations in four countries.
Read about our journey to this point below.

ONLINE GOODS

In 2011, a range of products available only to order was added to Byggmax Online. These products are only sold online, which enables us to offer Byggmax prices on even more 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 in a store.



CONSTRUCTION SERVICES

In 2013, Byggmax launched fixed-price construction services.



BYGGMAX 2.0

In 2013, Byggmax launched the new store concept, Byggmax 2.0.

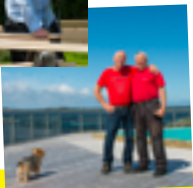
ACQUISITIONS OF BUILDOR AND SKÅNSKA BYGGVAROR

Byggmax acquired Buildor, an online DIY store, in 2015. Byggmax acquired Skånska Byggvaror in early 2016.



TV COMMERCIALS

In 2008, Byggmax aired its first TV commercial. Our customers played the leading roles and got to show their projects on TV while sharing their experiences.



THE BYGGMAX CARD IS LAUNCHED

The Byggmax card was launched in 2007. Both companies and consumers could get between 30 and 60 days cost-free credit. Today, it is possible to use a PIN code and get a specified invoice sent home.

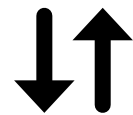
BYGGMAX IN FINLAND

Byggmax opened in Turku on February 28, 2008. A strong DIY tradition exists in Finland and customers like the new contender, Byggmax.



STOCK EXCHANGE LISTING

On June 2, 2010, Byggmax was listed on the Nasdaq OMX Stockholm Exchange.



BYGGMAX IN NORWAY

On March 23, 2007, Byggmax opened its first store in Hamar, 140 km north of Oslo.



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. In 2014, Altor divested its holding in Byggmax.

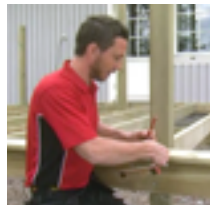
RENAMED BYGGMAX

Since it was founded in 1993, the company's names have included Gunnars Byggnetto, Byggnetto and Netto-Netto. In 1999, all the stores changed their name to Byggmax to establish a new, clear and unified profile.



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

In parallel with Byggmax opening in Stafanstorp 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.



DIY PROGRAMS ON TV MAKE A BREAKTHROUGH

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



BYGGMAX CUSTOMER SERVICE CENTER OPENS

Byggmax opened a central customer service center in 2000 to answer customer questions seven days a week.

Byggmax store openings

2016 Sweden: Kungälv, Trelleborg, Åmål, Mora, Arlanda and Köping. **Norway:** Bergen Nordås, Bergen Midtun and Sandnes.

Skånska Byggvaror 2016: Uppsala, Örebro, Falun, Malmö and Värmdö. **Skånska Byggvaror from earlier:** Helsingborg, Gothenburg Tagene, Stockholm Barkarby and Norrköping. **Grønt Fokus:** Oslo and Kristiansand

2015 Sweden: Mariestad, Nacka, Vetlanda and Falköping. **Norway:** Krokstad Senter, Drøbak and Halden.

2014 Sweden: Värmdö, Ullstämna, Katrineholm and Munkedal. **Norway:** Åsane (Bergen) and Tønsberg. **Finland:** Pirkkala.

2013 Sweden: Karlskoga, Torslanda, Sandviken, Härnösand and Arvika. **Norway:**

Askøy, Larvik and Haugenstua. **Finland:** Espoo, Kangasala and Seinäjoki.

2012 Sweden: Malmö, Smedjebacken, Eslöv and Sisjön. **Norway:** Moss, Askim and Stord. **Finland:** Oulu.

2011 Sweden: Ängelholm, Lidköping, Norrtälje, Enköping, Avesta and Bollnäs. **Norway:** Trondheim Syd, Arendal and Lillehammer. **Finland:** Porvoo, Raisio, Vantaa and Pori.

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:** Vaasa.

2008 Sweden: Motala, Västervik, Örn-sköldsvik, Hässleholm, Kungsbacka and Nyköping. **Norway:** Sarpsborg, Sandefjord, Drammen, Ullensaker and Bærum. **Finland:** Turku.

2007 Sweden: Åkersberga and Visby. **Norway:** Hamar, Skien, Abildsø, Gjøvik and Kongsvinger.

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

2005 Örebro and Karlskrona.

2004 Växjö, Norrköping, Falun, Östersund, Vellinge and Uddevalla.

2003 Linköping, Kalmar, Sundsvall, Tumba, Luleå and Karlstad.

2002 Kristianstad.

2001 Borås and Löddeköpinge.

2000 Källered.

1999 Jönköping.

1998 Hising Backa, Upplands Väsby and Umeå.

1997 Helsingborg.

1996 Staffanstorp.

1993 Täby, Halmstad and Västerås.

THE YEAR IN SUMMARY

IN 2016, BYGGMAX GENERATED SALES OF APPROXIMATELY SEK 5.2 BILLION, UP 26.3 PERCENT YEAR-ON-YEAR. THE EBITDA MARGIN AMOUNTED TO 11.1 PERCENT. THE COMPANY OPENED 15 NEW STORES AND HAD 140 STORES AT YEAR-END AND AN AVERAGE OF 1,064 EMPLOYEES OVER THE YEAR.

FIRST QUARTER

- Net sales totaled SEK 737.9 M (570.0), up 29.5 percent. Pro forma net sales increased 10.8%.
- EBIT before depreciation, amortization and impairment of tangible and intangible assets amounted to negative SEK 24.2 M (3.0). Pro forma EBIT before depreciation, amortization and impairment of tangible and intangible assets amounted to negative SEK 17.2 M for the first quarter of 2015.
- Six (one) stores were opened, which included one Byggmax store in Sweden and five Skånska Byggvaror stores in Sweden.
- A total of five stores were converted to the Byggmax 2.0 concept during the quarter.
- On January 4, 2016, Byggmax completed the acquisition of Skånska Byggvaror Group AB.
- The Board of Directors has set new financial targets for Byggmax.

SECOND QUARTER

- Net sales totaled SEK 1,738.7 M (1,294.6), up 34.3 percent. Pro forma net sales increased 9.8%.
- EBIT before depreciation, amortization and impairment of tangible and intangible assets amounted to SEK 193.8 M (151.4). Pro forma EBIT before depreciation, amortization and impairment of tangible and intangible assets amounted to SEK 192.8 M for the second quarter of 2015.
- Six (four) stores were opened, which included four Byggmax stores in Sweden and two Byggmax stores in Norway.
- A total of six stores were converted to the Byggmax 2.0 concept during the quarter.
- Changes were made to Byggmax Group management in April, following the acquisition of Buildor and Skånska Byggvaror.
- 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 +" in Hisings Backa and "Design Your Living" on Kungsgatan in Stockholm.

THIRD QUARTER

- Net sales totaled SEK 1,767.8 M (1,427.3), up 23.9 percent. Pro forma net sales increased 5.7%.
- EBIT before depreciation, amortization and impairment of tangible and intangible assets (EBITDA) amounted to SEK 317.5 M (203.4). Pro forma EBIT before depreciation, amortization and impairment of tangible and intangible assets amounted to SEK 231.2 M for the third quarter of 2015.
- Two (one) new stores were opened, which included two Byggmax stores in Sweden.
- In the quarter, Byggmax's President and CEO, Magnus Agervald, informed the Board of his intention to step down.
- Moreover, the Board of Byggmax Group AB (publ) appointed Mattias Ankarberg as Byggmax's new President during the quarter.

FOURTH QUARTER

- Net sales totaled SEK 974.9 M (839.3), up 16.2 percent. Net sales were unchanged compared to pro forma sales.
- EBIT before depreciation, amortization and impairment of tangible and intangible assets (EBITDA) amounted to SEK 94.1 M (58.0). Excluding the revaluation of earnouts, EBITDA totaled SEK 30.9 M. Pro forma EBITDA totaled SEK 68.6 M for the fourth quarter of 2015.
- One (one) store opened during the quarter: a 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 2.40 (2.14) per share.

Pro forma figures for Byggmax Group including Skånska Byggvaror are reported in Note 35, as well as how these pro forma figures were produced.

COMMENTS FROM THE CEO

WE CONTINUE TO TAKE MARKET SHARES

Byggmax has continued to develop positively in 2016 and we are continuing to take market shares in our markets. We have also welcomed two acquired companies into the Group this year: Skånska Byggvaror and Buildor, both of which have continued to report strong growth in 2016. The Swedish market has continued to grow. Growth was strong in the first half of the year, weaker during the second half, and the market trend over the year was highly influenced by amended rules regarding ROT (Repairs, Conversion and Extension) deductions and new mortgage repayment requirements. The Norwegian and Finnish markets both reported weak growth during the year. Low-price concepts such as Byggmax are still favored in a tougher economic climate and we are continuing to capture market shares.

MARKET AND PRICE CHANGES

The market grew 4.7 percent in Sweden in 2016 and 0.6 percent in both Norway and Finland. In Denmark, the market grew 7.1 percent. Prices declined 0.3% in Sweden (no data is available for Norway and Finland). Byggmax's prices have remained largely unchanged, with certain variations in each country.

STRATEGIC BUSINESS DECISIONS

Byggmax Group continues to post strong growth in terms of both online sales and new stores.

A total of 15 new stores were opened during the year, the goal having been to open 10–15 stores. Of the 15 new stores, nine were Byggmax, five were Skånska Byggvaror and one was Design Your Living (DYL). At year-end, Byggmax Group had a total of 140 stores, of which 128 were Byggmax stores. In terms of the Byggmax segment, we see continued potential to expand the existing total of 128 stores to a total of 180 stores in Sweden, Norway and Finland. The store potential by country is: Sweden 95, Norway 60 and Finland 25.

Our online sales continue to display favorable growth, both within the Byggmax segment and Byggmax Group as a whole.

A further 11 Byggmax stores were converted during the year to Byggmax 2.0, which is an updated store concept with a wider range and better sales control. All Byggmax stores have now been converted to Byggmax 2.0.

Skånska Byggvaror continued to report strong growth during the year. Several new products were launched, the number of showroom stores almost doubled during the

year, and Skånska Byggvaror's fitting service was also launched in 2016, giving customers the opportunity to receive their products fully installed.

Skånska Byggvaror has demonstrated a favorable increase in sales, but a reduced EBITDA margin. Skånska Byggvaror are implementing measures to improve profitability and we continue to have a strong belief in the company's long-term potential.

Buildor continued to grow strongly during the year. The range has been greatly expanded and customer satisfaction remains very high. Buildor was also named the best Swedish e-commerce company by PriceRunner in the Renovation and Construction category. Buildor spent the autumn preparing for a launch in Norway in 2017.

We streamlined our logistics further during the year. In January, Byggmax moved its picking stock to Växjö under a new third-party solution, which will offer better opportunities for consolidated shipment and more efficient logistics. We opened a new distribution center in Gävle during the second quarter, which will reduce the need for road freight, since this will be replaced with maritime freight. This will both save money and reduce



**“WE MAKE IT QUICK, SIMPLE
AND INEXPENSIVE TO CARRY
OUT LARGE OR SMALL-SCALE
CONSTRUCTION PROJECTS.”**



carbon emissions. We will also have access to greater space in the future to support continued expansion.

Bygghuset had a number of investment areas during the year: for example, expansion in Finland, the online store, DYL and construction services. In 2016, after depreciation and amortization, these investment areas corresponded to an effect of 2.3% on the EBIT margin.

SUSTAINABILITY AT BYGGHuset

Sustainability is important for us at Bygghuset, and it impacts our decisions. Since 2009, an annual environmental report has been produced on Bygghuset's environmental impact. This year's report shows a reduction in carbon emissions per ton of materials sold and the main explanation for this is that goods are handled more efficiently due to a larger proportion of products passing through the warehouse, as well as more transportation by boat.

Since 2009, carbon emissions per ton transported have declined 19 percent and were in line with the previous year in 2016. This means we are well on the way to reaching our goal of a 25-percent reduction by 2020. Sustainability efforts will also continue at our acquisitions, Skånska Bygghuset and Buildor.

As of 2011, Bygghuset reports its sustainability initiatives in line with the Global Reporting Initiative's (GRI) framework for sustainability reporting. We report in line with the G4 Core level.

THE SHARE

The Board of Directors proposes a dividend of SEK 2.40 (2.14) per share. Bygghuset Group's dividend policy is to distribute at least 50 percent of net profits. Bygghuset has never carried out buy-backs, redemptions or spin-offs.

OUTLOOK

We are pleased that every company in the Group is continuing to grow and that we are continuing to capture

market shares in our categories. Our customers appreciate our offering and we have a strong corporate culture with many talented employees.

We plan to continue growing through both online sales and stores. We continue to see great potential for growth in the countries where we are present, and longer term we will also look at options to expand into more countries. Our goal is to open 8–12 new stores in 2017.

We will also continue to invest in developing our customer offer and test new opportunities. Our main focus, however, will be on our core business. We have therefore decided, to for example conclude our test of the new DYL store concept.

I greatly look forward to further developing Bygghuset and will work together with Group management and our employees during spring 2017 to update the plan for an even stronger Bygghuset Group.

I would like to take this chance to thank my predecessor, Magnus Agervald, who had helped build the Bygghuset Group for 10 years when he left in November.

Finally, I would also like to thank all of our employees who make Bygghuset a company to be proud of each and every day, as well as our suppliers, shareholders and all of our customers who put their confidence in us!

Stockholm, March 7, 2017

Mattias Ankarberg
President and CEO

VISION, CONCEPT, TARGETS AND STRATEGY

THE BYGGMAX VISION IS TO BE THE WORLD'S BEST DIY RETAILER. READ MORE ABOUT HOW WE INTEND TO ACHIEVE IT.

BUSINESS CONCEPT AND THE BYGGMAX CONCEPT

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

Below is a description of the Byggmax concept:

- **Low prices and a focused range:** Byggmax retails high-quality building supplies at the lowest possible price. All customers receive the same low price. A limited range of 3,000 products simplifies administration and procurement. Byggmax also offers a continuously expanding range of products available to order.
- **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 improvements:** 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 Byggmax's corporate culture is a genuine entrepreneurial spirit. The store managers and all employees feel pride in their own areas of responsibility. This means staying on top of costs and maintaining a focus on key performance indicators to perform well. All head office personnel work at least once per year out in the stores to maintain their links to store operations.
- **Customer-oriented website:** The focused product range and the limited time for providing in-store advice, which both enable our low costs, are complemented digitally by our website. Detailed instructions are available there for most DIY projects as is an expanded product range that currently comprises more than 30,000 items and which is growing constantly.

VISION

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

GOALS

Byggmax has established the following long-term goals for the Group:

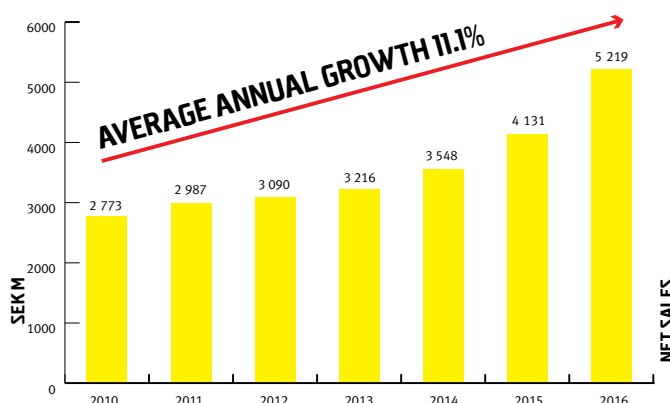
- Net sales are to increase 15 percent per year over time, inclusive of acquisitions.
- The EBITDA margin should be a minimum of 9 percent per year.
- To distribute at least 50 percent of net profit.

Follow-up of goals

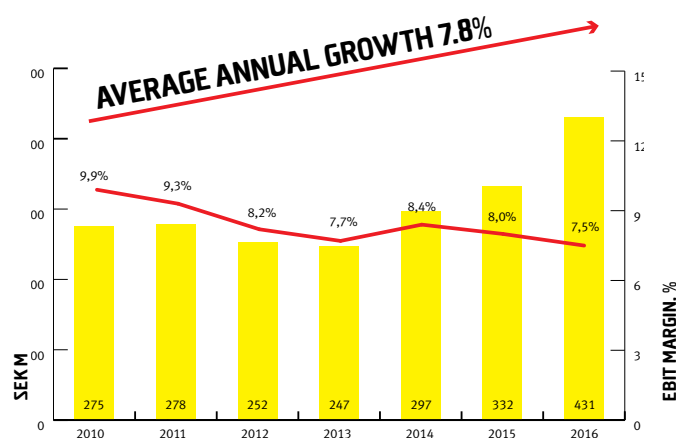
Byggmax grew by 26.3 percent in 2016. Net sales increased 6.6 percent compared with the pro forma figure. Continued growth in the Swedish market but developments were influenced by amended ROT deduction rules and new mortgage repayment requirements. The Norwegian and Finnish markets both

reported weak growth during the year. Skånska Byggvaror is continuing to display solid growth and Buildor continued to grow strongly during the year. Online sales also continue to display favorable growth, both within the Byggmax segment and Byggmax Group as a whole.

The EBITDA margin amounted to 11.1 percent. Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Byggvaror and part of the earnout for Buildor AB, which led to an impact on other operating income of SEK 112.3 M. Excluding earnouts, the EBITDA margin amounted to 9.0 percent. Byggmax had a number of investment areas during the year: for example, expansion in Finland, the online store, DYL and construction services. In 2016, after depreciation and amortization, these areas resulted in a total charge of 2.3 percent on the EBIT margin.



Byggmax posted average annual net sales growth of 11.1 percent during the 2010–2016 period.



Byggmax posted average annual EBIT growth of 7.8 percent during the 2010–2016 period. In 2010, the EBIT margin was impacted by listing costs. The EBIT margin amounted to 8.3 percent in 2015 excluding acquisition costs. Skånska Byggvaror was acquired on January 4, 2016 and consolidated into the Group from January 1, 2016. Earnings in 2016 were impacted by the revaluation of the earnout (SEK 112.3 M) linked to Skånska Byggvaror Group AB and Buildor AB.

STRATEGIES FOR ACHIEVING THE GOALS

To achieve its 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 to about 95 stores, in Norway to about 60 stores and in Finland to about 25 stores in economically attractive locations. Byggmax conducts ongoing analyses of opportunities for establishment in new markets but as yet no decision has been made.

Operational excellence

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

Business development

Byggmax works continuously to develop its business. IT support and the website in particular are developed every year in a number of projects that focus on the customer. Purchasing, sales procedures and marketing undergo continuous development in respect of private customers and professional tradesmen. 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. The range available to order that we sell via the online store is expanded continuously. Byggmax has launched an offering of construction services. During 2016, Byggmax completed the implementation of the updated Byggmax 2.0 store concept. The concept entails an enhanced store layout and a new interior design concept that allows a larger range and clearer communication. In addition, Byggmax is adjusting the range in line with seasonal variations to boost sales in the first and fourth quarters.

Skånska Byggvaror is working continuously to develop its range, customer offering and its own production and logistics. In 2016, Skånska Byggvaror launched an assembly service for selected product categories and introduced its own unique solution for deliveries to end customers in Oslo and its surrounding area.

Buildor is also working continuously to develop its operations, for example by radically expanding its range during the year and continuing to improve logistical solutions, marketing and its technical platform. Buildor is preparing to launch on the Norwegian market in 2017.

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's pricing strategy is based on underpricing the competition with the aim of being the cheapest. The competition's pricing therefore 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 a substantial amount of products for outdoor use, which is why sales are impacted by weather conditions.
- **The availability of attractive store locations** — the establishment of new stores forms a key element 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** — both Byggmax and Skånska Byggvaror have remained true to the original since the beginning. 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 is thus impacted by market trends.
- **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. 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.
- **Trend in demand for sun rooms** — Sun rooms represent an important product group for Skånska Byggvaror, one of the companies in the Byggmax Group.
- **E-commerce trend in building supplies** — E-commerce comprises a significant portion of Byggmax's sales and is an area in which the Byggmax Group is investing.

BYGGMAX

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.

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 product range encompasses standard building materials, such as lumber, insulation, sheets and boards 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 obtain 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 recognized brand.

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



Byggmax sends out advertising circulars to households in Norway, Sweden and Finland.

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

All of the operations are managed from the head office in Solna, Sweden. 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. Byggmax has a large economic impact. During the year, Byggmax had about 1,000 employees who made many people's building dreams a reality.

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 112.8 billion (estimated DIY market size in 2013) according to Mintel¹ and is expected to grow by about 2 percent annually over the next five years compared with average annual growth between 2009 and 2013 of 2.2 percent. Corresponding figures for the same period for Sweden, Norway and Finland show average annual growth that has outperformed many other European markets since 2009, with Sweden at the top with 7.6 percent. Sweden, Norway and Finland jointly represent almost 5 percent of the European market, with Norway accounting for the highest DIY sales per capita in Europe.

Given Byggmax's average annual growth rate of 11.1 percent between 2010 and 2016, the growth potential in Sweden, Norway, Finland and Denmark is assessed as remaining high. The building materials market is fragmented and the housing market has a high turnover rate. It is relatively expensive to use professional tradesmen 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 shows and the range of interior-design publications.

Competition

Byggmax's competitors are other retail chains, online stores and purchasing organizations, independent stores and wholesalers. The Swedish market has been dominated by Beijer and local DIY retailers, but it is the

international chains and Byggmax, above all, that are growing rapidly. Many international chains are expanding, for example Bauhaus and K-rauta.

The Norwegian market is dominated by a few strong chains with Bygghuset as the market leader. These chains sell to private consumers and the trade. 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 recent years, the only international chain to establish operations in Finland has been Bauhaus. Other competitors in Finland include Starkki and S Group.

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 private consumers, although about a fifth are professional tradesmen. 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 technical support, for example, sawn lumber, insulation, doors and windows.

Practically all Byggmax stores have an identical range of products, thus assisting customers in their purchase planning. The range consists of the most in-demand building



¹ Mintel International Group — provider of market knowledge and analysis within the DIY sector — retail



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



materials and includes about 3,000 products, which is far fewer than the industry norm where large retailers may have up to 100,000 products. The roll-out of the upgraded store concept Byggmax 2.0 has meant a slight increase in the range to cover a larger proportion of customers' needs for building materials. The range in the stores normally 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. Byggmax also offers a range of on-line goods that are largely sent directly from the supplier to the customer. The range of products available to order is supplemented on an ongoing basis with new items.

Pricing

Byggmax's pricing strategy is primarily built on offering competitive prices relative to the competition 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. It should always be cheapest to buy supplies for building projects at Byggmax. The company also has a "lowest price guarantee," which means that a customer who finds a comparable item at a lower price from a competitor will receive the lower price plus a discount on the difference. Another aspect of Byggmax's pricing strategy is to always offer low prices.

Prices are set centrally, which enables rapid reaction to changes in market conditions. 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 21 percent of house owners plan to shop at Byggmax according to the 2015 report, which was the highest figure for any DIY store included in the survey.

PURCHASING, DISTRIBUTION AND LOGISTICS — EFFICIENCY AT EVERY STAGE

Byggmax purchases its products from around 400 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, which is Byggmax's largest product group, is procured locally.

Most of the purchased lumber is certified in line with the Forest Stewardship Council, FSC, or Programme for the Endorsement of Forest Certification, PEFC. Byggmax defines locally as being 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 it originates in the same country or part of a country as its destination. Byggmax avoids being dependent on a single supplier by having at least two suppliers per product category and ensures that stores have products in stock even if a supplier has encountered delivery problems.

With its product strategy, Byggmax is one of the largest purchasers in its geographic market and can negotiate attractive contractual terms and discounts.

The greatest volumes are delivered by the supplier directly to the stores, in full truckloads. Byggmax has three distribution centers that handle half of all products, which has given us the preconditions to maintain lower inventory levels, decrease costs and purchase at lower prices. The proportion delivered via the distribution centers has increased in recent years. During the year, Byggmax opened a new distribution center in Gävle's port area.

Byggmax imposes strict requirements on its suppliers in such areas as delivery conditions, product quality, price, procedures and CSR work.

The high inventory turnover places major demands on efficient distribution and logistics. During the year, Byggmax implemented a new ordering system, Rellex. Most purchase orders are handled automatically. The purchasing department can identify inventory shortages in all of the stores at any one time and place an order. It can often be difficult as a retailer to get the opportunity to participate in and influence the life cycle of a product. As regards Byggmax's major product group, lumber, this is the product group where the company 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. Our procurement practices are important because everything we sell comes from others. Furthermore, thanks to our practices we are able to influence other companies, for example by setting terms of employment for our suppliers' employees.

SALES — WINNING STORE CONCEPT AND SUCCESSFUL ONLINE SHOPPING

Since 2003, the store network has expanded from 19 stores to a total of 128 stores, of which 82 are located in Sweden, 33 in Norway and 13 in Finland. By owning and operating the individual stores itself, Byggmax can con-

trol every aspect of daily operations and ensure that the concept is fully applied throughout the store network. The performance of store managers is measured by a few key performance indicators (KPIs) that the managers themselves are able to directly affect to a significant degree. The store managers compare their performance with stores generating comparable sales and exchange experiences to meet their KPIs. Since 2009, part of each store's day is processing the online store orders that are sent from store to customer. Store personnel have to provide information about and sell the new range of online goods that are sent directly to the customer from the supplier.

Stores

Byggmax's stores have a standardized design for store communication, interior fittings and display of merchandise. Even if stores can vary in size and design, customers always recognize a Byggmax 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.

The Byggmax 2.0 concept

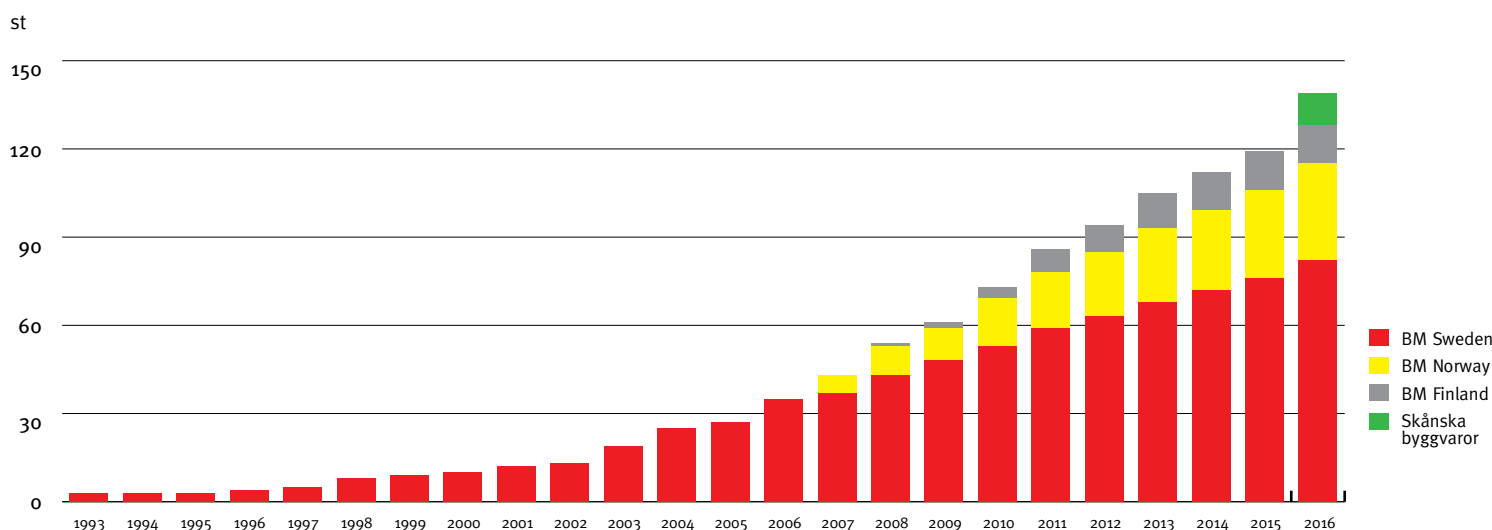
Byggmax 2.0 is an updated store concept, with more articles and clearer communication, utilizing the same sales area and with substantially improved sales control. The new concept makes it easier for customers to shop and means that Byggmax can meet a larger proportion of customers' building material needs. The conversion to the 2.0 concept was completed in 2016, meaning all stores are now fitted out in line with the new concept.

New store openings

Byggmax 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 of an area representing the key criteria in determining the location of a new store. Byggmax 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.

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 Byggmax four to six weeks to open a store. The aim is to open new stores immediately before or in conjunction with the hectic summer season. During the past four years, Byggmax has opened an average of ten new stores every year. To date, Byggmax has not closed any of its stores under the Byggmax concept, indicating that both the underlying analysis and expansion model work well. If Byggmax identifies a more attractive store location in an existing area, the store is relocated. This is one way of developing operations.

NUMBER OF STORES



The diagram illustrates the development of the number of stores since the beginning in 1993. During the past four years, Byggmax has opened an average of eight new stores every year.

Online store

Byggmax Online was launched in 2009 as a way of expanding the sales channels, but e-commerce is more significant than this alone today. Customers interested in building can find inspirational films and are met by a wide range of building materials so they can find the exact quality and function they are looking for. For this reason, Byggmax has extended its range extensively and now offers over 30,000 products on the Swedish website and 20,000 on the Norwegian and Finnish websites respectively. This allows us to offer the same product range as a much bigger building materials retailer, but without the major fixed costs and tied-up capital. The investment has led to good results and the extended product range has been a strong driver of growth during the year. Byggmax not only focuses on customers interested in building, but also on those who want to have their entire building project completed without being personally involved. This is why the Building Planner was launched in 2015 — a unique and pioneering tool that customers can use to design their room according to their own taste and have the entire room renovated and completed at a fixed price, including construction services. E-commerce is also an important source of information for customers who choose to visit a Byggmax store, as the website continuously updates prices and stock levels for each individual Byggmax store. This enables customers to check from the comfort of their home if the product they are seeking is available ahead of any visit to a Byggmax store. E-commerce will continue to be an important part of our operations and we will make major investments in this area in 2017.

Retailing construction services

Byggmax proceeded with the establishment of its retailing construction services in Sweden in 2016, under the name “Proffsbyggt”. Proffsbyggt offers customers the chance to purchase services at a fixed price. The services can be purchased via Byggmax’s website, stores and telephone at the Byggmax customer service center. Customers can purchase flooring, painting, heating, ventilation and sanitation (VVS) and electricity services as well as various construction services at fixed prices. Our assessment is that retailing construction services still has significant potential among customers who want to renovate but who are either unable to or unwilling to do

it themselves.

The range of services was expanded in 2016 by way of more services and increased availability, meaning the number of locations able to offer such services has increased.

MARKETING — CONSISTENT BRAND STRATEGY

Between 2010 and 2016, Byggmax has consistently applied its “Sverige bygger” (Sweden builds) and “Norge bygger” (Norway builds) advertising concept, and has continuously expanded the store network over this period which has gradually strengthened the brand. Byggmax has now managed to achieve nationwide brand recognition in Sweden and high brand recognition in Norway, where the chain was launched in 2007. The brand is strengthened by the company’s distinct business concept and the characteristic and effective store design made clear by the 2.0 concept.

Byggmax has invested substantial time and effort in developing its brand and attaining economies of scale in its marketing concept. Advertising uses a consistent form of expression, with realistic situations and real customer projects, which adds a documentary feeling to the activities, all of which is in line with the strategy of making things easy for DIY enthusiasts. Byggmax’s customers are the main characters in television commercials, advertisements, direct mail and on the website. Customers are interviewed while carrying out their building project over a summer and comment, without being directed, on Byggmax and its products. The concept demonstrates the geographical spread of Byggmax by using customers from all over Sweden. In particular, according to independent trade publications and surveys, it has strengthened Byggmax’s price profile and brand. Byggmax does not use any advertising agencies in Sweden or Norway. TV commercials are produced with the assistance of a production company and all Byggmax advertising is produced in-house.

In Finland, the new concept launched in 2015 has continued to strengthen Byggmax’s profile. During the high season, Byggmax comes top in terms of brand awareness and DIY stores with the lowest prices. The new concept has received major acclaim and won gold at the Effie Awards, one of Finland’s top advertising prizes.



BYGGMAX ORGANIZATION

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 service office in Solna, Stockholm. Thus, there are no local offices — a feature that contributes to the efficiency and economies of scale that characterize the Byggmax concept.

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, the website, and operation and development of the IT environment.

BYGGMAX'S VALUES

All of Byggmax's permanent employees have jointly produced Byggmax's values.

RESPONSIBILITY

I stand behind my thoughts, words and actions. I deliver what I promise and always act in the best interests of Byggmax.

RESPECT

I see, listen to and try to understand everyone around me. By treating others as I would like to be treated I contribute to building strong and healthy relationships.

FUN

I view everyone as fantastic and spread joy by being open and through my smile. In this way, we all have fun together!

POSITIVE ATTITUDE

I choose to always see opportunities and solutions. My positive thinking energizes the team and our customers. Anything is possible!

COMMITMENT

I maintain an open attitude and go that extra mile. I actively participate and demonstrate a genuine interest in colleagues and customers.

100%

I always do my best and pay attention. We will be the world's best DIY retailer!



Byggmax gathered all permanent employees at a major conference on November 16–17, 2013, to draw up a new set of values.

BYGGMAX ♥ LEAN

Byggmax uses the Lean philosophy to develop its operations. Continuous improvement efforts are being made — at both the service office and in the stores. The service office in particular has come an extremely long way in terms of creating a Lean culture in which the employee-driven improvement efforts are in line with

the company's set of values. For a number of years now, Byggmax's service office has welcomed educational visits from companies wanting to learn more about how to work under a Lean philosophy with regard to administration. In 2016 alone, ten companies visited us to see how we conduct our day-to-day governance, improvement efforts, standardization and leadership.



THE WORLD'S FIRST BYGGMAX WEDDING

It all began with a competition. Couples up and down the country were given the chance to submit a motivation letter explaining why they should be allowed to get married at Byggmax. The motivation letter of the winners, Carolina and Viktor, was full of love, rhyme and carpentry references — the jury was floored. This therefore led to the world's first Byggmax wedding in Örebro on June 4. Byggmax paid for the flowers, music, celebrant and everything else that was required for an unforgettable wedding. The couple merely had to turn up and say "I do." Congratulations to Carolina and Viktor, and thank you for letting us be a part of your big day.



SKÅNSKA BYGGVAROR GROUP

ENSURING CONTINUED GROWTH IN THE NORDIC REGION. SKÅNSKA BYGGVAROR IS ONE OF SWEDEN'S MOST EXPANSIVE AND SUCCESSFUL MAIL-ORDER AND E-COMMERCE COMPANIES SELLING VALUE-ADDED BUILDING MATERIALS TO DIY CONSUMERS. WITH ITS VALUED PRODUCTS FOR SUN ROOMS, GREENHOUSES, SPAS, DOORS, WINDOWS, GARAGE DOORS, BATHROOMS, STORAGE AND MUCH MORE, SKÅNSKA BYGGVAROR HELPS TO CREATE BEAUTIFUL AND FUNCTIONAL HOMES IN THE NORDIC REGION.

Growth was considerable in 2016 compared with the market index. This was due to a two-fold increase in the number of stores compared with 2015, new products, the launch of a fitting service and expansion into Denmark through the acquisition of Pavillon Danmark. General market growth in Sweden in 2016 more than halved compared with 2015 due to fewer opportunities linked to ROT deductions and new mortgage repayment requirements that took effect halfway through the year.

Over 1 million customers have shopped with Skånska Byggvaror, and each year sees new customers tempted by an attractive range for both the external and internal home environment.

Attractive products sold under a proprietary brand are created through internal product development and carefully selected suppliers. The journey from idea to launch is, and has always been, a short one. This gives Skånska Byggvaror unique control over its range, for example in terms of quality, design and pricing. A range of new products was launched in 2016, including a series of free-standing sun rooms with a modern design and a newly developed folding system for sun rooms.

Multi-channel expansion — always available for the customer

After its foundation as a distance retailer in 1965, Skånska Byggvaror opted to introduce e-commerce in 1998, which became a successful sales channel. Today,

the majority of customers choose to both shop and be inspired online or on mobile platforms. Since 2014, Skånska Byggvaror has invested in ten new stores to increase market penetration and make it easier for customers to “touch and feel” the products. The products are presented in stores in natural and homely environments. Store expansion has been achieved through a Shop-In-Shop concept inside Plantagen stores. Independent stores have been opened in Kristiansand and Oslo in Norway. Regardless of the channel, customers can contact Skånska Byggvaror physically, digitally or via telephone. In 2016, five new stores were opened in Uppsala, Örebro, Falun, Malmö and Värmdö.



Nordic investments continue

Skånska Byggvaror has successfully been selling its products in Norway since 2012 through the brand and subsidiary Grønt Fokus. Pavillon in Denmark was acquired at the end of 2015, and this Danish business was transformed and integrated into Skånska Byggvaror during 2016 using the same model as in Norway. Sales have developed positively in Denmark. A certain level of sales is achieved in the Group through Byggmax in the Finnish market.





Launch of fitting service in 2016

A new feature seen in 2016 was that all Skånska Byggvaror stores now offer the fitting of specific, selected product categories. This is a natural step in trying to reach a new target group and thus enhance the customer experience further.



Punctual and convenient home deliveries

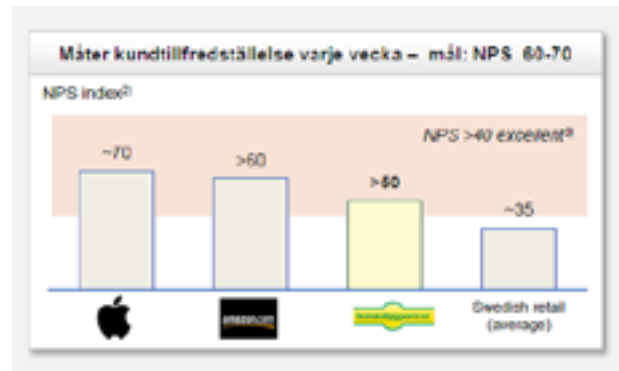
All customers receive carriage-paid deliveries all the way to their homes in any part of Sweden. The products are often transported in profiled trucks with drivers who help to unload the goods. The deliveries are sent out from the central warehouse in Ängelholm and are planned to be efficient and fast while also minimizing any environmental impact thanks to cleverly planned milk run deliveries. Having good control over the deliveries ensures that customers receive fault-free goods and are satisfied. Customers always have a 30-day right of withdrawal, while the right of complaint is valid for three years. In 2016, our unique milk run delivery truck concept was introduced in Oslo and its surrounding areas.

Our value chain — a unique model

From internal product development to production and refinement in our own factory in Skåne to our own stock-keeping and delivery to the end customer. From product concept to final delivery including sales and service channels, Skånska Byggvaror has full control over large parts of its range. All of this strengthens the product offering and ensures the best possible customer experience for the growing number of customers.

NPS leads to more satisfied customers

Skånska Byggvaror measures the customer experience using the global CPI index Net Promoter Score, enabling it to focus on the processes that are important to the customer. NPS measures a brand's rate of recommendation. Skånska Byggvaror's NPS is considerably above the industry average.



Focus areas in 2017

Investments in product development and the fitting service will continue in 2017, along with expansion in the Nordic region. In parallel, our multi-channel strategy will be optimized and enhanced and our new organizational model will be developed. This will mean a shift from a functional organization in each country to a process organization for Skånska Byggvaror as a whole.



Our value chain from product development to delivery to the customer.

BUILDOR — A LOT OF BUILDING MATERIALS FOR YOUR MONEY

BUILDOR IS A NET-BASED CONTENDER THAT SELLS BUILDING MATERIALS ONLINE. THE COMPANY STARTED UP IN 2013 AND HAS GROWN AT A TREMENDOUS PACE SINCE THEN. IN AUTUMN 2015, BUILDOR BECAME A PART OF THE BYGGMAX GROUP.

You can purchase building materials from Buildor online — in the safety and comfort of your own home. You will have your goods delivered to your door at no extra cost. You will find everything you need among the 300 brands, from bathrooms and floors to gardens and furnishings.

Jonatan Schwamberg is President of Buildor and has been involved since the company started.

“That we grew so quickly is not least a result of the fact that we focused a lot on the satisfaction of our customers combined with a very wide product range,” explains Jonatan.

With its goal of making it easier and more pleasant to shop for building materials, much of Buildor’s corporate culture is in line with that of Byggmax. Furthermore, the two companies complement each other both in terms of



product range and purchasing channels.

“We have a slightly different profile to Byggmax as we sell a lot in the areas of furnishings, the home and gardens. When, early on, we looked at how Buildor would benefit from becoming a part of a larger group, we saw there were a lot of synergies with Byggmax, particularly in terms of purchasing, cross-selling and sharing skills, all of which benefit both companies,” says Jonatan.

**“WE HAVE FOCUSED A LOT
ON THE SATISFACTION OF
OUR CUSTOMERS”**

Buildor works hard to keep its own costs down in order to be in a position to offer sufficiently competitive prices. We price-match our competitors — regardless of whether you have already completed the purchase or not. Thanks to a dedicated customer service that responds quickly to any questions, be they about price or the functioning of the products, customer service is always paramount.



EMPLOYEES

THE BYGGMAX GROUP'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.

STRONG CORPORATE CULTURE — BYGGMAX'S VALUES

Byggmax's solid corporate culture — Byggmax's values — 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 with extensive experience in various areas of operations. All head office personnel work at least once per year out in the stores to maintain their links to store operations. Byggmax applies a Lean approach at both the head office and in the stores. Application of a Lean approach means working on resource efficiency and minimizing waste. Collective bargaining agreements are applied to 100 percent of staff.

ORGANIZATION — FUNCTION-CONTROLLED MANAGEMENT

The Byggmax Group 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, and in Helsingborg. Thus, there are no local offices — a feature that contributes to the efficiency and economies of scale that characterize the Byggmax concept. Store operations at Byggmax 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 nine 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. Skånska Byggvaror's store operations are organized by 11 store managers, who take care of day-to-day operations, and a customer center manager responsible for management, operations and results.

EMPLOYEES — 1,064 IN THE BYGGMAX GROUP

During 2016, the Byggmax Group had an average of 1,064 full-time employees (762 in 2015 referred only to Byggmax), 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 has created a highly motivated organization. Work attendance vis-à-vis normal working hours was 96 percent (96) during the year for Byggmax and 97 percent for Skånska Byggvaror. 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 for Byggmax 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 (7 of 7) reside in Sweden. Of other individuals in senior positions in the remainder of the organization (regional managers), 9 of 9 (100 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 82 percent. The Byggmax Group 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 for such subsidies totaled SEK 8.7 M in 2016 and SEK 6.2 M in 2015.



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 the 2016 fiscal year, the distribution of reported work accidents was as follows: Out of 18 personal injuries, the number of women amounted to 3 and the number of men 15 for the Byggmax Group.

WORK-RELATED INJURIES	2016	2015
NUMBER OF PERSONAL INJURIES, EMPLOYEES	18	16
FATALITIES	-	-
NO. OF LOST TIME INJURIES (LTIS)	7	5
TOTAL NUMBER OF DAYS ABSENT (CALENDAR DAYS) DUE TO WORK-RELATED INJURIES	170	62
ACCIDENT RATIO	1.8	2.1
WORKING DAYS LOST	16.8	8.2

TRAINING

The following table specifies the estimated number of hours training for each personnel category per employee per year. The variation in the number of hours is attributable to the individual levels of previous experience and knowledge. The lower number of hours is specified for individuals with substantial previous experience, for example of the company and similar positions. The proportion of external training amounts to between 25 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.

	INTRODUCTION, NUMBER OF HOURS	ANNUAL REPETITION, NUMBER OF HOURS
PICKERS	15	10
STORE EMPLOYEES	180	60
STORE MANAGERS	310	100
REGIONAL MANAGERS	80	80

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 guidelines, HR strategy and an action plan for cases of abusive treatment are all contained in the Byggmax and Skånska Byggvaror personnel manuals, which are available to all employees. The Equality Policy is also published on the Byggmax website. No known incidents of discrimination occurred in 2016. Equal pay regardless of gender, background, etc., is a natural part of our organization and forms a part of our set of values as it is included in the value word "Respect." When comparing the same personnel categories, women have somewhat higher salary levels than men within the Byggmax Group. Base data comprised the closing basic salaries for store employees in Norway and Sweden as of December 31, 2016.

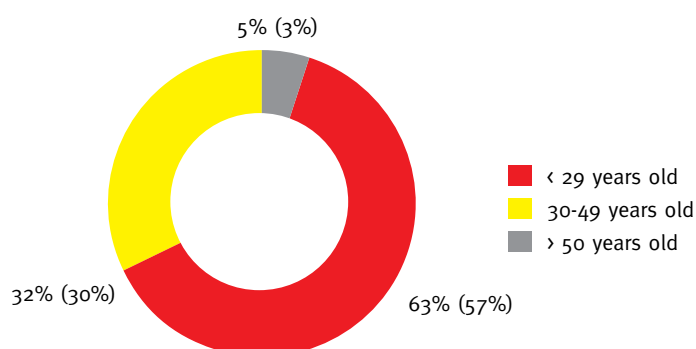
	2016	2015
WOMEN'S SALARIES AS A PERCENTAGE OF MEN'S	100.5%	98.2%

GENDER	STAFF TURNOVER
MEN	63% 56%
WOMEN	59% 76%

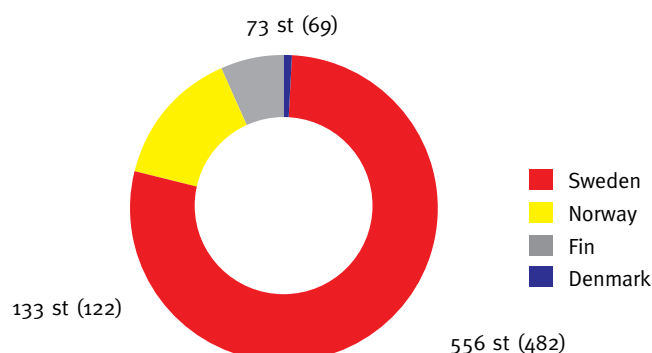
AGE	STAFF TURNOVER
30	83% 82%
30-40	35% 27%
40-50	31% 34%
50+	39% 23%
TOTAL	62% 60%

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. 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



WORKFORCE, EMPLOYEES BY COUNTRY



OUR RESPONSIBILITIES

BYGGMAX'S GUIDELINES FOR SOCIAL RESPONSIBILITY COMPRISE A CODE OF CONDUCT FOR SUPPLIERS, ETHICAL GUIDELINES, ENVIRONMENTAL POLICY, WORK ENVIRONMENT POLICY AND EQUALITY POLICY. ALL POLICY DOCUMENTS ARE AVAILABLE IN THEIR ENTIRETY ON BYGGMAX'S WEBSITE.

Byggmax is a part of society, and so it is important for us to contribute to sustainable development. The company's social responsibility extends over many different areas and varies in nature depending on the company's operations. Our acquisition, Skånska Byggvaror, offers production, which was previously not present in the Group. To an extent, the environmental impact by that company is included in the environmental reporting, and the intention for 2017 is to develop a Group-wide sustainability initiative and reporting format.

Through our collaborations in Europe, such as our Bricoalliance purchasing collaboration, we can also take responsibility for our purchasing outside Europe, despite the relatively small volumes we purchase in those geographies.

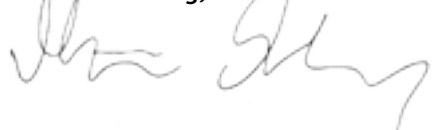
Byggmax is also involved in the European collaborative organization for DIY retailers, EDRA. Through this organization we participate in the dialogue with politicians in Brussels, and we also collaborate with our suppliers. It is very positive that retailers and suppliers collaborate. In 2013, for example, a joint document was signed regarding how the industry wants to ensure payments and payment times are upheld.

You can also find other information such as Our responsibilities in our reporting, which is carried out in accordance with the Global Reporting Initiative (GRI). We have set a goal of achieving a 25 percent reduction in carbon dioxide emissions, measured as emissions per ton transported, by 2020. We set this goal in connection with our first environmental report in 2009. In 2016, work continued on reducing the environmental impact, and carbon emissions per ton of goods carried declined. Since the first measurements in 2009, carbon emissions have decreased by 19 percent per ton transported. In order to achieve the goal, we need to implement new measures. This is one of the reasons we are setting up another distribution center in Gävle. This will enable us to replace road freight with maritime freight, which in turn will reduce the impact on the environment.

Other areas that have developed positively over time include waste management at stores, where the proportion of mixed waste declined from 11 percent in 2009 to five percent in 2016, which means sorted and rejected waste increased from 83 percent in 2009 to 87 percent in 2016.

The goal for 2017 is to achieve more than a 20 percent reduction in carbon emissions compared with 2009 and to continue the positive trend in the area of waste management.

Mattias Ankarberg, President and CEO



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

Byggmax's policy documents are based on the Global Compact and the OECD's guidelines for multinational companies. Below is an overview of the UN Global Compact's ten principles in the areas of human rights, labor, the environment and anticorruption for companies, with reference to the documents and policies where the guidelines have been incorporated into Byggmax's operations.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights (Code of conduct for suppliers).

Principle 2: Businesses should make sure that they are not complicit in human rights abuses (Work environment policy, Equality policy).

LABOUR LAW

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining (Code of conduct for suppliers).

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor (Code of conduct for suppliers).

Principle 5: Businesses should uphold the effective abolition of child labor (Code of conduct for suppliers).

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation (Work environment policy, Equality policy and Code of conduct for suppliers).

ENVIRONMENT (ENVIRONMENTAL POLICY)

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery (Code of conduct for suppliers and Ethical guidelines).

Byggmax's values serve as a supplement to the above documents. All of these documents form part of the Byggmax work environment process, which ensures that these documents remain relevant to the organization.



BYGGMAX IMPACT

Bygghem purchases completed products primarily from the Nordic region and Europe and around five percent from Asia. Buildor purchases completed products from 102 producers and wholesalers, of which 99 are in the Nordic region, three in Europe and none outside Europe. Skånska Bygghem purchases input goods for production from 23 suppliers in the Nordic region, one in Europe and six outside Europe, as well as completed products from 89 producers and wholesalers in the Nordic region, 25 in Europe and 11 outside Europe. The greatest opportunity for Bygghem to make an impact is in relation to the environment, specifically the transport of goods to stores.

As a part of society, we not only provide employment for many people, but also bring tax revenue into society and impact the environment. Furthermore, we help our customers make their building dreams a reality.

MEASURING METHODS AND REVIEW

The Annual Report contains various metrics applicable to the company's impact on society. The measuring methods used are primarily the aggregate of actual outcomes at stores. When it is impractical to track outcomes per store, tracking is sometimes performed on an aggregate level. In some cases, a single product category has been selected for tracking. In such instances, it is necessary for Bygghem to be a relatively large buyer to be able to influence various supplier behaviors and, consequently, not all product categories are relevant.

To reconcile and support the measuring methods utilized, Bygghem has examined this summary and reporting based on the guidelines for sustainability reporting G4, produced by the international stakeholder organization the Global Reporting Initiative (GRI). This examination was performed by Tyréns AB, an external consulting firm.

MATERIALITY ANALYSIS

Bygghem's sustainability report presents GRI disclosures concerning its primary commercial operations. These operations comprise the store organization of Bygghem 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 its impact is insignificant in relation to the store organization. All Group subsidiaries, except Bygghem Fastighetsutveckling AB, are jointly reported unless otherwise specified. Bygghem Fastighetsutveckling AB is not reported at all, since the company did not conduct any significant operations in 2016.

In 2010, the first ever materiality analysis was carried out together with Bygghem's stakeholders in order to identify and prioritize significant issues which form the basis of the report's content. This analysis is kept updated and current via an ongoing dialogue with stakeholders and is reviewed as part of the GRI report by those reviewing the analysis. For more information, see the "Process" appendix to define the contents of the report and application of the accounting policies.

The issues identified as significant based on both the analysis and the GRI's aspects are outlined below.

Finances:

- Economic impact (within and outside the organization)
- Market presence (within and outside the organization)
- Procurement practices (within the organization)

Environment:

- Energy (within and outside the organization)
- Biological diversity (within and outside the organization)
- Emissions (within and outside the organization)
- Products and services (within and outside the organization)

Employment conditions and terms of employment:

- Employment (within the organization and at suppliers)
- Work environment (within the organization and at suppliers)
- Training and education (within the organization)
- Diversity and equal opportunities (within the organization and at suppliers)
- Equal pay for men and women (within the organization and at suppliers)

Human rights:

- Non-discrimination (within the organization)
- The organization's role in society:
- Society (outside the organization)

Product responsibility:

- Product and service labeling (outside the organization)

OUR RESPONSIBILITIES, CONTINUED

STAKEHOLDERS

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 systematically communicate with 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 and employees in the store. This communication is conducted on a daily basis.

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

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

Politicians: Byggmax has relatively limited contact with political organizations and spokespersons. 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 in which Byggmax participates.

Owners: Byggmax submits financial reports every quarter. In addition, the company participates in Small Cap meetings arranged by shareholder clubs three to five times per year, meets investors in conjunction with the interim reports and invites shareholders to the annual general meetings.

Core issues for Byggmax stakeholders are defined as follows:

Customers: product quality and price. Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

Suppliers: The stability of Byggmax as a customer and Byggmax's financial impact.

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

Employment conditions and terms of employment at Byggmax. Byggmax's financial impact.

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

Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

Owners: Future dividends from Byggmax and sustainable business.

Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

Over the past few years, Byggmax has produced a sustainability report in accordance with the GRI framework. This year we will transition to the new way of reporting in accordance with the GRI.

CODE OF CONDUCT FOR SUPPLIERS

Byggmax does not conduct manufacturing operations but instead buys its products from some 400 carefully selected suppliers. Byggmax's purchasing strives to find products that hold high quality and which follow relevant standards.

Byggmax has guidelines that cover work conditions and social responsibility in its own operations as well as in relationships with suppliers of products and services. The Code of Conduct complies with the UN's Global Compact and the OECD's guidelines for multinational companies. Suppliers are personally responsible for ensuring that their operations are pursued in line with the Code of Conduct and, when requested, must provide Byggmax with information concerning their sub-suppliers.

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 of 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

Byggmax promotes sustainable social development using active environmental programs. 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 environmentally friendly products will increase, supplemented by improvements in environmental information for customers. Environmental programs are based on an environmental policy with tangible 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 goal of Byggmax's systematic work environment programs is 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 business 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.

Byggmax endeavors to handle work environment issues locally in the organization and make them a natural part of day-to-day activities. The President 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 88 with page references. The report is formulated in accordance with the GRI's principles at G4 Core level.



BYGGMAX 2016 ENVIRONMENTAL REPORT

Introduction

In 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 were initiated to continuously achieve improvements to reduce the organization's negative impact on the environment.

This year's environmental report includes information from Buildor and Skånska Byggvaror as far as any was available. Work will be undertaken in 2017 to be able to fully report for the entire Group using a common framework.

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

- the 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, and
- energy consumption in business activities.

Byggmax's environmental policy stipulates annual measurement of the status and trends in the aforementioned items, in the form of measures implemented and quantitative measurement where possible. The ambition is to improve every year in the areas specified above. The goal is a 25-percent reduction, per ton transported, in emissions of carbon dioxide and other greenhouse gases between 2009 and 2020.

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

Transportation

As a retailer of building materials, Byggmax has an

impact on the environment through the transport work that we, our subsidiaries and our suppliers carry out.

In terms of calculations, Byggmax limits its environmental impact to distribution in and out of distribution centers and transportation from suppliers to Byggmax stores in Sweden, Norway and Finland. Transportation to our sub-suppliers has not been counted as this should be reported by the respective sub-suppliers. The emissions calculations did not include online goods deliveries and home deliveries from stores either. At present, such freight comprises a relatively small portion of the Group's total transport work. Around one percent of sold weight in 2016 comprised orders that were delivered directly from suppliers or warehouses to customers' homes. Deliveries by crane trucks or delivery vans comprised 8 percent of sold weight in 2016, though significantly lower in terms of transport work as the deliveries from stores go to the immediate area. In 2015, seven percent of sold weight was transported by crane trucks or delivery vans. To an increasingly large extent, Byggmax is offering deliveries to delivery points as well as store deliveries that are co-distributed with store goods, thus representing a resource-efficient transport chain. In 2016, around four percent of goods sold online were co-distributed.

Since late 2015, Buildor and Skånska Byggvaror also formed part of the Byggmax Group. Buildor is an online retailer with relatively small goods volumes. Transport data for Buildor is not included in any calculations for the year. Skånska Byggvaror requires incoming transportation of materials for fitting sun rooms, incoming transportation of goods to distribution centers and outgoing transportation to end customers. The transport calculations only include outgoing transportation to end customers as a model for incoming transport calculations has not yet been put into place. The plan

	2016	2015	2014	Trend 2015-2016	Trend 2009-2016*
Transported goods [thousand tons]	695.9	661.9	576.7	5%	76%
Transport work [million ton-kilometers]	417.6	397.4	349.6	5%	54%
Of which marine [million ton-kilometers]	79.8	84.1	76.5	-5%	70%
Share marine	19%	21%	22%	-10%	11%
Of which rail [million ton-kilometers]	0.0	0.0	0.0	0%	0%
Share rail	0%	0%	0%	0%	0%
Of which road [million ton-kilometers]	337.8	315.1	273.2	7%	50%
Share road	81%	79%	78%	2%	-2%
Transport work per ton [ton-kilometers/ton]	600	600	606	0%	-13%
CO2 emissions per ton of goods transported [kg]	28.1	28.4	28.4	-1%	-19%
CO2 per krona of sales [kg/TSEK]	3.8	4.0	4.0	-3%	-32%
Absolute carbon emissions CO2 [ton]	19,652	18,935	16,452	4%	42%

Table 1, compilation of key freight ratios for the Byggmax Group. Emissions per ton-kilometer are based on emission data from ntmcalc.se. *The basis for comparison for 2009 is not pro forma for Skånska Byggvaror, rather it only includes data from Byggmax.

is to include this in the 2017 Annual Report. Data for the Group in 2015 and 2014 are pro forma and include transport work from Skånska Bygghvaror as outlined above.

Transport work per ton of goods transported remains unchanged compared with last year, but has fallen 13 percent since 2009. The amount of CO₂ emissions per ton of goods transported has also fallen. Byggmax's aim is to reduce that figure by 25 percent to the level seen in 2009. A reduction of 19 percent has been achieved so far today, even after the data for Skånska Bygghvaror has been included in the figures for 2016.

Compared with the previous year, Byggmax has increased the number of suppliers who use marine freight, but the total amount of marine freight has declined due to fewer purchases of certain major product groups from Asia.

Furthermore, the transition from two to three Byggmax distribution centers, with the third facility located in Gävle in order to supply Mälardalen, Norrland and Finland, has led to opportunities to use marine freight over longer distances and to reduce transport work by road.

The proportion of products distributed via warehouses has increased, thus enabling more collective transportation, which is beneficial from an emissions perspective. The total amount of transport work and absolute emissions has increased, but not at the same rate as the amount of transported goods, which means the trend in terms of relative emissions continues to be favorable.

Emissions of other greenhouse gases and environmentally hazardous substances, per ton transported and in absolute figures, are presented in table 2 below. This category includes nitrogen oxides (NO_x), hydrocarbons (HC), carbon monoxide (CO) and small particles (PT).

The fact that total emissions of greenhouse gases and environmentally hazardous substances have increased since 2009 was attributable to the number of stores increasing from 61 to 128 over the corresponding

period and to the stores' geographic spread now being substantially larger than it was seven years ago.

Products and packaging

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

Skånska Bygghvaror carries out fitting and packing of sun room and wardrobe parts as well as packaging of accessories for produced goods in Bjur, outside Helsingborg. Thanks to our choice of input materials and production sub-suppliers, we are able to change our environmental impact. Currently no guidance or monitoring aimed at promoting increased use of renewable raw materials is in place. Production involves the fitting of components and no input raw materials are used in the form of primary natural resources such as ore or timber. In addition to the materials used in the table below, a small amount of oil is used to lubricate machinery in the amount of 25 liters per

Material	Weight (tons)	Proportion of recycled/reused material
Glass	2,582.2	0%
Aluminum	1,102.4	60%
Rubber	694.2	0%
Wood	217.9	0%
Other material	125.0	n/a

Table 3, input material used in Skånska Bygghvaror's production in 2016, with the percentage of material that comes from renewable sources.

All materials used in the manufacturing come from external suppliers and none are byproducts of internal processes. Information on the total weight per type of material comes from the business system and the proportion of materials from renewable sources comes from the material suppliers.

Manufactured modules are pre-packaged in corrugated board and plastic.

	2016	2015	2014	Trend 2015-2016	Trend 2009-2016*
NO _x [g/ton transported]	241	246	246	-2%	-19%
CO [g/ton transported]	63.1	63.9	63.7	-1%	-17%
HC [g/ton transported]	10.6	10.8	10.8	-2%	-18%
Particles [g/ton transported]	5.9	6.0	6.1	-3%	-17%
NO _x total [ton]	168.6	163.3	142.3	3%	43%
CO total [ton]	43.9	42.2	36.7	4%	46%
HC total [ton]	7.4	7.1	6.2	3%	45%
Particles total [ton]	4.1	4.0	3.5	2%	46%

Table 2, emissions of greenhouse gases and environmentally hazardous substances per ton of goods transported and in absolute measures for the Byggmax Group. Emissions per ton-kilometer are based on emission data from ntmcalc.se. *The basis for comparison for 2009 is not pro forma for Skånska Bygghvaror, rather it only includes data from Byggmax.

Packaging material	Weight (tons)	Proportion of recycled/reused material
Corrugated board	112.5	66%
Plastic	9.7	0%

Table 4, packaging material used in Skånska Bygghvaror's production in 2016, with the percentage of material that comes from renewable sources.

Product labeling is important. Environmental labeling and other similar labeling makes it possible for our customers to make a personal choice about how much they want to affect the environment, for example.

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 about 15 percent of all products in the stores' range.

The table below applies in cases where it is of use. Our agreements also require suppliers and/or producers to comply with national and EU laws regarding product content and labeling.

Product labeling	Yes	No
Components in product	X	
Contents, in particular substances which have environmental impact	X	
Safe usage of the product	X	
Disposal of products and environmental impact	X	

Table 5, product labeling

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 lumber that complies with the environmental goals set by the Swedish Wood Preserving Association and the Nordic Wood Preservation Council. Lumber is procured mainly from Nordic suppliers who produce in the Nordic region and in full loads directly from saw-mills to minimize environmental impact.

Of the lumber we purchased in 2016, 70 percent was FSC or PEFC-labeled and came from sustainably managed forests. The Forest Stewardship Council organization is an independent, international member organization that uses its FSC certification system to strive for environmentally sound, economically robust and socially responsible management of the world's forests. PEFC is a similar certification that is more adapted to North European forest management.

	2016
Sweden	66.3%
Norway	82.1%
Finland	97.9%
Total	69.6%

Table 6, proportion of purchases that are FSC or PEFC labeled lumber per country to Byggmax in m3. Total volume is not displayed for strategic business reasons.

Certified producers, regardless of whether they are FSC or PEFC, comply with established rules regarding forest management and product traceability. The labeling helps consumers and companies choose lumber-based products that are produced by responsible forest management — forest management that takes people and the environment into consideration.

The total proportion is lower than we would like, which is due to high demand for certified lumber but too few certified producers.

The majority of parquet flooring sold is FSC-labeled (Forest Stewardship Council).

Byggmax handles goods with a low proportion of packaging. Only a low proportion of articles sold in stores have consumer packaging, meaning packaging that is sold together with the goods and taken home by the customer. Otherwise, products have varying types 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.

Through membership in FTI, the Packaging and Newspaper Collection Service in Sweden and Grønt Punkt in Norway, Byggmax shoulders its responsibility as a producer for packaging on all brought-in and imported goods. For goods manufactured in Sweden, it is the producer that bears the producer responsibility, meaning that Byggmax indirectly defrays the costs for the handling of these products.

Waste category	2016	2015	2014	Diff. 2015–2016	Diff. 2009–2016
Mixed waste	8.1%	4.8%	6.2%	3.3%	-1.3%
Landfill, unsorted	6.2%	8.0%	7.1%	-1.8%	-0.5%
Sorted	85.7%	87.2%	86.8%	-1.5%	1.8%

Table 7, division of waste by category for 2014–2016 for Byggmax stores in Sweden.

Waste category	2016	2015	2014	Diff. 2015–2016	Diff. 2009–2016
Mixed waste (tons)	4.9	2.9	3.5	67.7%	-3.8%
Landfill, unsorted (tons)	3.8	4.9	4.0	-23.6%	4.1%
Sorted (tons)	52.0	53.4	49.4	-2.7%	14.3%
Total [tons]	60.7	61.3	56.9	-1.0%	11.9%

Table 8, waste volumes by Byggmax store in Sweden, 2014–2016

In Sweden, Byggmax has a broad collaboration with Ragn-Sells to ensure that as much of the stores' waste as possible is recovered and recycled as energy or new materials. The aim is to minimize the amount of waste that goes to landfill and achieve zero mixed waste.

Total waste volumes are increasing per store, which is attributable to many of the items that have been included in the range being of the type that has more transport packaging than heavy building materials. The average store produced 54.2 tons of waste in 2011, compared with today's 60.7 tons. The proportion of landfill waste is falling slightly, but mixed waste is unfortunately up to its second-highest level since 2011.

Printed matter

The printed matter produced and distributed by the Group represents a large part of its environmental impact. Over a seven-year period — from 2009 to 2016 — Byggmax has reduced the volume of printed materials by about 64 percent per store and around 24 percent overall. This change was attributable to new stores being established in existing distribution areas, which has significantly cut the average volume of advertisements distributed per store, but also to different distribution patterns and alterations to the types of paper.

Printed store materials are also included in the figure for 2016, for example in the form of informational signs, with a total weight of 155 tons. Despite this, the total weight of printed material has fallen by around two percent from the previous year, which is due to fewer printed direct mail flyers. Smaller price signs have been produced directly in-store since 2015, instead of being produced and delivered from a central printing works.

The printing firms are certified in accordance with PEFC and FSC, and in the case of the advertising printing firm, in accordance with the Nordic Ecolabel and EU Ecolabel. The store material printing firm produces on material other than paper and is therefore unable to be covered by the Nordic Ecolabel. The printing firms take care of the destruction of excess ink, work to minimize use of toxic chemicals in printing ink and carry out regular health checks on their employees.

Printed matter Byggmax	2016*	2015	2014	Trend 2015– 2016*	Trend 2009– 2016*
Printed matter	834	853	1,097	-2.3%	-24.2%
Printer matter per store (tons)	6.51	7.17	9.79	-9.1%	-63.9%

Table 9, total printed matter and per average Byggmax store for the 2014–2016 period. * Printed store materials are also included in the calculations for 2016.

Printed matter Skånska Byggvaror	2016
Printed matter	377.17
Printer matter per store (tons)	34.2282

Table 10, printed matter for Skånska Byggvaror in 2016

Energy consumption

Byggmax endeavors to achieve energy efficiency and all new stores constructed surpass the building regulations imposed in the respective countries. Prefabricated insulating facades and thermopane glass in the buildings' windows contribute to favorable energy utilization. Newly built stores have heat recycling integrated in the ventilation system and do not just rely on direct heating. New and renovated stores have LED lighting installed as the light source. Byggmax is subject to the law regarding energy mapping by major companies.

The direct energy of a non-renewable nature used by Byggmax's stores largely comprises fuel in the form of diesel and gasoline used by the diesel forklifts and company vehicles in service.

Energy source	2016	2015	2014	Diff 2015– 2016	Diff 2009– 2015
Diesel (GJ)	10,061	11,631	10,142	-14%	16%
Gasoline (GJ)	0	0	0.3	0%	-100%
Total (GJ)	10,061	11,631	10,142	-14%	14%
Energy/store (GJ)	79	98	91	-20%	-35%
Energy/received order (GJ)	0.093	0.119	0.119	-22%	-40%

Table 11, direct energy consumption per each renewable energy source in 2014–2016 for Byggmax stores

The fleet of forklifts is gradually being renewed and all new forklifts procured are of environmental class III, in accordance with the European Parliament directive 97/68/EU, and electric/diesel hybrids. About 90 percent of the forklift fleet is now either hybrid or electric. 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 electricity used to charge the trucks has not been separated from the total energy consumption of the stores and is instead included under indirect energy consumption below.

Included in the Byggmax Group's total direct energy consumption is fuel for trucks and forklifts and the electricity consumed by the production and warehouse operations, machinery and forklifts at Skånska Byggvaror. Fuel is not reported separately at Skånska Byggvaror and cannot therefore be included in this year's reporting.

Energy source	2016	Percentage of renewable energy
Diesel (GJ)	n/a	0%
Gasoline (GJ)	n/a	0%
Electricity (GJ)	2,598	n/a

Table 7, direct consumption per energy source for 2016 for the Group

The indirect energy used by Bygghmax per primary energy source mainly comprises electricity and heat. Most of our stores are heated using electricity. In 2011, the electricity agreements were renegotiated in Sweden for the Bygghmax stores that do not have electricity included in lease agreements and the choice fell to guarantee-of-origin hydroelectricity from power stations in Ljusnan from 2012. In addition, 100 percent of the energy for the stores in Norway is derived from renewable sources. Stores in Finland have a residual mix of electricity.

	Of which, renewable energy	Of which, nuclear power	Of which, fossil fuel
Sweden	100%	0%	0%
Norway	100%	0%	0%
Finland*	11.3%	45.8%	42.9%

Table 7, indirect energy consumption per primary energy source in 2016 for stores where indirect use is possible to influence. *Residual mix data for Finland is for 2015.

In collaboration with the electricity supplier, an initiative was carried out to identify and eliminate unnecessary grid loads in Bygghmax stores in Sweden. All store managers have undergone energy-efficiency training and receive reports of energy use and power usage.

The increase seen in 2014–2015 in Sweden was due to the fact our customer service moved to larger premises with their own meters for reading consumption. The reduction in Norway in 2016 is largely due to an extremely warm winter. The change has not been adjusted in line with a normal year.

Energy consumption (TJ)	2016	2015	2014	Diff 2015–2016	Diff 2009–2015
Sweden	28.78	28.06	23.24	3%	25%
Norway	17.12	19.79	17.75	-13%	-3%
Finland	4.01	3.67	3.75	9%	7%*
Per store SE	0.35	0.37	0.32	-5%	4%
Per store NO	0.52	0.66	0.66	-21%	-35%
Per store FI	0.31	0.28	0.29	9%	7%*

Table 9, indirect energy in the 2014–2016 period for stores where indirect use is possible to influence. *Finland is compared for the period 2014–2016 as data up to 2013 was incomplete.

Responsible establishment

A review is performed annually of Bygghmax's newly established stores and their locations in relation to protected or valuable areas of nature, in accordance with the GRI indicator G4 EN11 on biodiversity. Each of Bygghmax's stores has a surface area of approximately 0.01 km². In total, nine stores are named under this item, and their total surface area is approximately 0.09 km². The establishments potentially affect biodiversity through the actual construction of the premises and the transportation to and from stores.

The county administrative boards' and Swedish Environmental Protection Agency's GIS databases were used to provide basic data for the review, 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.

Nine new stores opened in 2016, of which six were in Sweden and three in Norway. This report only comments on these new stores. None of the Swedish stores are located in the immediate vicinity of areas of highly valuable biodiversity.

The Norwegian store in Bergen Midtun is directly connected to an important nature area in terms of biodiversity. There are also habitat areas for endangered ("red-listed") species within 500 meters of the establishment. The store in Sandnes is located within 150 meters of a nature area of highly valuable biodiversity. The habitat areas for red-listed species are located within 150m of the establishment.

Both establishments are connected to other similar businesses and do not therefore constitute use of unexploited land. However, there may be grounds to further assess whether the Bygghmax stores in Bergen Midtun and Sandnes represent a particular risk for the surrounding nature.

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 to operations comprise physical changes (seasonal variations and flooding) as well as regulatory changes. The opportunities include better communication of Bygghmax's environmental initiatives to create an environmental profile toward customers and to launch new products that are more environmentally-friendly than existing products.

BYGGMAX MAKES A DIFFERENCE

THROUGH ITS COLLABORATION WITH THE ORGANIZATIONS FUTEBOL DÂ FORÇA AND ACTIONAID, BYGGMAX HAS EXPANDED ITS WORK IN THE AREAS OF SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY OVER THE PAST YEAR.

FUTEBOL DÂ FORÇA

Futebol dâ força (FDF) means “football gives strength,” and is the name of an organization that supports young girls using volunteer coaches. Alongside football training, FDF’s goal is to reinforce the self-confidence and self-image of young girls. They also actively work to give

young girls concrete tools to improve their future prospects themselves.

In Mozambique, the organization runs the national football league Mutola Cup, which is played in 30 districts across the country. In this league, young girls get the chance to play football matches every weekend.



Before the matches, they are educated about human rights, sexual and reproductive health and how violence and sexual exploitation can be prevented.

“Through football the leaders can reach out to a large group of young people and society as a whole, without being frightening or provocative. During the matches, we educate the crowds in the same topics as the girls. This year alone we expect to reach out to about 300,000 people in Mozambique,” explains founder Cecilia André Nyström.

The team that wins the Mutola Cup gets the chance to travel to Sweden to take part in the Gothia Cup. A new aspect this year was that a team from Zambia also got the chance to travel to Sweden. For the third year in a row, Byggmax joined in and sponsored the flight tickets for the girls to go abroad.

“The work that Cecilia and all of the leaders are doing through Futebol dâ força is unbelievably important and we obviously want to be a part of it and ensure the girls are able to come to Sweden,” says Emelie Gessner, Marketing Manager at Byggmax.

BYGGMAX FRIENDSHIP VILLAGE

Byggmax Friendship Village is a project whereby Byggmax supports ethnic minorities in the town of Nam Chua, Vietnam, in collaboration with ActionAid. We also participate in projects in line with our core operation — construction. In total, the project will contribute to a better school environment for 400 students. 428 households will be given better living standards. Nam Chua is currently characterized by extensive poverty and a lack of educational opportunities.

In addition to financial support, a group of Byggmax employees travel there each year to help on location. The first such trip took place in March 2016. Five enthusiastic Byggmax employees from Norway, Finland and Sweden were able to help build an entirely new school building. In close collaboration with local craftsmen, the Byggmax employees were able to get stuck in and work for a whole week — with good results. Furthermore, they took the opportunity to give lessons on the Nordic region to the students and travel around the area to visit the local population.

“Sustainability issues have long been a natural part of our operations. ActionAid is an organization that works side by side with people in the countries in which they work. We believe this is a key factor for bringing about long-term change and is in line with our values concerning social responsibility. The fact that we also get the chance to travel there, help out and see what needs people have adds extra value to the entire collaboration,” says Daniel Juhlin, CEO of Byggmax AB.

The next trip took place in January 2017.



THE BYGGMAX SHARE

THE BYGGMAX SHARE WAS LISTED ON JUNE 2, 2010, ON NASDAQ OMX STOCKHOLM AND IS TRADED ON THE MID CAP LIST.

TRADING IN THE SHARE AND SHARE PRICE TREND IN 2016

The last price paid on December 31, 2016 was SEK 63, corresponding to a market capitalization for Byggmax of SEK 3,826 million. The highest price noted for the share during the fiscal year was SEK 87 and the lowest notation was SEK 57. In 2016, approximately 50.5 percent of trading in the Byggmax share took place on Nasdaq OMX Stockholm. 33,4 percent comprised over-the-counter (OTC) trading. OTC trading is subsequently reported to, among others, Boat xoff and the Stockholm Stock Exchange for registration. For the 2016 period, the standard deviation for the share price was 2.1 percent and the Beta 1,0 compared with the OMX Stockholm All Share index.

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, 2016, the number of shareholders in Byggmax was 16,945 (12,231) according to Euroclear. The ten largest shareholders owned shares amounting to 53 percent of the votes and capital in the company. The percentage of non-Swedish ownership amounted to 35 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 available only via the Group's website, where it is possible to subscribe to the company's financial reports.

INCENTIVE SCHEME

The 2013 and 2015 Annual General Meetings resolved to introduce warrant programs for senior executives and other key staff at Byggmax. These can be exercised in the final six months of their term. The warrants are priced at market value, which is 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 prices shown in the table below.

The participants of the warrants program have entered into a pre-emption agreement.

	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	18

DIVIDEND POLICY

Byggmax's 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 current economic conditions.

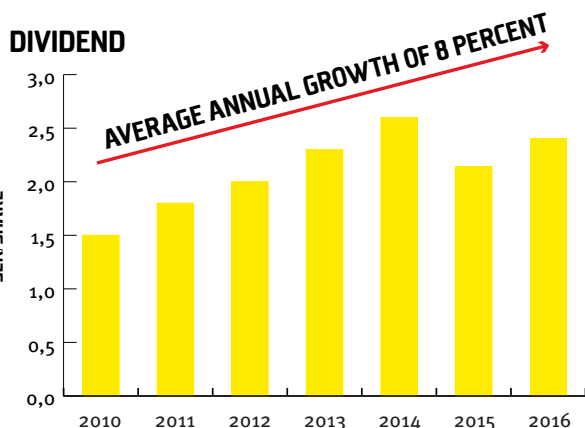
PROPOSED DIVIDEND

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.40 (2.14) per share for 2016, equivalent to 51 percent (50) of the Group's profit after tax.

BYGGMAX AS AN INVESTMENT

Byggmax has an attractive business model that creates value for shareholders. Byggmax combines healthy growth with a favorable dividend yield, which is enabled by a highly capital-efficient business model. Since being listed in 2010, the dividend to shareholders has increased annually by 8 percent.

Byggmax has a history of healthy growth and has successfully established stores since its start in 1993. We estimate that the number of stores in existing markets can be increased from 129 to 180. Byggmax also has a number of exciting investments currently being developed. These include the increased investment in e-commerce, effects of the new Byggmax 2.0 store concept, sales of construction services and the acquisition of Buildor and Skånska Byggvaror.



SHARE PERFORMANCE

	2016	2015
Earnings per share, SEK	4.7	4.3
Equity per share, SEK	21.4	18.8
Dividend per share, SEK	2.4 ¹	2.14
Cash flow from operating activities per share, SEK	5.5	8.1
Number of shares outstanding, thousands	60,737	60,737
Average number of shares, thousands	60,737	60,737
Dividend as a percentage of profit after tax	51 ¹	50
Number of shareholders	16,945	12,231
Share price at December 31	63.0	87.0
Dividend yield, %	3.8 ¹	2.5

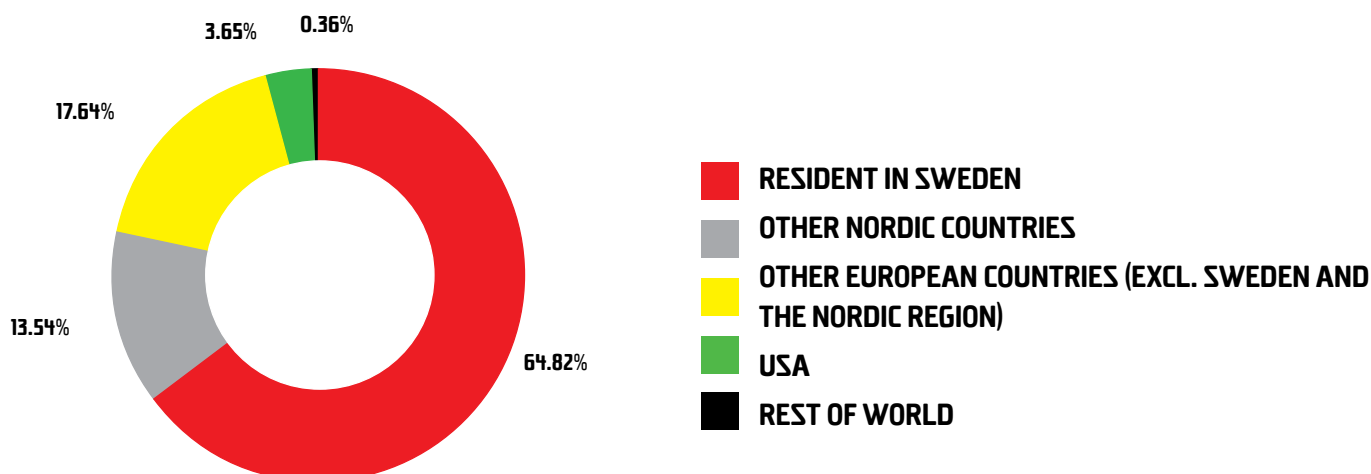
TEN LARGEST SHAREHOLDERS

Name	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%
Avanza Pension, insurance company	1,595,652	2.63%
Threadneedle Asset Management Ltd.	1,541,542	2.54%
Evil Fund Management CO. Ltd.	1,499,575	2.47%
Skandinaviska Enskilda Banken AB (Denmark)	881,340	1.56%
Total of the ten major shareholders	32,365,821	53.29%
Total other shareholders	28,371,224	46.71%
Total at December 31, 2016	60,737,045	100.00%

Source: Euroclear

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

SHAREHOLDER CATEGORIES



¹THE DIVIDEND FOR 2016 IS THE PROPOSED DIVIDEND BY THE BOARD TO THE AGM.

CHAIRMAN'S COMMENTS

It has been an intense year for Byggmax, with ever-increasing market shares being taken, 15 new stores and two acquired companies being welcomed into the Byggmax Group. During the second half of the year, CEO Magnus Agervald stepped down and was replaced by Mattias Ankarberg.

THE BOARD'S WORK

Byggmax has a well-composed Board with members of varying and complementary backgrounds and skills. The Board held 11 meetings during the year. Important resolutions taken during the year included:

- Revision and adoption of the company's policies
- Opening of new stores
- Continued work on improving operating activities
- Continued expansion of the online product range
- Recruitment of a new CEO

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 Corporate Governance Code. The Audit Committee, which comprises the Board, follows up the company's assessment of the internal audit through measures including contact with the company's auditors.

FINANCIAL POSITION

At year-end 2016, Byggmax held a strong position. Net profit amounted to SEK 285 M (260). Shareholders' equity had increased from SEK 1,142 M at December 31, 2015 to SEK 1,302 M at December 31, 2016. Byggmax's financial strength is important as it enables us to continue investing in the future. You can read more about our outlook and



investments in the CEO's comments.

For my part, I am enthusiastic about the future potential of the Byggmax Group given the continued growth in both e-commerce and stores.

Finally, I would like to show my appreciation to our Group management and all employees for a job well done in 2016.

A handwritten signature in blue ink, appearing to read 'Anders Moberg'.

Anders Moberg
Chairman of the Board

ADMINISTRATION REPORT

The Board of Directors and President of Bygghmax Group AB (publ), corporate registration 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, 2016 to December 31, 2016. Unless otherwise specified, all information applies to the Group. Information in brackets refers to the preceding year. All amounts are stated in SEK million (SEK M) unless otherwise specified.

Operations in general

The Bygghmax Group conducts sales of building materials. The business concept is to retail high-quality building supplies at the lowest possible price. Business activities are conducted in Sweden, Norway, Finland and Denmark. At the end of the period, there were 140 stores, of which 82 were in Sweden, 33 in Norway, 13 in Finland, one Design Your Living store and 11 showrooms styled in line with Skånska Bygghvaror's concept. In addition to the Bygghmax stores, there is a service office in Solna that manages purchasing, accounting and finance as well as IT functions across the stores and one service office in Bjuv for Skånska Bygghvaror Group AB.

The share and ownership structure

Bygghmax Group AB's (publ) share is listed on Nasdaq OMX Stockholm. At December 31, 2016, the largest shareholder was Nordea Investment Funds with 11.0 percent of the shares. A list of the ten largest shareholders is available on page 33.

Bygghmax 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 that oblige the company to report in accordance with the provisions in the Annual Accounts Act, Chapter 6, Section 2a, paragraphs 4–11.

Subsidiaries and foreign subsidiaries

The Bygghmax Group's retail operations in Norway are conducted by the subsidiary Bygghmax Norge and in Finland by the subsidiary Bygghmax AB Finland. Skånska Bygghvaror Group owns the subsidiaries Grönt Fokus AS and Pavillon DK.

Significant events during the fiscal year

- 15 (seven) stores were opened, of which six Bygghmax in Sweden, three Bygghmax in Norway, one DYL in Sweden and five Skånska Bygghvaror in Sweden.
- During the year, 11 stores were converted to the Bygghmax 2.0 concept and all Bygghmax stores have now been converted.
- On January 4, 2016, Bygghmax completed the acquisition of Skånska Bygghvaror Group AB. Bygghmax acquired Skånska Bygghvaror for a total of SEK 936 M, plus an earnout payment of SEK 110 M that would have been paid had EBITDA exceeded SEK 67 M in 2016.

The acquisition is being financed by loans. At the end of the year, it was noted that the earnout will not be paid. The revaluation of the earnout amounted to SEK 109.1 M and is recognized under other operating income.

- During the first quarter, the Board of Directors set new financial

targets for Bygghmax.

- Changes were made to Bygghmax Group management in April, following the acquisition of Buildor and Skånska Bygghvaror.

- During the second quarter, Mikael Norman and Ullrika Eliasson were elected as new Board members of Bygghmax Group AB (publ) and Stig Notlöv declined re-election.

- Bygghmax launched two new store concepts in June: "Bygghmax +" in Hisings Backa and "Design Your Living — DYL".

- During the third quarter, Bygghmax'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 Bygghmax Group AB (publ) appointed Mattias Ankarberg as Bygghmax's new President and CEO. Mattias Ankarberg assumed his position on November 14, 2016.

- The Board of Directors proposes a dividend of SEK 2.40 (2.14) per share.

Group sales and earnings

Net sales amounted to SEK 5,219.3 M, compared with SEK 4,131.1 M in the preceding year, which was an increase of 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 Bygghvaror Group AB and SEK 3.3 M of the earnout for Buildor AB. Net sales for comparable stores rose 0.8 (12.8) percent in local currency. Currency effects on sales were a negative 0.6 percent. The increase in sales was influenced positively by acquisitions. The gross profit margin amounted to 30.6 percent, compared with 30.6 percent for the preceding year. Personnel and operating expenses increased by a total of SEK 286.3 M. Compared with the previous year, the increase in expenses was mainly attributable to costs linked to the acquired companies, which amounted to SEK 245.6 M (1.7). This increase was also due to costs of SEK 71.2 M incurred for new stores that were not open at December 31, 2015. The increase in costs during the year, other than for new stores and acquisition costs, was attributable to expenses associated with the investments being made.

EBIT amounted to SEK 391.8 M (331.7), corresponding to an EBIT margin of 7.5 (8.0) percent. Excluding the revaluation of earnouts, EBITDA totaled SEK 469.0 M. EBIT was impacted by the amortization of customer relationships and brands totaling SEK 39.6 M identified in connection with the acquisition of Skånska Bygghvaror Group AB. Earnings were impacted by the revaluation of the earnout linked to the acquisition of Skånska Bygghvaror 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 Bygghvaror.

Profit before tax amounted to SEK 350.3 M (334.1). Net financial items amounted to an expense of SEK 41.5 M (income: 2.4). Net financial items for the period were impacted negatively by exchange-rate effects of SEK 9.0 M (expense: 0.9), by the discount rate on earnouts linked to the acquisitions of SEK 11.7 M as well as by increased borrowing as a result of these acquisitions. Earnings were also impacted by a nonrecurring cost of SEK 3.9 M linked to the acquisition of Skånska Bygghvaror Group AB. 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. The tax expense for the year amounted to SEK 65.7 M (expense: 74.3).

Sales and earnings by segment

Byggmax supplies segment information for three segments: Byggmax, Skånska Bygghvaror and Other. The Byggmax segment includes Byggmax AB and the subsidiaries Byggmax Norge and Byggmax AB Finland. Operating income increased 4.5 percent to SEK 4,331.6 M (4,143.1). EBITDA amounted to SEK 417.8 M (389.1) for the full year. EBIT amounted to SEK 267.1 M (259.3) for the full year 2016. Earnings for the full year were impacted by costs of SEK 48.7 M for stores opened after the fourth quarter of 2015. The EBITDA margin increased to 9.6 percent (9.4) for the full year.

Operating income for the Skånska Bygghvaror segment increased 10.2 percent to SEK 794.7 M. EBIT amounted to SEK 45.4 M for the full year 2016. EBITDA amounted to SEK 54.4 M. Earnings for the full year were impacted by costs of SEK 22.4 M for stores opened after the fourth quarter of 2015. The EBITDA margin was 6.8 percent.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 335.5 M (491.9), down SEK 156.4 M year-on-year. Cash flow was impacted by the acquisition of Buildor AB and the Skånska Bygghvaror Group. At the end of the fiscal year, inventory totaled SEK 818.5 M (666.1), which was an increase of SEK 152.4 M year-on-year. At the end of the period, Skånska Bygghvaror's inventory totaled

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. The distribution inventory was SEK 34.5 M higher than the preceding year. Inventory turnover was a multiple of 4.9 (4.2) during the fiscal year.

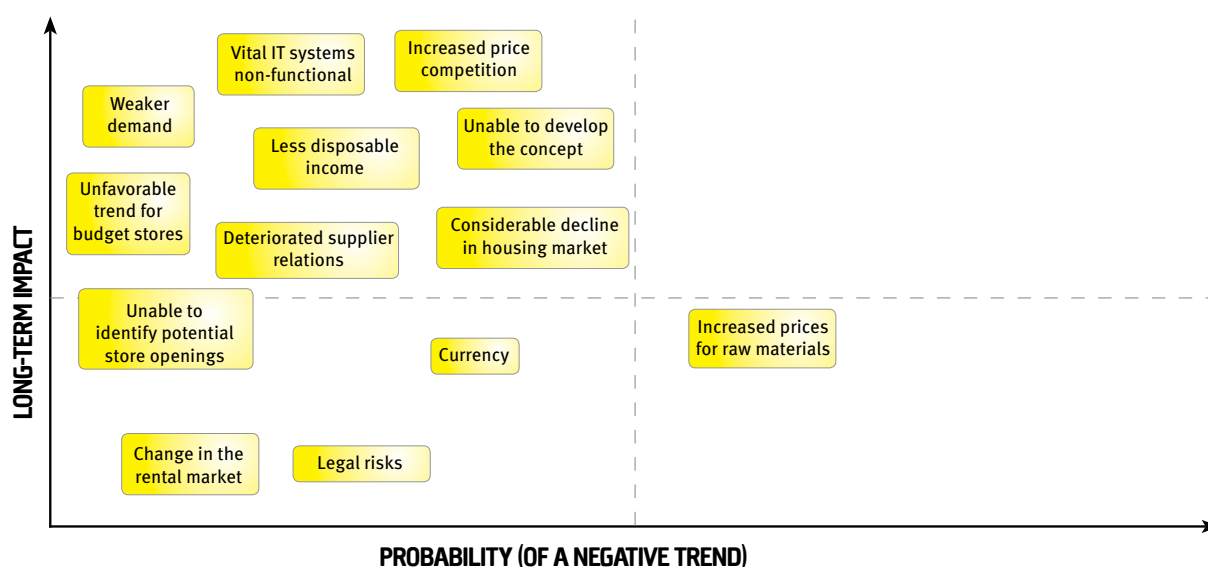
Investments during the year (including financial leasing) totaled SEK 171.4 M (164.2), of which SEK 38.0 M (61.2) pertained to stores converted to the Byggmax 2.0 concept. Consolidated shareholders' equity amounted to SEK 1,302.2 M (1,142.0) on December 31, 2016. Consolidated net debt was SEK 1,182.8 M (319.3) and increased SEK 863.5 M compared to the preceding year. The higher net debt can be explained by the acquisition of Skånska Bygghvaror, which has been financed via a bank loan from Svenska Handelsbanken. Net debt in relation to EBITDA amounted to a multiple of 2.0 (0.8). The equity/assets ratio amounted to 35.9 percent (48.9). Unutilized credits totaled SEK 245.4 M (251.6).

During 2012–2013, 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 not to pass 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.

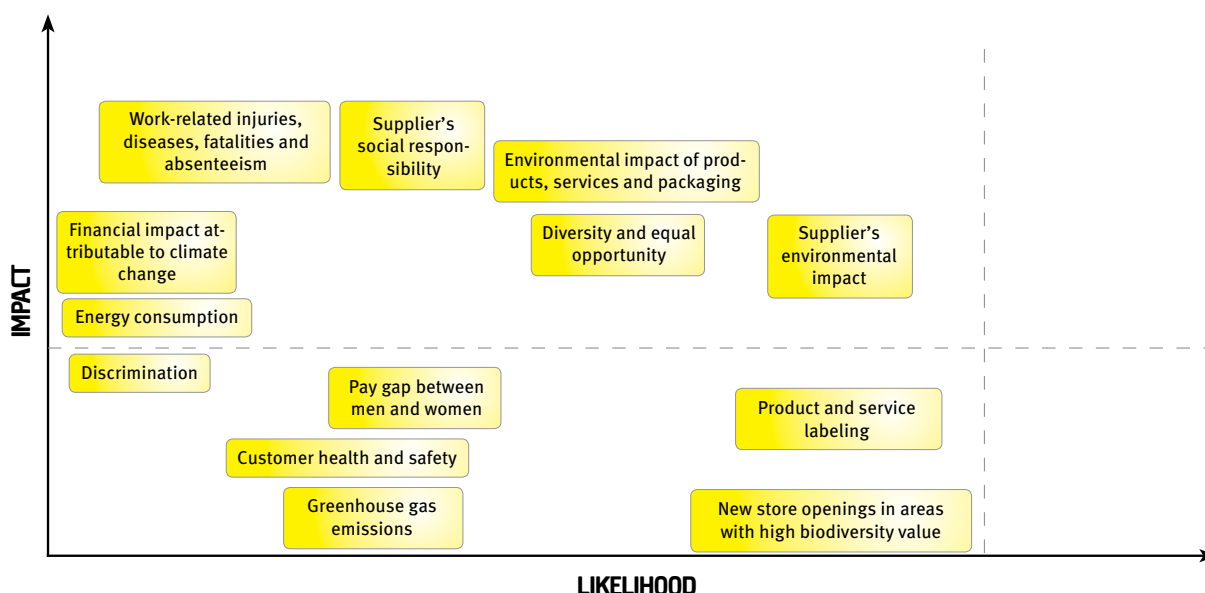
In parallel with these processes, Byggmax has agreed on future compensation in a corresponding amount with the supplier that sold the products in question and on which general customs and anti-dumping duties were payable. Byggmax paid a total of SEK 23.2 M in customs and anti-dumping duties to Swedish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

Risk factors and risk management

Just as in any other business, the Byggmax Group'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 the Byggmax Group's business



THE ABOVE DIAGRAM DISPLAYS THE IDENTIFIED RISKS AND THEIR LIKELIHOOD AS WELL AS THE EXTENT OF THE LONG-TERM IMPACT.



THE ABOVE DIAGRAM DISPLAYS THE IDENTIFIED RISKS AND THEIR LIKELIHOOD AS WELL AS THE EXTENT OF THE LONG-TERM IMPACT.

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 competitors' pricing
- The trend in the low-price segment in the DIY market.

Operations

- Expansion of the store chain depends greatly 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 points) all other factors unchanged	Effect on profit (SEK M) after tax 2016
Cost price	+1%	-28.3
Personnel costs	+1%	-4.1

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

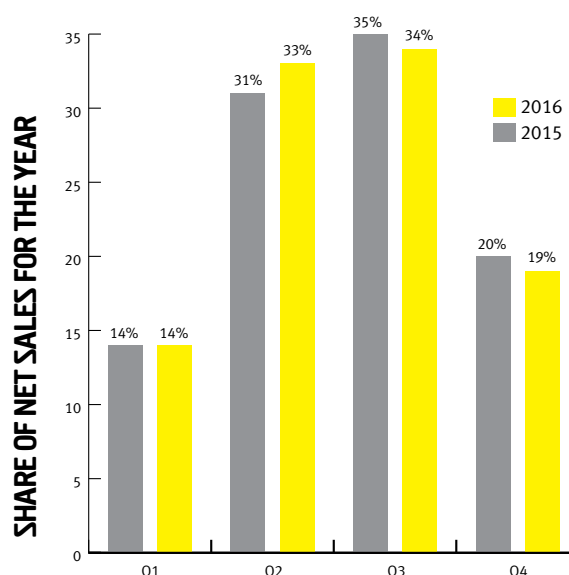
Risk management is performed by the finance department in accordance with the financial policy set annually by the Board of Directors. A more detailed description of the Group's financial risks and risk management is available in Note 3 among supplementary disclosures.

Seasonal variations

The Byggmax Group's business activities are strongly affected by seasonal variations steered by consumer demand for standard building materials. Due to the weather's effect on demand, Byggmax's 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. 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 strives to balance the seasonal effects by, for example, 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 1,064 (762). Further information about employees can be found in Note 9.



Expectations regarding future development

Byggmax's operations will continue to expand through both online sales and 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 to about 95 stores, in Norway to about 60 stores and in Finland to about 25 stores. Skånska Byggsvaror will continue to expand in the Nordic region through both online sales and more stores, while Buildor will grow both by offering a larger range and establishing in new countries. The Board of Directors expects the positive sales trend to continue. Byggmax does not provide forecasts for competitive reasons.

Environmental information

The Byggmax Group mainly affects the environment through the transportation of products from manufacturers to stores or warehouses and from stores to customers as well as through products containing environmentally hazardous substances and through product packaging. The Byggmax Group 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 and by imposing relevant requirements. The Byggmax Group 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 26).

Guidelines for compensation to senior executives

Pursuant to a motion to the 2017 Annual General Meeting (AGM), the following guidelines apply until the 2018 AGM. The guidelines are to apply to employment contracts entered into after the Meeting's resolutions and in cases where amendments are made to existing agreements after the Meeting's resolutions.

The overriding principles for compensation to senior 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 is competitive. When making comparisons, position, the company's size, salary and the person's experience must be taken into consideration.

Fixed salaries

Fixed salary comprises the basis for total remuneration. The fixed salary should relate to the relevant market and reflect the scope of the responsibility entailed by the position.

Variable salary (Short Term Incentives "STI")

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 measured with qualitative and quantitative measures.

Long-Term Incentives

The 2013 and 2015 general meetings resolved to introduce a warrants-based incentive program. The incentive program is described in Note 9 of the Annual Report.

Pension

Where possible, pension agreements should be premium-based and designed 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.

The above guidelines are unchanged compared with the guidelines adopted by the 2016 AGM.

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 Corporate Governance Report, which is included in the Administration Report on pages 40-43.

Significant events after the end of the fiscal year

No significant events have occurred since the end of the fiscal year.

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), Svea Distribution AB (Corp. Reg. No. 556987-6849), Skånska Byggsvaror Group AB (Corp. Reg. No. 556987-6849) and in Buildor AB (Corp. Reg. No. 556867-2405). Byggmax Group AB (publ) did not have any employees during the year. Net sales for the Parent Company amounted to SEK 0.3 M (0.3). Profit after financial items was SEK 139.7 M (130.4). For 2016, the Parent Company has an anticipated dividend of SEK 140.0 M (140.0) from Byggmax AB.

PROPOSED DISTRIBUTION OF EARNINGS

Byggmax's dividend policy is presented in greater detail under the "Byggmax share" on page 32. The following earnings in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	80,396,711
Profit for the year	139,677,493
TOTAL	220,074,204
The Board of Directors and the President propose that these earnings be distributed such that:	
Dividend to shareholders (SEK 2.40 per share)	145,768,908
To be carried forward	74,305,296
TOTAL	220,074,204

Statement by the Board of Directors regarding the proposed dividend 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 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 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 company operates. After payment of the proposed dividend, the liquidity of the Parent Company and Group is deemed satisfactory and their consolidation needs are considered to be 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 company's and the Group's financial positions, the Board finds no obstacles to the proposed distribution of profits in line with the Board's proposal.

Corporate governance

Bygghmax Group AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm. Bygghmax applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the fiscal year January 1, 2016 to December 31, 2016. Bygghmax has prepared the Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Corporate Governance Code. The guidelines for the Swedish Corporate Governance Code are available from the website of the Swedish Corporate Governance Board (www.corporategovernanceboard.se). The Corporate Governance Report is included as part of the Administration Report.

Corporate governance means 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 Bygghmax Group AB (publ), hereinafter called Bygghmax or the company, is listed on NASDAQ OMX Stockholm and applies the Swedish Corporate Governance Code (the Code) from the date of its listing, which was June 2, 2010. The Code builds on the "comply or explain" principle, which means that companies that apply the Code can deviate from specific rules but must explain the underlying reasons behind the deviation. Bygghmax has not made any deviations from the Code in 2016.

SHAREHOLDERS

At year-end, the share capital in Bygghmax 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, 2016 was 16,945. At December 31, 2016, the largest shareholder was Nordea Investment Funds with 11.0 percent of the shares. Non-Swedish owners accounted for ownership of approximately 35.0 percent of the total number of shares. For further information regarding the share and shareholders please see pages 32–33 and the Bygghmax 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. Bygghmax's Articles of Association are available in their entirety at bygghmax.com.

2016 Annual General Meeting

The 2016 AGM was held on May 10, 2016, at the Primus conference center in Stockholm. At the AGM, 159 shareholders representing 42.3 percent of the votes were present either in person or via representatives. Anders Moberg was elected Chairman of the AGM.

The main resolutions passed were as follows:

- Re-election of Board members Anders Moberg, Karin Hygrel-Jonsson, Lottie Svedenstedt, Daniel Mühlbach and Hannele Kemppainen. Mikael Norman and Ullrika Eliasson were elected as new Board members and Stig Notlöv declined re-election.
- Policies for compensation and terms of employment for the President and other senior executives.
- Policies for the appointment of the Nomination Committee.

Proposals for the 2017 AGM

The next AGM for shareholders in Bygghmax will be held on Thursday, May 10, 2017, at Alviks Strand Conference Center in Bromma (Stockholm) from 10:00 a.m. to 12:00 p.m. For further information regarding the AGM, please visit the Bygghmax website.

NOMINATION COMMITTEE

The AGM on May 10, 2016, resolved that a Nomination Committee would be appointed for the 2017 AGM. The Chairman will convene the three largest 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. It is the Committee's assessment that the requirements of the Swedish Corporate Governance Code in terms of versatility, breadth and gender balance are met appropriately by the proposal. 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 policies governing the appointment of the Nomination Committee's members. No remuneration is payable to members of the Nomination Committee.

BOARD OF DIRECTORS

The Board's formal work plan and written instructions

Each year, the Bygghmax 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, the 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 CEO.

Independence of the Board

The Board's assessment of the individual Board members' relation to the company and shareholders is defined in the table "The Board's composition and attendance at meetings" (See page 42). As is made evident, Bygghmax 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.

The Board's composition and attendance at meetings

A detailed description of the Board members is available on page 87 and the Board's composition and attendance at Board meetings is presented on page 42.

The Board's work in 2016

The Board held 11 meetings in 2016. Important issues addressed by the Board in 2016, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, included the following:

- Proposed dividend for 2016 of SEK 2.40 per share
- Revision and adoption of the company's policies
- Opening of new stores in every country
- Continued expansion of the online product range
- Continued work on improving operating activities
- Recruitment of new CEO, Mattias Ankarberg

The Group's President, Mattias Ankarberg and CFO, Pernilla Walfridsson, participate at Board meetings. Other employees may also participate in Board meetings to present specific issues.

Evaluation of the work of the Board of Directors in 2016

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 Board of Directors carries out an annual evaluation of the work of the Board. In 2016, the Board carried out an internal evaluation of the Board's work, which was reported verbally to the Nomination Committee by the Chairman of the Board. The evaluation of the work of the Board concluded that the work is efficient and goal-oriented.

Board committees

The Board currently has no separate remuneration committee or Audit 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, and assesses the application of the guidelines adopted by the AGM for remuneration of senior executives. The Audit Committee is comprised by the Board in its entirety. The Board (and the Audit Committee) supervise the financial reporting. The Committee/Board meet the company's auditors three times per year to discuss matters including audit plans and audit reports. At meetings with the company's auditors, the Committee/Board are given the opportunity to meet with the auditor without the CEO being present.

CEO AND SENIOR EXECUTIVES

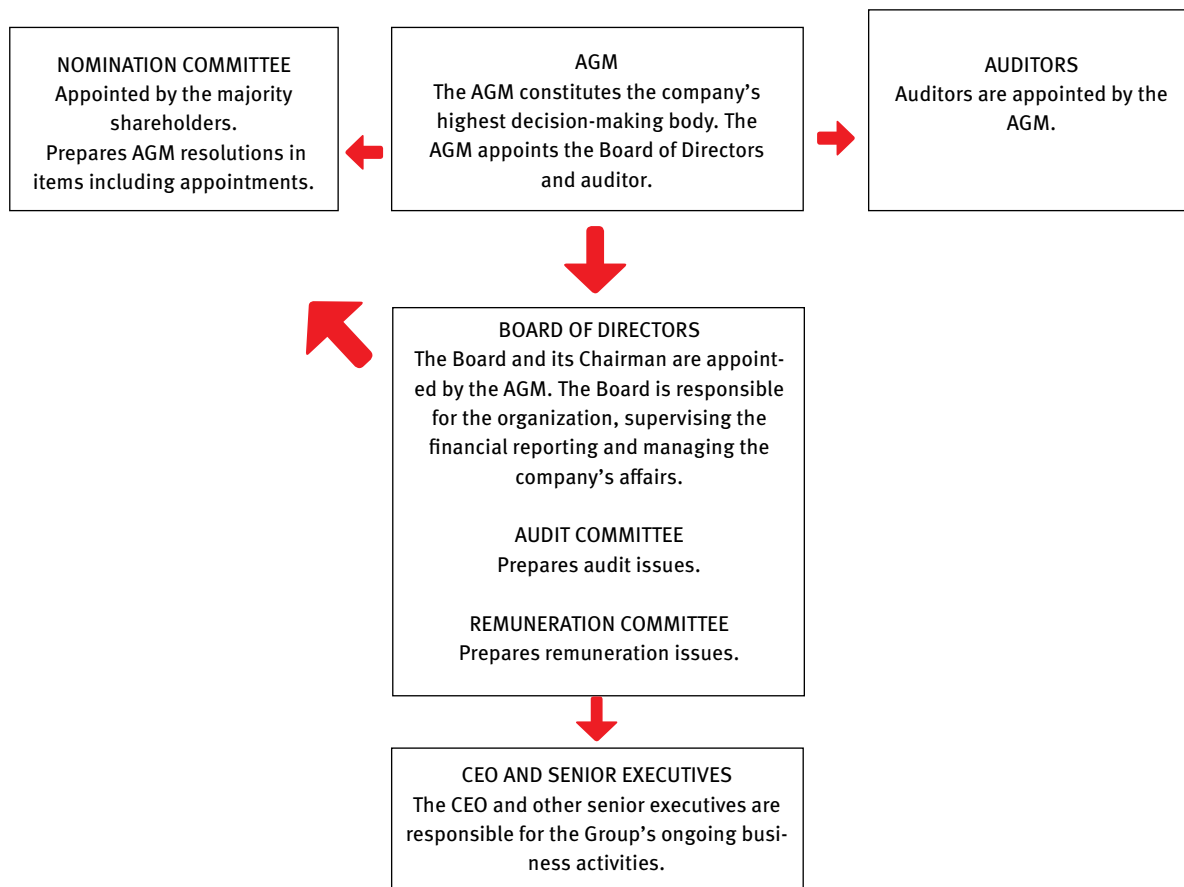
The CEO, is tasked with managing the ongoing operation of the company in accordance with the written instructions adopted by the Board.

Mattias Ankarberg has been CEO of Bygghem since November 14, 2016. He has no shareholding or partnership in any company with which the company has a significant business relationship.

The Bygghem Group management comprises five members including the CEO. A description of the management is available under the heading "Bygghem Group Management" (page 85).

REMUNERATION GUIDELINES

For information concerning salaries and other remuneration to the CEO and other senior executives see Note 9, page 65.



AUDITORS

The AGM appoints the company's auditors every year. Öhrlings PricewaterhouseCoopers, referred to below as PwC, has been the company's auditor since the 2010 AGM. In autumn 2013, Ann-Christine Hägglund was appointed the new Auditor in Charge 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 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 Board (and 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 internal audit function. The question of whether to establish a separate internal audit function is reviewed on an annual basis.

THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

Name	Function	Elected	Board attendance	Directors' fees	Independence of the company's management and major shareholders
Anders Moberg	Chairman of the Board	2006	11/11	SEK 566,969	No
Karin Hygrell-Jonsson	Board member	2014	10/11	SEK 270,070	No
Hannele Kempainen	Board member	2015	11/11	SEK 270,070	No
Lottie Svedenstedt ³	Board member	2010	11/11	SEK 361,404	No
Daniel Mühlbach	Board member	2015	11/11	SEK 270,070	No
Stig Notlöv ²	Board member	2006	1/4	SEK 93,492	No
Mikael Norman ^{1,3}	Board member	2016	7/8	SEK 220,193	No
Ulrika Eliasson ¹	Board member	2016	7/8	SEK 176,992	No

¹MIKAEL NORMAN AND ULLRIKA ELIASSON WERE ELECTED AS NEW BOARD MEMBERS AT THE 2016 AGM.

²STIG NOTLÖV DECLINED RE-ELECTION AHEAD OF THE 2016 AGM

³FEES INTENDS INVOICES AMOUNT INCLUDING SOCIAL SECURITY CONTRIBUTIONS



INTERNAL CONTROL OF FINANCIAL REPORTING

The Board's responsibility for internal control is regulated by the Swedish Companies Act and in the Swedish Corporate Governance Code, which contains requirements for annual external disclosures regarding the organization of internal control for financial reporting.

The Board has overriding responsibility for internal control at Byggmax. The President has the ongoing responsibility for maintaining internal governance 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 comprises five different parts; the control environment, risk assessment, control activities, information and communication and follow-up. These various parts are described briefly below.

Control environment

The control environment forms the basis of 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.

Byggmax applies a lean approach at both the head office and in the stores. Lean affects how Byggmax's internal control work is conducted. An important part of the lean approach is identifying the root cause of why a discrepancy occurred whenever one arises as part of a work process. An improvement should then be implemented to counteract that discrepancy occurring again. By working in this way, robust work processes are created that can be continuously developed and improved. Byggmax's internal control work is based more on continuously improving work processes than double-checking different work procedures.

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 includes creating the foundation for sound 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.

Furthermore, the Board has ensured that the organizational structure provides clear roles, responsibilities and processes that promote efficient management of operational risks and enable targets to be achieved. The responsibility structure includes, as one element, evaluation by the Board of the performance and results of business activities through an appropriate reporting package comprising outcome, forecasts, business

plans, strategic plans, follow up of financial risks and analyses of key performance indicators.

Risk assessment

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 assesses 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's 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, as well as specific control activities that are aimed at identifying or safeguarding from the risks of errors in the reporting.

Byggmax applies a systematic *modus operandi* to minimize the risk of fraud and/or theft, which 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 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 as well as compliance with the control activities undertaken within the Group. The work includes ensuring that measures are taken in respect of faults and proposed measures that may have been identified in the external audit.

The work on internal control supports the Board and management with assessing and reviewing significant risk areas in the financial reporting to thereafter be able to select actions and follow-up measures in the chosen areas.

1) 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.

MULTI-YEAR OVERVIEW

	2016 ¹	2015	2014	2013	2012	2011	2010	2009
Results, SEK M								
Net sales	5,219.3	4,131.1	3,547.2	3,216.4	3,090.4	2,987.1	2,773.0	2,443.5
EBITDA	581.3	415.8	366.4	304.1	305.6	323.0	314.0	306.7
EBITA	431.4	331.7	296.8	246.7	252.2	277.5	274.8	272.7
EBIT	391.8	331.7	296.8	246.7	252.2	277.5	274.8	272.7
Profit before tax	350.3	334.1	283.2	237.9	231.5	251.6	237.4	203.9
Income tax	-65.7	-74.3	-65.2	-53.9	-51.7	-69.5	-65.2	-42.7
Profit for the year	284.6	259.8	217.9	184.0	179.8	182.2	172.2	161.2
Net sales growth, %	26.3	16.5	10.3	4.1	3.5	7.7	13.5	16.0
Like-for-like (LFL) sales growth, %	0.8	12.8	3.8	-0.7	-2.7	-1.9	2.7	6.0
Gross margin, %	30.6	30.6	31.1	30.7	30.2	30.1	29.7	29.8
EBITDA margin, %	11.1	10.1	10.3	9.5	9.9	10.8	11.3	12.5
EBITA margin, %	8.3	8.0	8.4	7.7	8.2	9.3	9.9	11.2
Operating (EBIT) margin, %	7.5	8.0	8.4	7.7	8.2	9.3	9.9	11.2
Interest coverage ratio, %	28.3	57.9	40.6	21.0	18.9	19.7	13.3	8.2
Balance sheet, SEK M								
Assets								
Fixed assets	2,619.0	1,527.2	1,375.5	1,299.6	1,266.5	1,218.2	1,207.4	1,181.6
Inventories	818.5	666.1	612.7	538.3	465.8	424.9	350.5	295.0
Other current assets	151.0	109.3	100.4	73.8	87.3	99.8	70.0	98.0
Cash and cash equivalents	41.9	31.7	30.9	33.1	33.9	22.8	34.1	31.6
Total assets	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8	1,662.0	1,606.3
Shareholders' equity and liabilities								
Shareholders' equity	1,302.2	1,142.0	1,047.6	970.0	914.2	844.4	748.5	337.8
Long-term interest-bearing liabilities	572.4	42.9	0.0	0.0	0.0	130.0	239.3	765.3
Long-term non-interest-bearing liabilities	201.3	105.8	97.4	84.1	82.4	100.8	53.6	58.4
Current interest-bearing liabilities	699.6	350.9	480.5	504.3	483.5	344.0	240.0	71.3
Accounts payable	630.7	520.3	370.4	284.7	278.7	268.9	268.9	285.6
Other current liabilities	224.4	172.5	123.6	101.7	94.7	77.7	111.7	88.0
Total liabilities and shareholders' equity	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8	1,662.0	1,606.3
Operating capital	2,532.3	1,461	1,499	1,447	1,381	1,332	1,194	1,143
Operating capital less goodwill, customer relationship and brand	360.2	289	448	396	330	281	143	98
Net debt	1,230.1	319	451	477	467	488	445	805
Return on operating capital, %	19.6	22.4	20.1	17.4	18.6	22.0	23.5	24.3
Return on operating capital less goodwill, %	133.0	90.1	70.3	68.0	82.6	131.0	228.2	347.2
Return on equity, %	23.3	23.7	21.6	19.5	20.4	22.9	31.7	62.9
Net debt/EBITDA	2.1	0.8	1.2	1.6	1.5	1.5	1.4	2.6
Average net working capital, % of net sales ²	-3.6	-2.1	2.2	1.4	0.5	-1.5	-3.0	-2.8
Equity ratio/risk-bearing capital, %	35.9	48.9	49.4	49.9	49.3	47.8	45.0	49.5
Per share data								
Equity per share, SEK	21.4	18.8	17.2	16.0	15.1	13.9	12.3	6.1
Earnings per share, SEK	4.7	4.3	3.6	3.0	3.0	3.0	2.8	2.9
Dividend per share, SEK	2.4	2.14	2.6	2.3	2.0	1.8	1.5	–
Cash flow from operations per share, SEK	5.5	8.1	5.1	3.2	3.6	1.5	3.4	2.9

¹) The Skånska Byggsvaror Group AB has been consolidated as of January 1, 2016.

²) A reconciliation table is available on the IR website under "financial statistics".

CONSOLIDATED INCOME STATEMENT

Amounts in SEK M	Note	2016	2015
Operating income			
Net sales		5,219.3	4,131.1
Other operating income	6, 12, 18	128.7	10.0
Total operating income	5	5,348.0	4,141.1
Operating expenses			
Goods for resale		-3,623.4	-2,868.3
Other expenses	7, 8, 12, 18, 33	-616.6	-471.2
Personnel costs	9, 29	-526.7	-385.8
Depreciation, amortization and impairment of tangible and intangible fixed assets	13, 14	-189.5	-84.1
Total operating expenses		-4,956.2	-3,809.4
EBIT		391.8	331.7
Profit from disposal of participations in Group companies		0.0	11.8
Financial income	12	20.3	19.1
Financial expenses	12	-61.8	-28.6
Profit/loss from financial items	10	-41.5	2.4
Profit before tax		350.3	334.1
Income tax	11	-65.7	-74.3
Profit for the year		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
Items that may be subsequently reclassified to profit or loss			
Translation differences		11.8	-11.1
Other comprehensive income for the period		11.8	-11.1
Comprehensive income for the period		296.4	248.7
Earnings per share before dilution, SEK		4.7	4.3
Earnings per share after dilution, SEK		4.6	4.2
Average number of shares, thousands, before dilution		60,737	60,737
Average number of shares, thousands, after dilution		60,737	60,737
Number of shares outstanding at end of period		60,737	60,737

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

CONSOLIDATED BALANCE SHEET

Amounts in SEK M	Note	Dec. 31, 2016	Dec. 31, 2015
ASSETS			
Fixed assets			
Capitalized expenses for development work	5, 13	50.3	43.0
Goodwill, customer relationships and brands	5, 13	2,172.0	1,172.7
Buildings and land	5, 14	15.7	14.0
Leasehold improvements	5, 14	4.7	5.1
Equipment, tools, fixtures and fittings	5, 14	355.3	267.5
Deferred tax assets	28	3.8	5.4
Other long-term receivables		17.2	19.6
Total fixed assets		2,619.0	1,527.2
Current assets			
Inventories	21	818.5	666.1
Prepayments to suppliers	21	10.3	9.6
Accounts receivable	20	19.9	4.2
Derivatives	19	0.2	0.0
Current tax assets		0.0	0.0
Other receivables	22	69.9	65.4
Prepaid expenses and accrued income	23	50.7	30.1
Cash and cash equivalents	24	41.9	31.7
Total current assets		1,011.5	807.1
TOTAL ASSETS		3,630.5	2,334.4

CONSOLIDATED BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec. 31, 2016	Dec. 31, 2015
SHAREHOLDERS' EQUITY			
Capital and reserves that can be attributed to the Parent Company's owners			
Share capital	25	20.2	20.2
Other capital contributions	25	441.0	441.0
Reserves	26	-8.4	-13.6
Earnings brought forward including profit for the year		849.3	694.3
Total shareholders' equity		1,302.2	1,142.0
LIABILITIES			
Long-term liabilities			
Borrowing from credit institutions	27	525.1	0.1
Derivative instruments	19	0.0	0.0
Deferred tax liabilities	28	201.3	105.8
Long-term liabilities		47.3	42.9
Total long-term liabilities		773.7	148.7
Current liabilities			
Borrowing from credit institutions	27	699.6	350.9
Accounts payable		630.7	520.3
Current income tax liabilities		20.8	18.4
Derivative instruments	19	0.3	0.1
Other liabilities	30	62.3	34.4
Accrued expenses and deferred income	31	141.0	119.6
Total current liabilities		1,554.7	1,043.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,630.5	2,334.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK M	Notes 25, 26	Attributable to shareholders in Parent Company			Retained earnings	Total sharehold- ers' equity
		Share capital	Other capital con- tributions	Reserves		
Opening balance at January 1, 2015		20.2	441.0	-9.0	595.3	1,047.6
Profit for the year					259.8	259.8
Other comprehensive income for the year						
Translation differences				-11.0		-11.0
Total comprehensive income				-11.0	259.8	248.8
Issues of warrants					3.6	3.6
Dividend ¹					-157.9	-157.9
Total transactions with shareholders		0.0	0.0	0.0	-154.0	-154.0
Closing balance at December 31, 2015		20.2	441.0	-20.0	700.8	1,142.0
Opening balance at January 1, 2016		20.2	441.0	-20.0	700.8	1,142.0
Profit for the year					284.6	284.6
Other comprehensive income for the year						
Translation differences				11.8		11.8
Total comprehensive income				11.8	284.6	296.4
Redemption of warrants					-6.5	-6.5
Dividend ²					-130.0	-130.0
Total transactions with shareholders		0.0	0.0	0.0	-136.5	-136.5
Closing balance at December 31, 2016		20.2	441.0	-8.4	849.3	1,302.2

¹Dividend 2015, SEK 2.6 per share

²Dividend 2016, SEK 2.14 per share

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK M	Note	2016	2015
Cash flow from operations			
EBIT		391.8	331.7
Non-cash items			
–Depreciation/amortization of tangible and intangible fixed assets		189.5	85.4
–Other non-cash items ¹		8.1	-6.5
Interest received		13.9	8.7
Interest paid		-55.2	-16.7
Tax paid		-60.8	-51.5
Cash flow from operations before changes in working capital		487.3	351.1
Changes in working capital			
Increase/decrease in inventories and work in progress	21	-94.2	-59.0
Increase/decrease in other current receivables	22	-10.4	25.9
Increase/decrease in other current liabilities	30	-47.2	174.0
Cash flow from operations		335.5	491.9
Cash flow from investing activities			
Divestment of subsidiaries	18	0.0	31.8
Investment in intangible fixed assets		-22.4	-22.8
Investment in tangible fixed assets		-149.1	-141.4
Divestment of tangible fixed assets		0.0	0.0
Investment in other financial fixed assets		-0.2	0.7
Investment in subsidiaries	16	-703.7	-72.1
Cash flow from investing activities		-875.4	-203.7
Cash flow from financing activities			
Change in overdraft facility		210.6	-128.3
Issue/redemption of warrants		-6.5	3.9
Dividend to Parent Company's shareholders		-130.0	-157.9
Borrowings		800.0	0.0
Amortization of loans		-324.3	-4.4
Cash flow from financing activities		549.9	-286.8
Cash flow for the period		10.1	1.4
Cash and cash equivalents at the beginning of the period	24	23.9	22.5
Cash and cash equivalents at the end of the period ²	24	34.0	23.9

¹ Other non-cash items pertain to translation differences

² Note that cash and cash equivalents in the cash flow is adjusted for blocked bank funds (SEK 7.9 M in 2016 and SEK 7.7 M in 2015)

PARENT COMPANY INCOME STATEMENT

Amounts in SEK M	Note	2016	2015
Operating income			
Net sales		0.0	0.0
Other operating income		0.3	0.3
Total operating income		0.3	0.3
Operating expenses			
Other external expenses	8, 9	-7.3	-15.8
Personnel costs	9	-1.2	-0.8
Total operating expenses		-8.6	-16.6
EBIT		-8.3	-16.3
Dividends from Group companies		140.0	140.0
Interest income and similar items		32.0	25.2
Interest expenses and similar items		-24.1	-18.6
Profit from financial items	10	148.0	146.6
Profit before tax		139.7	130.4
Tax on profit for the year	11	0.0	0.0
Profit for the year		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	Dec. 31, 2016	Dec. 31, 2015
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	15	1,251.0	507.0
Receivables from Group companies		354.0	354.0
Total fixed assets		1,605.0	861.0
Current assets			
Current receivables			
Receivables from Group companies		21.4	12.6
Other receivables	22	140.0	140.0
Prepaid expenses and accrued income		3.3	1.6
Total current receivables		164.7	154.2
Cash and bank balances		0.0	0.0
Total current assets		164.7	154.2
TOTAL ASSETS		1,769.7	1,015.3

PARENT COMPANY BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec. 31, 2016	Dec. 31, 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	25	20.2	20.2
Total restricted equity		20.2	20.2
Unrestricted equity			
Share premium reserve		418.7	418.7
Retained earnings		-338.3	-338.7
Profit for the year		139.7	130.4
Total unrestricted equity		220.1	210.4
Total shareholders' equity		240.3	230.6
Long-term liabilities			
Liabilities to credit institutions	27	530.0	0.0
Other long-term liabilities		41.7	42.9
Total long-term liabilities		571.7	42.9
Current liabilities			
Borrowing from credit institutions	27	947.1	701.9
Accounts payable		0.3	1.2
Current income tax liabilities		0.0	0.0
Liabilities to related parties		0.0	20.0
Other liabilities		6.8	10.1
Accrued expenses and deferred income	31	3.5	8.5
Total current liabilities		957.7	741.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,769.7	1,015.3

CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

Amounts in SEK M	Notes 25, 26	Restrict- ed equity	Unrestricted equity			Total share- holders' equity
		Share capital	Share premium reserve	Retained earnings	Profit/ loss for the year	
Shareholders' equity on January 1, 2015		20.2	418.7	-350.8	170.0	258.2
Carried forward				170.0	-170.0	0.0
Profit for the year					130.4	130.4
Other comprehensive income						0.0
Total comprehensive income					0.0	0.0
Dividend ¹				-157.9		-157.9
Total transactions with shareholders				-157.9		-157.9
Shareholders' equity on December 31, 2015		20.2	418.7	-338.7	130.4	230.6
Shareholders' equity on January 1, 2016		20.2	418.7	-338.7	130.4	230.6
Carried forward				130.4	-130.4	0.0
Profit for the year					139.7	139.7
Other comprehensive income						0.0
Total comprehensive income					0.0	0.0
Dividend ²				-130.0		-130.0
Total transactions with shareholders				-130.0		-130.0
Shareholders' equity on December 31, 2016		20.2	418.7	-338.3	139.7	240.3

¹Dividend 2015, SEK 2.60 per share

²Dividend 2016, SEK 2.14 per share

PARENT COMPANY CASH-FLOW STATEMENT

Amounts in SEK M	Note	2016	2015
Cash flow from operations			
EBIT		-8.3	-16.3
Adjustment for non-cash items			
–Group contributions received		21.3	12.6
–Other non-cash items		140.0	140.0
Interest received		10.7	12.6
Interest paid		-23.1	-18.4
Tax paid		0.0	0.0
Cash flow from operations before changes in working capital		140.7	130.6
Changes in working capital			
Operating receivables		-10.5	29.6
Operating liabilities		-65.9	2.8
Cash flow from operations		64.3	162.9
Cash flow from investing activities			
Investments in subsidiaries		-703.7	-72.1
Cash flow from investing activities		-703.7	-72.1
Cash flow from financing activities			
Borrowings		800.0	0.0
Repayment of debt		-150.0	0.0
Dividend		-130.0	-157.9
Changes in current financial liabilities		119.4	67.0
Cash flow from financing activities		639.4	-90.9
Cash flow for the period		0.0	0.0
Cash and cash equivalents at the beginning of the period		0.0	0.0
Cash and cash equivalents at the end of the period		0.0	0.0

ACCOUNTING POLICIES AND NOTES

1 GENERAL INFORMATION

The Bygghmax Group conducts sales of building materials. Business activities are conducted in Sweden, Norway, Finland and Denmark. At the end of the period, there were 140 stores, of which 82 were in Sweden, 33 in Norway, 13 in Finland, one Design Your Living store and 11 showrooms styled in line with Skånska Byggvaror's concept. Bygghmax'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 Parent Company is listed on Nasdaq OMX Stockholm.

On March 7, 2017, the Board of Directors approved these consolidated financial statements for publication. The Annual Report will be presented to the Annual General Meeting on May 10, 2017.

All amounts are recognized in SEK millions (SEK M) unless otherwise specified. Amounts in brackets represent the corresponding year-earlier period.

2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The most important accounting policies applied in the preparation of this annual report are detailed below. The same policies are usually applied by both the Parent Company and the Group.

2.1 Basis for preparing the annual accounts

The financial statements of the Bygghmax Group were prepared in accordance with the Annual Accounts Act and International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), as adopted by the EU, and recommendation RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board.

Recommendation RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, and the Annual Accounts Act were applied in the preparation of the financial statements of the Parent Company.

The financial statements of the Group and the Parent Company refer to the fiscal year ended December 31, 2016. Bygghmax applies the acquisition method when measuring assets and liabilities, with the exception of derivative instruments, which are recognized at fair value in profit or loss.

2.1.1 New and amended standards applied by the Group

Those standards applied by the Group for the first time for the fiscal year starting January 1, 2016 are: "Accounting for acquisi-

tions of interests in joint operations — Amendments to IFRS 11", "Clarification of acceptable methods of depreciation and amortization — Amendments to IAS 16 and IAS 38", "Annual Improvements cycle 2012-2014" and "Disclosure Initiative: Amendments to IAS 1".

The application of these amendments did not have any impact on the Group's accounting policies or disclosures for the current fiscal year or the preceding fiscal year and they are not expected to have any impact on future periods.

2.1.2 New standards, amendments and interpretations of existing standards that have not been applied by the Group. A number of new standards and interpretations came into effect for fiscal years beginning after January 1, 2016 and were not applied in the preparation of these financial statements. These new standards and interpretations are expected to impact the consolidated financial statements as follows:

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and introduces new hedge accounting rules. The complete version of IFRS 9 was issued in July 2014. This replaces the parts of IAS 39 relating to the classification and measurement of financial instruments and introduces a new loss impairment model.

The Group has commenced its analyses of the effects of future application of the standard. If the analyses results in the conclusion that material effects are likely to arise, disclosures will be presented in forthcoming reports in 2017 and at the very latest in the 2017 Annual Report. Although the Group has not yet made a detailed evaluation of the debt instruments that are currently classified as available-for-sale financial assets, such instruments are deemed to meet the conditions for being measured at fair value in other comprehensive income, based on the company's business model for these assets. Accordingly, the recognition of these assets will not change. The standard applies from January 1, 2018. According to the transition rules of the complete version of IFRS 9, early adoption in stages is permitted for fiscal years beginning before February 1, 2015. The rules must be applied in full after this date. The Group does not intend to apply IFRS 9 in advance.

IFRS 15 Revenue from Contracts with Customers is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts.

IFRS 15 is based on the principle that revenue is recognized when control of the good or service sold is passed to the customer — a principle that replaces the former principle that revenue is recognized when risks and benefits are transferred to the buyer. A company can choose between "full retrospective" or prospective application with additional disclosures. Management is currently evaluating the effects of the new standard and intends to carry out a detailed evaluation during the forthcoming year. The Group is not currently able to estimate the quantitative impact of the new rules on the financial statements. The Group will provide disclosures about the quantitative impact once the analysis has been completed. The standard takes effect on January 1, 2018 and is expected to be applied by

the Group from January 1, 2018.

IFRS 16 Leases was published in January 2016. The implementation of the standard will entail that almost all leases will be recognized in the balance sheet since no differentiation is now made between operating and finance leases. Under the new standard, an asset (the right to control the use of a leased asset) and a financial undertaking to pay leasing fees are to be recognized. Short-term contracts and contracts of minor value are exempt. The lessor report will be largely unchanged. The standard will primarily impact the recognition of the Group's operating leases. Note 27 provides disclosures on the amounts of the Group's non-terminable operating leases on the balance-sheet date. However, the Group has not evaluated the extent to which these undertakings will be recognized as assets or liabilities, and how this will impact the Group's earnings and classification of cash flows. Certain undertakings could be encompassed by the exemption for short-term contracts and contracts of minor value, while certain other undertakings could refer to arrangements that are not to be recognized as leases under IFRS 16. The standard takes effect on January 1, 2019 and the Group does not currently intend to apply the standard in advance. The standard has not yet been 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 material impact on the Group.

2.1.3 Use of assessments

The preparation of financial statements in compliance with IFRS and generally accepted Swedish accounting principles requires assessments and assumptions to be made that affect recognized asset and liability items and income and expense items, respectively, as well as other information disclosed. The actual outcome may differ from these assessments. The areas that require a high degree of complex assessment, or such areas in which assumptions and estimates are of material significance to the consolidated accounts, are detailed in Note 4.

2.2 Consolidated accounts

Subsidiaries

Subsidiaries are all companies over which the Group exercises controlling influence. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holding in the company and has the ability to affect those returns through its influence over the company. Subsidiaries are fully consolidated from the date on which controlling influence is transferred to the Group. They are eliminated from the consolidated accounts as of the date the controlling influence ceases.

The acquisition method is the recognition method used when consolidating a subsidiary. The cost of an acquisition corresponds to the fair value of the assets received as compensation, issued equity instruments and liabilities arising or assumed on the acquisition date. Expenses attributable to the acquisition should be recognized as a cost. Identifiable assets, liabilities and contingent liabilities are initially measured at fair value, regardless of any minority interest. A positive difference between the cost of the acquisition and the fair value of the Group's share of net assets is recognized as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of net acquired assets, 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 unless the transaction provides evidence of a need for impairment of the transferred asset. The accounting policies for subsidiaries were changed as appropriate to guarantee consistent application of the Group's policies.

The subsidiary Buildor AB was acquired in November 2015 and is included in the consolidated financial statements as of November 2, 2015. Information about the acquisition and preliminary acquisition balance sheet is presented in Note 16.

The subsidiary Skånska Byggvaror AB was acquired in January 2016. This company is included in the consolidated financial statements from the acquisition date on January 1, 2016. For a preliminary acquisition balance sheet, see Note 16.

Asset acquisitions

In connection with the acquisition of a company, an assessment is made as to whether the acquisition should be classified as a business or an asset. Bygghmax defines the acquisition as a business combination in the event of the existence of a business activity with employees in addition to the acquired assets and liabilities. Business combinations are recognized in accordance with IFRS 3, which entails, for example, that acquisition costs are expensed directly and that deferred tax is recognized as the difference between the acquired assets' market value and their residual value for tax purposes. For asset acquisitions, all acquisition costs are recognized as an increase of the cost in accordance with IAS 16 and IAS 38. Bygghmax determines whether the acquisition is to be classified as a business or an asset on a case-by-case basis.

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. Segment information is provided for three segments from 2016. These three segments are Bygghmax, Skånska Byggvaror and Other. Other includes Buildor, intra-Group leasing of owned properties, a distribution company and the Parent Company Bygghmax Group AB (publ). No individual part of the Other segment represents such a material part that it forms a reportable segment, which is why Bygghmax has 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). For more information, see Note 5.

2.4 Translation of foreign currency

Functional currency and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "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 in 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 and all exchange-rate differences that arise in the translation of foreign subsidiaries' financial statements are recognized in other comprehensive income.

2.5 Intangible fixed assets

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

Costs for maintenance of proprietary development work are expensed as they arise. Development costs attributable to the 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 impairment. 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 allocated to the cash-generating unit (CGU) that existed when the goodwill item arose when assessing possible impairment needs. The distribution is based on the CGUs or groups of CGUs that are expected to benefit from the business combination that resulted in the goodwill item. The Bygghmax Group distributes the original goodwill to the CGU Sweden that existed on the date when the original goodwill arose. As regards the acquired goodwill from the acquisition of Buildor, the CGU is considered to comprise Buildor in its entirety. As regards the acquired goodwill from the acquisition of Skånska Bygghvaror Group AB, the CGU is considered to comprise Skånska Bygghvaror Group AB in its entirety. Additional goodwill is distributed to the units deemed to benefit from the business combination.

Intangible assets in the form of brands and customer relationships were identified in connection with the acquisition of Skånska Bygghvaror. These assets are measured at fair value on the acquisition date. Brands and customer relationships are amortized over their useful lives, which is deemed to be ten years for brands and ten years for customer relationships.

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 the acquisition of the asset.

Additional fees are only added to the asset's carrying amount or recognized as a separate asset, depending on what is most appropriate, 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 carrying amount 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 life is applied in a straight line according to the following:

Renovations and land maintenance	20 years
Equipment, tools, fixtures and fittings	5–10 years
Computers and IT-related equipment	5 years

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

Gains and losses from divestments are established by comparing the sale proceeds with the carrying amount and are recognized under other operating income or other 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 Bygghmax's properties, which are sold directly after construction. All properties are classified as operating properties.

2.7 Borrowing costs

Borrowing costs mean that 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. During 2016, 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.

2.8 Impairment of non-financial fixed assets

Assets that have an indeterminate useful life, such as goodwill, are not depreciated but instead tested annually for the need for impairment. Tangible fixed assets that are depreciated and such intangible fixed assets that are amortized are assessed with respect to decline in value whenever events or changes in circumstances indicate that the asset's carrying amount exceeds its recoverable amount. Impairment is recognized in an amount corresponding to the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value reduced by sales costs and its value in use. In assessing impairment needs, assets are grouped at the lowest level for which separate cash flows can be identified (CGUs). For tangible and intangible fixed assets that have been impaired, an assessment is made on each balance-sheet date as to whether a reversal should take place. Impairment of goodwill is not reversed.

2.9 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, available-for-sale financial assets and other financial liabilities. 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 available-for-sale financial assets.

Financial assets and liabilities measured at fair value in profit or loss

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 currency forward contracts. The Bygghem Group does not apply hedge accounting according to IAS 39, meaning that all derivative instruments are recognized at fair value in profit or loss. Changes in the value of derivative instruments attributable to borrowing are recognized under financial expenses. Other changes in the 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 other 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 expenses.

Other financial liabilities

The Group's borrowing (which includes borrowing from credit institutions and other long-term borrowing in the balance sheet) and accounts payable are classified as other financial liabilities.

General policies

Purchases and sales of financial assets and liabilities 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 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 available-for-sale financial assets 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 amortized cost with application of the effective-interest method.

The fair value of currency forward contracts is established using observable data for currency forwards on the balance-sheet date. Fair value for interest swaps is calculated as the current value of estimated cash flows.

On each balance-sheet date, the Group considers whether there is objective evidence of a need for impairment of 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 discharge 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 below.

Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognized at fair value and thereafter at amortized cost with application of the effective-interest method reduced by any provisions for decline in value. The carrying amount for accounts receivable and 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 in accounts receivable 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 receivables. 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. Losses relating to accounts receivable, other receivables and recovered and previously impaired accounts receivable and other receivables are recognized under the item other expenses in profit or loss.

Cash and cash equivalents

In the Group's statement of 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 balances 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 bank balances, since they are expected to be settled later than three months from the acquisition date.

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. Premiums for warrants are recognized in the shareholders' equity item retained earnings.

Accounts payable

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

Borrowing

Borrowing is measured initially at fair value net after transaction costs. Borrowing is subsequently recognized at amortized 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. 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.

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

2.11 Current and deferred tax

The tax cost for the year comprises current and deferred tax. Tax is recognized in profit or loss, except when tax pertains to 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 on the balance-sheet date 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. A deferred tax liability is not recognized, however, if it arises as a result of the initial recognition of goodwill. Neither is deferred tax recognized if it arises as a result of a transaction for an asset or liability being recognized for the first time that is not a business combination 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 assets are realized or when the deferred tax liabilities are 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.

2.12 Employee Benefits

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 pension plans, Byggmax pays a fee to a publicly or privately administered pension insurance plan on an obligatory, 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 Byggmax 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.

Share-based payments

Share-based payments within the scope of the existing warrants program do not entail any cost, since the price of the warrants corresponds to their fair value.

2.13 Income recognition

Sales of goods and services

The Group's income is generated from the sale of goods and services that are included in the Byggmax product range. Sales are primarily to private customers, although there are some sales to companies. Production and development of products are carried out by Skånska Byggvaror. 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 and services 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 2.14 Leasing below with respect to Sale-and-leaseback transactions). Bygghmax recognizes income from the sale of the property when the risks and benefits associated with ownership are transferred to the leasing company, which normally coincides with the transfer date.

2.14 Leasing

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

Leasing of fixed assets in which Bygghmax in all significant respects has the economic risks and benefits associated with ownership is classified as finance leasing. At the beginning of the leasing period, finance 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 finance leases 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 Bygghmax builds a property, it is sold after completion to an external party, whereby the property is leased back to Bygghmax for its operations. In assessing the terms of the sales transaction and the leasing contract, the Group considers if the sale price is on market terms and if the leasing fee that the Group pays is based on market levels.

All sale-and-leaseback transactions are considered to be operating leases, 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 in a straight line over the period of the leasing contract and in accordance with the contract.

Gains relating to sale-and-leaseback transactions are recognized in the item financial income in profit or loss and losses

relating to sale-and-leaseback transactions are recognized in the item financial expenses in profit or loss.

2.15 Dividends

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

2.16 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's recommendation, RFR 2 Accounting 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 Swedish 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 any need for impairment of shares in subsidiaries. When there is an indication that shares and participations in subsidiaries have declined in value, a calculation of the recoverable amount 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 paid by the Parent Company to 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Through its operations, the Group is exposed to various financial risks, such as 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 risks. Practical risk management is handled by Bygghmax'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 Bygghmax 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 managed.

a) Market risk

(i) Currency risk

Although Bygghmax's consolidated accounts are stated in SEK, the Group has operations in Sweden, Norway, Finland and Denmark, and purchases some goods in other currencies than SEK. This means that the Group is exposed to currency risk in that unfavorable changes in exchange rates can have a negative effect on EBIT, shareholders' equity and cash flow.

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. Bygghmax 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, currency risk for 2016

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2016	Effect on EBIT (SEK M) 2015
NOK	+10/-10%	+/- 1.8	+/- 1.5
EUR	+10/-10%	+/- 0.5	+/- 0.3

Exposure in another currency other than the functional currency at December 31, 2016, in the transaction currency

	DKK	EUR	NOK	PLZ	SEK	USD	GBP
Accounts receivable	0.0	0.3	0.0	0.0	0.5	0.0	0.0
Accounts payable	3.9	67.2	0.0	0.0	34.7	3.2	0.2

Exposure in another currency other than the functional currency at December 31, 2015, in the transaction currency

	DKK	EUR	NOK	PLZ	SEK	USD
Accounts receivable	0.0	0.1	0.0	0.0	1.3	0.0
Accounts payable	2.8	3.9	0.2	0.3	39.1	0.0

Bygghmax hedges currency positions greater than SEK 100 M on an annual basis each quarter by hedging 50 percent for the coming six 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 floating-rate interest, thus resulting in exposure. Borrowing that is subject to floating-rate 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 is to be fixed for 50 percent of the remaining bank loans for at least two years. If interest on the Group's borrowing in SEK had been 1.0 percentage point higher/lower during 2016, with all other variables constant and consideration taken to interest swaps, the consolidated profit after tax for the fiscal year would have been SEK 10.2 M lower/higher, primarily as an effect of higher interest expenses for borrowing with floating-rate interest. Bygghmax continuously monitors the interest risk by examining the effect of loans with floating-rate interest on EBIT for the year. Bygghmax conducts interest-rate hedging in the form of an interest-rate cap.

Sensitivity analysis, interest risk for 2016

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2016	Effect on EBIT (SEK M) 2015
Interest rate	1%	10.2	2.4

b) Credit risk

Bygghmax 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 invoices external customers to a lower extent. Credit exposure primarily comprises accrued but as yet unpaid bonuses from suppliers.

c) Liquidity risk

Bygghmax's policy in respect of liquidity risk is to ensure the Group has sufficient cash and cash equivalents to finance operations.

The Board of Directors manages the liquidity risk exposure through ensuring that Bygghmax 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. Bygghmax's primary credit facility is provided by Svenska Handelsbanken by way of a credit agreement. The agreement with Svenska Handelsbanken extends until November 2, 2018.

The size of the credit facility available is reviewed regularly and is designed to cover forecast peaks in the gross debt level with a healthy margin. On December 31, 2016, the Group had cash and cash equivalents totaling SEK 41.9 M (31.7)

and an unutilized credit facility of SEK 245.4 M (251.6). Information regarding blocked bank funds is available in Note 24.

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 remaining contracted periods on the balance-sheet date. Amounts in foreign currencies and amounts to be paid are based on floating-rate interest and were estimated by using the exchange and interest rates prevailing on the balance-sheet date.

Group (SEK M)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2016				
Borrowing	700.7	125.0	375.0	25.1
Discounted earnout		47.3		
Liabilities related to finance leasing	0.0			
Net regulated derivative instruments (interest swaps)				
Gross regulated derivative instruments (currency forwards)	0.0			
Accounts payable	630.7			
Total	1331.4	172.3	375.0	25.1
At December 31, 2015				
Borrowing	349.5	1.1	1.0	
Liabilities related to finance leasing	2.5	0.1		
Net regulated derivative instruments (interest swaps)				
Gross regulated derivative instruments (currency forwards)	0.0			
Accounts payable	520.3			
Total	872.2	1.2	1.0	0.0
Parent Company (SEK M)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2016				
Borrowing	700.7	125.0	375.0	25.1
Discounted earnout		47.3		
Total	700.7	172.3	375.0	25.1
At December 31, 2015				
Borrowing	349.5	1.1	1.0	
Total	349.5	1.1	1.0	0.0

3.2 Management of financing/capital risk

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

- Establishing adequate credit facilities well in advance of foreseeable needs.
- Monitoring due dates for the total debt in order to match amortization to anticipated cash flows.
- 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. Working capital refers to: the total of inventory, accounts receivable, receivables on bonuses from suppliers, other receivables and prepaid expenses/accrued income less the total of accounts payable, tax liabilities, other current liabilities and accrued expenses/deferred income. While Byggmax has no specified goal for the equity/assets ratio, there is a dividend target. 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, EBIT, financial position, capital requirements and current economic conditions.

4 IMPORTANT ESTIMATES AND ASSESSMENTS

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, 2016, are not considered to be able to significantly affect the Group's EBIT and financial position for the coming fiscal year.

Leasing

All sale-and-leaseback transactions are considered to be operating leases, which is based on an appraisal of each leasing contract in relation to the following criteria: financial implication, leasing period and whether the contract contains an option on the property.

Testing of impairment need for 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 2.8 Impairment of non-financial fixed assets. The assumptions and assessments made in respect of expected cash flows and the discount rate are described in Note 13.

5 SEGMENT INFORMATION

Segment information by brand, SEK M	Byggmax	Skånska Byggvaror	Other	Total
Income				
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
EBITDA	417.8	54.4	109.2	581.3
Operating margin before amortization and depreciation, percent	9.6	6.8	49.2	10.9
Amortization and depreciation				-189.5
Financial income				20.3
Financial expenses				-61.8
Profit before tax				350.3
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
Information by geographic area	Norway	Sweden	Other countries	Group
Net sales	932.7	4,046.8	239.9	5,219.3
Assets	300.4	3,226.0	104.2	3,630.5
Investments	66.7	102.8	1.9	171.4

Segment information is provided for three segments from 2016, which are described in Note 2.3. The Parent Company has no net sales.

6 OTHER OPERATING INCOME

Group	2016	2015
Exchange-rate differences	12.6	5.1
Gain from divestment of equipment	0.2	0.1
Reversal of earnout	112.3	0.0
Other	3.6	4.8
Total other operating income	128.7	10.0

7 OTHER EXPENSES

Group	2016	2015
Exchange-rate differences	-9.2	-17.5
Loss from divestment of equipment	-0.2	-0.4
Total other operating expenses	-9.5	-18.0

8 AUDITORS' FEES

Auditing assignments include examination of the Annual Report and financial statements, as well as the administration of 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	2016	2015
Öhrlings PricewaterhouseCoopers AB		
Auditing assignments	1.5	0.9
Other assignments	0.0	0.0
Tax consultancy	0.2	0.3
Other services	0.2	0.4
Total auditors' fees	1.9	1.5

Parent Company	2016	2015
Öhrlings PricewaterhouseCoopers AB		
Auditing assignments	0.5	0.4
Other assignments	0.0	0.0
Tax consultancy	0.0	0.0
Other services	0.2	0.3
Total auditors' fees	0.7	0.6

9 EMPLOYEE BENEFITS

Group	2016	2015
Salaries and other compensation	386.9	290.2
Social costs	105.2	69.1
Pension costs	24.1	18.0
Other personnel costs	13.8	8.3
Total employee benefits	530.0	385.5

The guidelines for determining compensation to senior executives that were adopted by the 2016 AGM correspond, in all material respects, with the guidelines proposed to the 2017 AGM. Information about these guidelines is available in the Administration Report on page 32. Remuneration to senior executives was paid in accordance with previous resolutions and the guidelines that were adopted at the AGM. Bonuses to the Board of Directors, President and other senior executives amounted to SEK 0.0 M (0.0).

9 EMPLOYEE BENEFITS. CONT.

Salaries and other compensation plus social costs (SEK M)	2016		Number	2015		Number
	Salaries and other compensation	Social costs (of which pension costs)		Salaries and other compensation	Social costs (of which pension costs)	
Group						
Board members, President and other senior executives	20.5	10.4 (3.3)	15	17.3	7.7 (2.6)	12
Other employees	366.0	119.0 (20.8)	1,056	274.6	78.6 (15.4)	764
Total	386.5	129.4 (24.1)	1071	291.9	86.3 (18.0)	776
Parent Company						
Board members	2.2	0.5 (0.0)	6.64	1.7	0.5 (0.0)	6
President and other senior executives (incl. Svea)	0.0	0.0 (0.0)	1			1
Other employees	0.0	0.0 (0.0)	0			
Total	2.2	4.2 (1.5)	7.64	1.7	0.5 (0.0)	7

No separate remuneration is payable to the President of Bygghmax Group AB (publ) 2016.

	2016		2015	
	Average number of employees	Of whom men	Average number of employees	Of whom men
Subsidiaries				
Sweden	831	71%	556	78%
Norway	153	90%	133	88%
Finland	71	73%	73	73%
Denmark	9	81%	0	0%
Total in subsidiaries	1,064	78%	762	79%
Group total	1,064	78%	762	79%

	2016		2015	
	Number on balance-sheet date	Of whom men	Number on balance-sheet date	Of whom men
Group (including subsidiaries)				
Board members	7	43%	6	50%
President and other senior executives	8	88%	8	88%
Group total	15	67%	14	71%

Parent Company				
Board members	7	43%	6	50%
President and other senior executives	2	100%	1	100%
Parent Company total	9	56%	7	57%

9 EMPLOYEE BENEFITS. CONT.

Compensation to senior executives (SEK M)	Basic salary/ Directors' fees	Variable compensation	Other benefits	Pension costs	Other compensation	Total
2016						
Chairman of the Board — Anders Moberg	0.6					0.6
Board member — Daniel Mühlbach	0.3					0.3
Board member — Hannele Kempainen	0.3					0.3
Board member — Karin Hygrell-Jonsson	0.3					0.3
Board member — Lottie Svedenstedt*	0.4					0.4
Board member — Mikael Norman	0.2					0.2
Board member — Stig Notlöv	0.1					0.1
Board member — Ullrika Eliasson	0.2					0.2
CEO — Magnus Agervald	4.0	0.3	0.0	1.1	0.9	6.3
CEO — Mattias Ankaberg	1.1	0.6	0.0	0.4		2.1
Other senior executives (five individuals, of whom one woman)	8.3	0.7	0.0	1.9	0.3	11.2
Total	15.8	1.6	0.0	3.4	1.2	22.0

* Refers to invoiced amount incl. social fees

In accordance with the resolution at the General Meeting on May 10, 2015, other compensation includes a subsidy in the form of an extra cash payment (after tax) for purchases of warrants.

Compensation to senior executives (SEK M)	Basic salary/ Directors' fees	Variable compensation	Other benefits	Pension costs	Other compensation	Total
2015						
Chairman of the Board — Anders Moberg	0.4					0.4
Chairman of the Board — Fredrik Cappelen	0.2					0.2
Board member — Daniel Mühlbach	0.2					0.2
Board member — Hannele Kempainen	0.2					0.2
Board member — Karin Hygrell-Jonsson	0.3					0.3
Board member — Lottie Svedenstedt	0.3					0.3
Board member — Stig Notlöv	0.3					0.3
CEO	3.9	3.8		1.1	0.9	9.7
Other senior executives (five individuals, of whom one woman)	6.4	1.3		1.5	0.3	9.5
Total	12.2	5.1	0.0	2.6	1.2	21.1

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. The retirement age for the CEO and other senior executives is 65. Fixed salary and pension was renegotiated for the CEO in 2015 in line with the relevant market and reflects the scope and responsibility entailed in the assignment. The CEO has a defined-contribution pension. Variable compensation pertains to remuneration for bonus earned in 2016 that is payable in 2017.

Warrant program

The 2013 and 2015 Annual General Meetings resolved to introduce warrant programs for senior executives and other key staff at Byggmax. The warrants are priced at market value, which is 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 prices shown in the table on page 32. The participants of the warrants program have entered into a pre-emption agreement. The 2013 warrant program expires on November 30, 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 leaving his position as President of Byggmax Group AB (publ), Magnus Agervald repurchased warrants totaling SEK 6.2 M.

10 PROFIT/LOSS FROM FINANCIAL ITEMS

Group	2016	2015
Profit from participations in Group companies	0.0	11.8
Total	0.0	11.8
Financial income		
Exchange-rate gains	7.1	8.5
Changes in fair value — interest swaps and currency derivatives	12.3	10.5
Interest income	0.8	0.1
Other financial income	0.1	0.0
Total	20.3	19.1
Financial expenses		
Exchange-rate losses	-18.4	-8.1
Changes in fair value — interest swaps and currency derivatives	-10.0	-11.9
–interest expenses, bank loans	-20.6	-6.2
–interest expense, discount rate, earnout	-11.7	-0.8
–finance leasing, reversal of discounting effect	0.0	-0.2
Other financial expenses	-1.1	-1.5
Total	-61.8	-28.6
Profit/loss from financial items	-41.5	2.4
Parent Company	2016	2015
Earnings from shares in Group companies		
Dividends from Group companies	140.0	140.0
Total	140.0	140.0
Interest income and similar items		
Exchange-rate gains	1.7	0.3
Group contributions	21.3	12.6
Interest income	9.0	12.4
Total	32.0	25.2
Interest expenses and similar items		
Exchange-rate losses	-2.2	-0.6
Interest expenses	-22.0	-18.0
Total	-24.2	-18.6
Profit from financial items	148.0	146.6

11 INCOME TAX

Group	2016	2015
Current tax for the year	-62.5	-62.9
Current tax attributable to previous years	-1.1	-0.2
Deferred tax expense relating to temporary differences	-11.2	-9.5
Deferred tax income relating to temporary differences	9.1	-1.7
Total	-65.7	-74.3

Parent Company	2016	2015
Current tax for the year	0.0	0.0
Total	0.0	0.0

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

Group	2016	2015
Profit before tax	350.3	334.1
Income tax calculated according to the Group's prevailing tax rate	-77.1	-73.5
Non-taxable income	0.0	2.5
Non-deductible costs	-12.1	-2.9
Tax effect of interest on the tax allocation reserve	0.0	0.0
Reversal of earnout, non-taxable income	24.7	0.0
Deficits for tax purposes for which no deferred tax asset is recognized	0.6	0.0
Blocked amounts on foreign taxes for tax purposes	-0.7	0.0
Effect of foreign tax rates	0.0	0.0
Adjustment of current tax relating to previous years	-1.1	-0.2
Other	-0.1	-0.3
Tax expense	-65.7	-74.3

Parent Company	2016	2015
Profit before tax	139.7	130.4
Income tax calculated according to prevailing tax rate	-30.7	-28.7
Non-taxable income	31.0	30.8
Non-deductible costs	-0.3	-2.1
Tax expense	0.0	0.0

Weighted average tax rate within the Group:	18.8%	22.2%
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The prevailing tax rate for income tax within the Group and the Parent Company is 22.0 percent. (22.0)

12 EXCHANGE-RATE DIFFERENCES

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

Group	2016	2015
Other operating income	13.3	5.1
Other expenses	-11.2	-17.5
Financial income	6.5	8.5
Financial expenses	-21.0	-8.1
Total exchange-rate differences	-12.5	-12.0

13 INTANGIBLE FIXED ASSETS

Capitalized expenses for development work

Group	2016	2015
Opening cost	100.3	75.7
New acquisitions	25.3	22.8
Increase through acquisitions	0.0	2.5
Sales and scrapping	-0.2	-0.6
Exchange-rate differences	-0.0	-0.1
Closing accumulated cost	125.4	100.3
Opening amortization	-57.3	-44.0
Sales and scrapping	0.0	0.1
Amortization for the year	-17.4	-13.4
Exchange-rate differences	-0.3	0.0
Closing accumulated amortization	-75.0	-57.3
Closing carrying amount	50.3	43.0

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

Goodwill, customer relationships and brands	2016	2015
Opening cost	1,172.7	1,051.0
Increase through acquisitions	1,083.8	121.7
Amortization of customer relationships and brands	-39.6	0.0
Impairment of goodwill	-44.8	0.0
Closing accumulated cost	2,172.0	1,172.7
Closing carrying amount	2,172.0	1,172.7

Of recognized goodwill, SEK 1,051.0 relates to the Swedish operations in Byggmax AB, SEK 121.7 M relates to Buildor AB and SEK 642.9 M to Skånska Byggarvar AB, which was acquired in January 2016. Customer relationships and brands amounted to SEK 356.5 M.

An impairment test was carried out in September 2016 due to a lower earnings forecast for Skånska Byggarvar Group AB 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 2016–2021. 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 weighted average cost of capital (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.

Annual impairment testing of goodwill

The carrying amount for goodwill is tested on an annual basis. In addition, Byggmax assesses at the end of each reporting period if there is any indication that an asset may have declined in value. If there is an indication of a decline in value, the asset is tested for impairment. During the fourth quarter of each year, the Group examines whether or not there is any impairment need for goodwill.

Previously recognized goodwill of SEK 1,051.0 M is entirely attributable to the Swedish part of the business activities in Byggmax AB, which is considered the cash-generating unit (CGU). As regards the acquired goodwill from the acquisition of Buildor, the CGU was considered to comprise Buildor in its entirety. For the goodwill arising in connection with the acquisition of Skånska Byggarvar Group AB, the CGU is considered to comprise Skånska Byggarvar Group AB in its entirety.

The recoverable amount for the CGU linked to the Swedish operations of Byggmax AB, the CGU comprising Buildor and the CGU comprising Skånska Byggarvar Group AB were all determined on the basis of calculations of value in use.

In all three cases, the calculation is based on estimated future cash flows based on the 2016 business plan for each CGU and forecasts for the period from 2017–2021 that were prepared by Group management and approved by the Board. The management's forecasts are based on historical experience as well as external data on market growth, etc. The forecasts are based on a number of principal assumptions concerning future growth and EBIT margins. The calculated recoverable amount is compared with the carrying amount. Cash flows beyond the five-year period, meaning after 2020, are extrapolated using an estimated growth rate of 2 percent, which corresponds to a weighted average growth rate under the Riksbanken's (the Swedish Central Bank) inflation targets and is in line with sustainable growth for the industry. In the corresponding calculations for 2016, an estimated growth rate of 2 percent was used for the CGU comprising the Swedish operations at Byggmax AB and the growth rate for the CGU comprising Buildor was 2 percent. When discounting expected future cash flows, a WACC before tax was used, which is currently 8 percent (8) for Byggmax AB. Buildor applied a WACC of 11 percent in its impairment testing and Skånska Byggarvar applied a WACC of 10.7 percent.

The WACC was based on the following assumptions:

- Risk-free interest rate: Ten-year treasury bond rate
- Market risk premium per cash-generating unit
- Beta value: Fixed beta value for Bygghmax Group

Testing indicates that the recoverable amount exceeds the carrying amount.

Sensitivity analyses show that a rise in the discount rate of 2 percentage points or a decline in cash flow of 10 percent would not affect the results of the test for the CGUs comprising Bygghmax, Skånska Bygghvaror and Buildor.

14 TANGIBLE FIXED ASSETS

Equipment, tools, fixtures and fittings

Group	2016	2015
Opening cost	624.2	516.1
Purchases	143.8	127.0
Sales and scrapping	-2.1	-10.9
Increase through business combinations	22.8	0.0
Reclassifications	0.0	0.0
Exchange-rate differences	-8.0	-8.0
Closing accumulated cost	802.9	624.2
Opening depreciation	-356.7	-301.8
Sales and scrapping	0.0	9.0
Depreciation for the year	-85.8	-68.5
Reclassifications	0.0	0.0
Exchange-rate differences	-5.0	4.6
Closing accumulated depreciation	-447.6	-356.7
Closing carrying amount	355.3	267.5

The item equipment, tools, fixtures and fittings includes leasing objects that the Group holds according to finance leases in the following amounts:

Group	2016	2015
Cost – capitalized finance leasing	152.5	152.5
Accumulated depreciation	-152.5	-151.4
Carrying amount	0.0	1.1

As of 2012, the Group does not lease inventory to the same extent as earlier, but rather these are financed internally.

Buildings and land

Group	2016	2015
Opening cost	7.9	45.1
Increase through asset acquisitions	0.0	0.0
Reduction due to divestment of company	0.0	-37.2
Sales and scrapping	0.0	0.0
Exchange-rate differences	0.0	0.0
Closing accumulated cost	7.9	7.9
Opening depreciation	-2.8	-3.7
Reduction due to divestment of company	0.0	1.3
Sales and scrapping	0.0	0.0
Depreciation for the year	-0.4	-0.4
Exchange-rate differences	0.0	0.0
Closing accumulated depreciation	-3.2	-2.8
Closing carrying amount	4.7	5.1

Leasehold improvements

Group	2016	2015
Opening cost	18.8	15.6
Purchases	2.7	3.8
Sales and scrapping	0.0	0.0
Exchange-rate differences	0.6	-0.6
Closing accumulated cost	22.2	18.8
Opening depreciation	-4.8	-3.8
Sales and scrapping	0.0	0.0
Depreciation for the year	-1.4	-1.2
Exchange-rate differences	-0.3	0.2
Closing accumulated depreciation	-6.5	-4.8
Closing carrying amount	15.7	14.0

15 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2016	2015
Opening cost	507.0	358.0
Investments	744.0	149.0
Closing carrying amount	1,251.0	507.0

The Parent Company has participations in the following Group companies:

The Parent Company has participations in the following Group companies:					Carrying amount	
Name	Corporate registration number	Registered office	Share of capital	Number of shares	2016	2015
Companies owned by Byggmax Group AB (publ)						
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
Buildor AB	556867-2405	Stockholm	100%	1,558	150.2	149.0
Skånska Byggvaror Group AB	556987-6849	Helsingborg	100%	1,579,710	742.7	
					1,251.0	507.0
Holdings in other Group companies						
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 Fastighetsutveckling 8 AB	556889-6780	Stockholm	100%			
Byggmax Fastighetsutveckling 9 AB	556916-5250	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%			
Buildor AS	918 104 925	Oslo	100%			
Skånska Byggvaror AB	556100-1891	Helsingborg	100%			
Grönt Fokus AS	976 461 428	Kristiansand	100%			
Pavillon DK	26 05 05 10	Odense	100%			

16 DISCLOSURES ON ACQUISITIONS

On November 2, 2015, Buildor AB (Corp. Reg. No. 556867-2405) was acquired with the aim of strengthening Byggmax's online store offering. Buildor AB is a fast-growing e-commerce player with operations in Sweden. The acquisition includes 100% of the shares in Buildor AB and has affected the consolidated balance sheet and cash and cash equivalents as set out below. An earnout of SEK 60.0 M was recognized. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2016, the discounted earnout amounted to SEK 53.5 M. Goodwill resulted from the acquisition, and consists of synergy effects. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Acquisition analysis	Fair value, SEK M
Intangible assets	2.5
Tangible assets	0.0
Deferred tax assets	1.9
Other long-term receivables	0.1
Accounts receivable and other receivables	2.3
Cash and cash equivalents	4.7
Accounts payable and other liabilities	-5.0
Net assets acquired	6.5
Goodwill	121.7
Total purchase consideration	128.2
Unpaid part of purchase consideration	-51.5
Cash and cash equivalents at acquired company	-4.7
Change in the Group's cash and cash equivalents following the acquisition	-72.1

On January 4, 2016, Skånska Byggvaror 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% 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, meaning its full payout value and discounted based on future payment dates. Goodwill resulted from the acquisition, and consists of synergy effects. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Acquisition analysis	Fair value, SEK M
Customer relationships	151.0
Trademark	245.1
Intangible assets	0.0
Tangible assets	22.8
Deferred tax assets	0.0
Other long-term receivables	0.0
Inventories	58.9
Accounts receivable and other receivables	28.2
Cash and cash equivalents	39.0
Deferred tax	-88.1
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

17 FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial instruments measured at fair value in the balance sheet and disclosures regarding their valuation at fair value broken down by level in the following fair-value hierarchy comprise:

- 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).

Bygghmax 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 fiscal year.

Assets in the balance sheet at Dec. 31, 2016	Loan receivables and accounts receivable	Assets measured at fair value in profit or loss	Total
Derivative instruments		0.2	0.2
Accounts receivable and other receivables excluding prepaid expenses and accrued income	89.8		89.8
Cash and cash equivalents	41.9		41.9
Total	131.7	0.2	131.9

Liabilities in the balance sheet at Dec. 31, 2016	Liabilities measured at fair value in profit or loss	Other financial liabilities	Total
Borrowings (excluding liabilities related to financial leasing)		1,224.7	1,224.7
Derivative instruments	0.3		0.3
Liabilities related to finance leasing			
Accounts payable and other liabilities excluding accrued expenses and deferred income		693.0	693.0
Total	0.3	1,917.7	1,918.0

Assets in the balance sheet at Dec. 31, 2015	Loan receivables and accounts receivable	Assets measured at fair value in profit or loss	Total
Derivative instruments		0.0	0.0
Accounts receivable and other receivables excluding prepaid expenses and accrued income	69.6		69.6
Cash and cash equivalents	31.7		31.7
Total	101.3	0.0	101.3

Liabilities in the balance sheet at Dec. 31, 2015	Other financial liabilities	Total
Borrowings (excluding liabilities related to financial leasing)	348.4	348.4
Earnout Buildor	51.5	51.5
Liabilities related to finance leasing	2.6	2.6
Accounts payable and other liabilities excluding accrued expenses and deferred income	546.1	546.1
Total	948.6	948.6

18 DIVESTMENT OF SUBSIDIARIES

No companies were divested in 2016. The subsidiary Lännersta 14:1 AB including a property in Nacka, was divested in 2015. The divestment led to a positive earnings effect of SEK 11.8 M and the purchase consideration amounted to SEK 31.8 M.

19 DERIVATIVE INSTRUMENTS

Group Dec. 31, 2016	Assets	Liabilities
Derivative instruments		
Interest swaps – held for sale	0.0	0.0
Currency forwards - held for sale	0.2	0.3
Total derivative instruments	0.2	0.3
Group Dec. 31, 2015	Assets	Liabilities
Derivative instruments		
Interest swaps – held for sale	0.0	0.0
Currency forwards – held for sale	0.0	0.1
Total derivative instruments	0.0	0.1

Derivative instruments held for sale are classified as current assets or current liabilities. The nominal amount for outstanding currency forward contracts was SEK 126.6 M (165.0) on the balance-sheet date. The nominal amount for interest swaps outstanding was SEK 0.0 M (0.0) 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	2016	2015
Accounts receivable	22.1	4.5
Provisions for doubtful receivables	-2.2	-0.3
Total accounts receivable	19.9	4.2

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

21 INVENTORIES

Group	2016	2015
Completed goods and goods for resale	814.9	666.1
Prepayments to suppliers	10.3	9.6
Work in progress	3.6	
Total inventories	828.8	675.7

Inventories consist essentially of goods for resale. No impairment was carried out.

22 OTHER RECEIVABLES

	2016	2015
Bonus receivables from suppliers	50.8	53.6
Other receivables	19.1	11.9
Total other receivables	69.9	65.4
Parent Company		
Dividends from Group companies	140.0	140.0
Total other receivables	140.0	140.0

Most bonus receivables are in SEK. As of the balance-sheet date, December 31, 2016, no other receivables were considered doubtful. In respect of existing bonus receivables, the majority of the items have a corresponding entry in accounts payable. The fair value of the Group's other receivables corresponds to the carrying amount. Dividends from Group companies pertain to receivables for anticipated dividends.

23 PREPAID EXPENSES AND ACCRUED INCOME

Group	2016	2015
Prepaid rent	20.5	23.1
Prepaid leasing fees	0.3	0.2
Accrued interest income	3.3	0.7
Other items	26.6	6.1
Total prepaid expenses and accrued income	50.7	30.1

24 CASH AND CASH EQUIVALENTS

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

Group	2016	2015
Balance sheet		
Cash and bank balances	34.0	24.0
Blocked funds	7.9	7.7
Total cash and cash equivalents	41.9	31.7
Cash-flow statement		
Cash and bank balances	34.0	24.0
Short-term investments	0.0	0.0
Total cash and cash equivalents	34.0	24.0

Blocked funds refer to rent deposits of SEK 1.9 M (1.7) and a customs credit of SEK 6.0 M (6.0).

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
At December 31, 2016	60.7	20.2	1,281.9	1,302.2
At December 31, 2015	60.7	20.2	1,121.7	1,142.0

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 translation differences arising in the translation of foreign subsidiaries.

27 BORROWING

Group	2016	2015
Long-term		
Liabilities to credit institutions	525.1	0.0
Discounted earnout	47.3	0.0
Liabilities related to finance leasing	0.0	0.1
Total	572.4	0.1
Short-term		
Liabilities to credit institutions	294.9	200.0
Overdraft facilities	404.7	148.4
Liabilities related to finance leasing	0.0	2.5
Total	699.6	350.9
Total borrowing	1,272.0	351.0
Parent Company		
Liabilities to credit institutions	820.0	200.0
Overdraft facility	652.1	502.8
Total	1,472.1	702.8
Total borrowing	1,472.1	702.8

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. There are no pledged assets for these loans. See Note 32.

The Group has the following unutilized credit facilities:

Group	2016	2015
Overdraft facility	245.4	251.6
Total	245.4	251.6

Of the above available overdraft facilities, SEK 6.0 M (6.0) is a customs credit.

Finance leasing

Gross liabilities for finance leasing

Group	2016	2015
Within one year	0.0	0.1
Later than one year but within five years	0.0	2.6
Total	0.0	2.6
Future financial expenses for finance leasing	0.0	-0.1
Present value of liabilities related to finance leasing	0.0	2.6

In the balance-sheet item borrowing from credit institutions, finance leasing is included as follows:

Group	2016	2015
Within one year	0.0	2.5
Later than one year but within five years	0.0	0.1
Later than five years	0.0	0.0
Total	0.0	2.6

See also Note 33, Obligations.

28 DEFERRED TAX

Group	2016	2015
Deferred tax liabilities		
Untaxed reserves	113.2	106.0
Intangible fixed assets	87.1	
Acquired deferred tax liabilities	1.0	
Leasing	0.0	-0.3
Total deferred tax liabilities	201.3	105.8
Deferred tax assets		
Derivatives	0.1	0.0
Valuation of loss carry-forwards	3.8	5.4
Total deferred tax assets	3.8	5.4
Deferred tax liabilities, net	197.4	100.4
Gross changes relating to deferred taxes are as follows:		
Group	2016	2015
On the opening date	100.4	90.9
Recognition in profit or loss	7.1	11.0
Acquired deferred tax asset	0.0	-2.4
Acquired deferred tax liability	88.0	0.0
Exchange-rate differences	-0.3	0.8
On the balance-sheet date	197.4	100.4

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 3.8 M (5.4). Of these, SEK 2.2 (0.2) is in respect of losses amounting to SEK 9.8 M (1.7) that can be offset against future taxable profits. SEK 0.4 M (2.0) pertains to taxes on internal gains of SEK 1.9 M (9.1), SEK 0.0 M (neg: 0.0) to derivatives and SEK 1.2 M (1.2) 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 10 from the Swedish Financial Reporting Board, this is a defined-benefit plan that includes several employers. For the 2016 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 6.3 M (5.8). Alecta's surplus can be distributed to policy holders and/or insured persons. On December 31, 2016, Alecta's surplus in the form of the collective consolidation level amounted to 148 percent (153). 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	2016	2015
VAT liabilities	21.8	5.7
Personnel-related liabilities	10.8	6.5
Other	29.7	22.1
Total other liabilities	62.3	34.4

31 ACCRUED EXPENSES AND DEFERRED INCOME

Group	2016	2015
Accrued salaries	31.2	34.1
Accrued vacation pay	46.9	36.2
Accrued social fees	13.5	11.7
Other	49.3	37.7
Total accrued expenses and deferred income	141.0	119.6
Parent Company		
Other	3.5	8.5
Total accrued expenses and deferred income	3.5	8.5

32 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Pledged assets

Group	2016	2015
For own debts and provisions:		
Blocked bank funds	7.9	7.7
Total pledged assets, contingent liabilities and contingent assets	7.9	7.7

Contingent liabilities

Group	2016	2015
Capital adequacy guarantee on behalf of Group companies	None	None

33 OBLIGATIONS

Obligations relating to operating leasing

The Group leases rental premises, as well as miscellaneous small equipment, under terminable operating leasing contracts.

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

Group	2016	2015
Within one year	222.3	175.3
Later than one year but within five years	649.3	517.5
Later than five years	370.7	327.7
Total	1,242.4	1,020.5

Most of the above amounts relate to the rent for premises. In other respects, most of the Group's leasing contracts are classified as finance leasing. Information on finance leasing is presented in Note 27. Expensed leasing costs amounted to SEK 216.4 M (186.0).

34 TRANSACTIONS WITH RELATED PARTIES

In 2016, the former President Magnus Agervald made personal purchases of materials and services at Byggmax to a value of SEK 0.0 M (1.4), these purchases were made in accordance with Byggmax's policy for employee purchases. Information regarding key individuals in senior management is provided in Note 9, Employee benefits.

35 PRO FORMA RESULTS FOR THE BYGGMAX GROUP, INCLUDING SKÅNSKA BYGGVAROR AND BUILDOR

Amounts in SEK millions (SEK M)	Q1	Q2	Q3	Q4	Full year
	2015	2015	2015	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 resale	-450.8	-1,105.3	-1,166.6	-659.4	-3,382.1
Other external expenses 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 and impairment 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 excluding acquisition costs	-39.1	169.0	206.5	43.5	380.1
Acquisition costs	0.0	-0.3	-3.0	-16.4	-19.7
EBIT including acquisition costs	-39.1	169.0	203.5	27.1	360.4

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. The pro forma accounts as per 2015 take no retroactive consideration to the amortizations of acquired intangible assets that arose on the acquisition of Skånska Byggvaror by the Group in 2016.

36 EVENTS AFTER THE BALANCE-SHEET DATE

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

The Board of Directors and CEO 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 financial position and performance.

The Annual Report has been prepared in accordance with the generally accepted accounting practices in Sweden and accurately reflects the Parent Company's financial position and performance.

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, financial position and performance, 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 May 10, 2017 for adoption.

Stockholm, March 7, 2017

ANDERS MOBERG

Chairman of the Board

DANIEL MÜHLBACH

Board member

KARIN HYGRELL-JONSSON

Board member

LOTTIE SVEDENSTEDT

Board member

HANNELE KEMPPAINEN

Board member

MIKAEL NORMAN

Board member

MATTIAS ANKARBERG

CEO

ULLRIKA ELIASSON

Board member

Our auditors' report was submitted on March 13, 2017

Öhrlings PricewaterhouseCoopers AB

ANN-CHRISTINE HÄGGLUND

Authorized Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bygghmax Group AB (publ) for the year 2016, except for the corporate governance statement on pages 40-43. The annual accounts and consolidated accounts of the company are included on pages 35-80 in this document. 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 parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 40-43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Bygghmax Group consists of a number of subsidiaries and branches in the Nordic countries. Sweden represents about 78% of consolidated sales, while Norway represents approximately 18% of sales, and other countries, such as Finland and Denmark, account for the remaining portion of total turnover. Our audit, undertaken to determine the group's and parent company's results and financial position, included a review of the majority of all companies, representing approximately 97% of consolidated sales. All subsidiaries and affiliates are also subject to statutory audits in their respective countries. Bygghmax Group's business is seasonal and nearly 67% of the company's revenues are earned during Q2 and Q3.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters

Valuation, completeness and allocation of revenues

We refer to Note 5 (segment), Notes 2.13 Accounting Principles and Note 20- Accounts receivable.

One key audit matter as regards the Bygghmax group is revenue recognition. Revenue is comprised of a large number of transactions and there is an inherent risk that errors could arise in individual sales transactions or in other types of transactions impacting the sales transactions.

Revenues in the Bygghmax group are comprised, primarily, of a large number of sales transactions divided between a number of segments within Bygghmax. The sales take place in the Nordic countries both through direct sales in the stores and through sales via the web. A large portion of the sales are sold to private customers but also to corporate clients. The revenue transactions for Bygghmax are based on price lists for the goods sold in the stores or via the web. For Skånska Bygghvaror, sales are based on price lists but also on special contracts with clients where a variety of prices and delivery terms are applied. Volume rebates and sales campaigns impact the revenue stream. Revenues are recognized when the delivery to the customer takes place according to the delivery terms applying.

Key audit matters

Valuation, allocation and the existence of inventory

We refer to Note 21 –Inventories, Note 2.10 – Accounting principles. Inventories comprised a key audit matter in our audit as the group's purchases of goods and the valuation of these goods is a very transaction-intensive process and comprises a significant cost in the company's operations. There is an inherent risk that errors can arise in transactions both as regards the delivery of goods to the inventory and delivery of goods from the inventories. Errors can also arise in conjunction with the calculation of rebates and volume-related bonuses which impact the cost of the goods.

The acquisition value of the goods is based on their purchase price. In the valuation of the entire inventory there are also assessments involving subjective components, for example, the assessment of obsolescence and of the net sales value in applying the lowest value principle. Bygghmax group's inventories are found, physically, at a number of locations, in stores in the Nordic region and at a number of distribution centers in Sweden. As at 31 December 2016, the total value of the inventories was MSEK 818.5 and is comprised primarily by finished goods for sale.

How our audit addressed the Key audit matter

On a sample basis, we have evaluated the design and effectiveness of certain selected controls in the sales process, with the aim of verifying that there are controls in place to ensure that correct prices are applied and to ensure that revenue transactions are reported in the correct periods. In our audit of the cash handling, we have also executed control testing of the cash on hand and control calculations regarding daily cash and cash receipts. In addition, the relevant IT systems have been tested.

As a supplement to the testing of controls and IT systems, detailed testing has been undertaken through transaction analyses which included the major portion of the group's revenue and where each transaction was analysed on the basis of controlling that a delivery from the inventory could be matched against a given revenue transaction. In conjunction with the year-end closing, we also executed supplementary testing of controls and undertook analytical procedures to verify that correct allocations had been reported in the annual accounts.

How our audit addressed the Key audit matter

We have evaluated the design and effectiveness of certain selected controls in Bygghmax group's business process for the purchase of goods and in its own manufacturing of goods. Furthermore, the relevant IT systems have been tested.

As a supplement to the testing of controls and IT systems, detailed testing has been undertaken of a selection of products in the inventory for goods for resale and of a selection of the calculations providing the basis of the valuation of the products in progress and in the finished goods inventory. In addition, we have also undertaken a certain amount of detailed testing of raw materials and other input goods to ensure that they have been correctly valued.

Furthermore, we have ensured, within the framework of our audit, that the finished goods inventory has been correctly valued in relation to the lowest value principle. This is done on the basis of random sampling testing of sales prices against invoice details.

In addition to this, we have also undertaken a transaction analysis (equivalent to what was described above as regards revenues) to verify that a withdrawal from the inventory is matched with a revenue item and is, thereby, reported as a cost of goods sold. We have also followed up the company's routines for identifying any possible obsolescence/wastage per store.

Furthermore, we have evaluated the design and effectiveness of certain selected controls in the inventory process.

We have participated in a number of stock takes which have taken place on an ongoing basis in the stores and we have followed up the inventory executed by a third party as regards the distribution centers.

We have also, on a random sample basis, checked the calculations regarding and assessed the company's receivables with suppliers for bonuses yet to be paid out by the suppliers.

Key audit matters

Valuation of Goodwill

We refer to Notes 4 Important estimates and assessments, Note 13 Intangible Fixed Assets, Note 16- Disclosures on acquisitions

Acquired goodwill and other acquisition-related intangible assets including customer relationships comprise a significant portion of the Byggmax group's balance sheet of MSEK 2,172 as at the end of December 2016. Byggmax group's goodwill as at 31 December 2016 amounted to MSEK 1,816 and is allocated to three cash generating units: Byggmax AB, Skånska Byggar AB and Buildor AB.

Goodwill is not subject to ongoing depreciation and is, therefore, tested annually for impairment in accordance with IFRS requirements. Goodwill is also tested for impairment if there are indications that a write-down requirement has been identified. The Byggmax group has a routine and process for executing these tests. The test is based on the recoverable amount which is equivalent to the value of the discounted cash flows for identified cash generating units. Central assumptions in these calculations are that of future growth, the margin and the discount rate ("WACC"). As the process is, by its nature, based on estimates and assessments, this area comprises to be a key audit matter.

During 2016, Byggmax acquired Skånska Byggar AB. In this purchase, intangible assets (before tax) were acquired attributable to customer relationships, MSEK 151, brands, MSEK 191 and goodwill, MSEK 688. Customer relationships and brands were depreciated based on an assessed economic useful lifetime of 10 years. In the third quarter 2016, management noted an indication of a possible impairment need based on adjusted income forecast whereby an impairment test was undertaken. The test evidenced a write-down requirement of MSEK 45 which was reported as a cost in the third quarter 2016. This implies a further focus on the assessment on the forecasts of future growth and operating margin.

Byggmax group's conclusion is that there are no further impairment requirements regarding the above-mentioned assets as at 31 December 2016.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-34 and pages 85-95. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

How our audit addressed the Key audit matter

In the third quarter, management identified indications that there was a write-down requirement for Skånska Byggar. Consequently, management executed a write-down test which we audited in accordance with the following description. This write-down test implies that goodwill of MSEK 45 was written down.

We have assessed whether the company's testing of write-down requirements is based on the budgets and strategy plans adopted by the management and Board of Directors. Furthermore, we have assessed the reasonableness of these assumptions. We have also assessed the growth assumption applying to the time horizon covered by the Board's and management's 5 year strategic plan, and have, in addition, assessed the assumptions regarding the discount rate applied in the impairment testing. To assess the management's assumptions, we have evaluated the management's process for producing forecasts, we have verified data, such as expected inflation rates, against external data sources and we have consulted PwC's valuation experts.

In conjunction with our testing of the write-down requirements, we have also undertaken a special examination of the sensitivity of the valuations to changes in significant parameters which, individually or on a collective basis, could result in the existence of a write-down requirement. Finally, we have assessed the information provided in Note 13 (Goodwill, Customer Relationships and brands) to deem if such information is appropriate.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bygghem Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 40-43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm the 13 March 2017
Öhrlings PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant

BYGGMAX GROUP MANAGEMENT

MATTIAS ANKARBERG

CEO since November 2016. Born 1976. **Education:** M.Sc. Business and Administration Stockholm School of Economics. **Background:** Previously held several leading positions at H&M, most recently as a member of the executive group management as global head of sales and marketing, and consultant at McKinsey & Company in Sweden and USA. **Other assignments:** No other assignments. **Shareholding:** 50,000 shares.

DANIEL JUHLIN

CEO of Byggmax AB since 2016 and Marketing and IT Manager since 2012. Born 1974. **Education:** M.Sc. Engineering KTH Royal Institute of Technology. **Background:** Formerly worked as a consultant at McKinsey & Company, held several sales and marketing positions at Toms and Cloetta Fazer, CEO of Friggs AB and CEO of Karamellkungen AB. **Other assignments:** No other assignments. **Shareholding:** 5,000 shares via endowment insurance, 4,865 shares via pension insurance and 110,000 warrants.

JONATAN SCHWAMBERG

Founder and CEO of Buildor AB. Member of Group management since April 19, 2016. Born 1983. **Education:** Stockholm School of Economics. **Background:** Former founder of Buildor AB which was acquired by Byggmax Group AB at the end of 2015. **Other assignments:** No other assignments. **Shareholding:** 16,150 shares.

PER HARALDSSON

Sourcing and Supply Chain Manager since 2013 (employed in 2008). Born 1974. **Education:** M.Sc. Engineering Institute of Technology, Linköping University. **Background:** Previously Business Area Manager at Rusta. **Other assignments:** No other assignments. **Shareholding:** 41,440 shares, 24,000 warrants and exposure through endowment insurance to a further 28,850 shares.

PERNILLA WALFRIDSSON

CFO since 2005 (employed in 2005). Born 1973. **Education:** M.Sc. 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:** Board Member and Chairman of audit committee of NetOnNet Group AB. **Shareholding:** 213,500 shares and 56,000 warrants.

ANDERS JOHANSSON EICKHOFF

The CEO of Skånska Byggarvaror Group AB joined Group management of Byggmax Group AB on January 4, 2016. Born 1961. **Background:** Previously CEO of Jotex AB and several management positions at Ellos Group AB. **Other assignments:** No other assignments. **Shareholding:** 0 shares.

AUDITORS

Byggmax's auditor is Öhrlings PricewaterhouseCoopers AB, with Ann-Christine Hägglund as Auditor in Charge since 2013. Ann-Christine Hägglund 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.



Mattias Ankarberg



Daniel Juhlin



Jonatan Schwamberg



Per Haraldsson



Pernilla Walfridsson



Anders Johansson Eickhoff

BYGGMAX BOARD OF DIRECTORS

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 a Board member of ZetaDisplay AB, Hema B.V., ITAB AB, Rezidor AB, Christ GmbH, BoConcept A/S and Bergendahl & Son AB. **Shareholding:** Does not own any shares but is exposed to 350,000 shares in Byggmax through his endowment insurance.

LOTTIE SVEDENSTEDT

Board member since 2010. Born 1957. **Education:** Law degree from Uppsala University. **Background:** Former Regional Manager for H&M, Managing Director Inter IKEA Systems A/S, Business Area Manager Ikea of Sweden and CEO Kid Interiør A/S. **Other assignments:** Chairman of the Board of the MiL Institute AB and Uppstart Helsingborg and Board member of MiL Foundation, Gullberg & Jansson AB, ITAB Shop Concept AB, Swedavia AB and Vanna AB. **Shareholding:** 10,000 shares in Byggmax.

KARIN HYGRELL-JONSSON

Board member since 2014. Born 1955. **Education:** M.Sc. Business and Administration Stockholm School of Economics. **Background:** Currently CFO of Axfood AB. Employed by the Axfood Group since 1991 and a member of Group management since 2007. **Other assignments:** Member of Swedish Financial Reporting Board. **Shareholding:** 2,000 shares in Byggmax.

MIKAEL NORMAN

Board member since 2016. Born 1958. **Education:** Law degree and economics at Stockholm University. **Background:** Served as Group CFO at Nobia between 2010 and 2016, and has previously held several positions in the Electrolux Group, including Group Controller. **Other assignments:** Board member of Bravida and Cloetta AB where he is also the Chairman of the audit committee. **Shareholding:** 6,500 shares in Byggmax.

DANIEL MÜHLBACH

Board member since 2015. Born 1974. **Education:** M.Sc. Engineering Luleå University of Technology. **Background:** Currently CEO and part-owner of FootWay Group AB. Previously President of the Lensway Group from 1999 to 2010. **Other assignments:** Board member of FootWay Group AB and Solidar Pension AB. **Shareholding:** 0 shares.

HANNELE KEMPPAINEN

Board member since 2015. Born 1970. **Education:** B.Sc. International Business and Marketing American College of Switzerland. **Background:** Currently General Manager at Colgate Palmolive Finland and, previously, was Country Manager at Colgate Palmolive Finland. Hannele was at Procter & Gamble from 1991 through 2005 and Country Manager and Head of Trade Marketing at Reckitt Benckiser from 2005 to 2010. **Other assignments:** Board Member and Chairman of the Finnish Cosmetics Toiletries and Laundry Association. **Shareholding:** 0 shares.

ULLRIKA ELIASSON

Board member since 2016. Born 1967. **Education:** Leadership Development Program at Harvard in 2014 and studied at the Nordic Business Institute in Växjö, Sweden. **Background:** Since 2016 Vice President Category and Sourcing at OneMed Group and has previously been Director, Head of Category Management at Staples Europe. Previously been engaged as Assortment and Purchasing Director at Kronans Droghandel and Supply Chain Manager at Apoteket AB. **Other assignments:** No other assignments. **Shareholding:** 0 shares in Byggmax.



Anders Moberg



Lottie Svedenstedt



Karin Hygrell-Jonsson



Daniel Mühlbach



Hannele Kempainen



Mikael Norman



Ullrika Eliasson

CONTENT INDEX INCLUDING STANDARD GRI DISCLOSURES

Disclosure	Explanation	Page	Omission
Strategy and analysis			
G4-1	Statement from the chief operating decision maker of the organization about the relevance of sustainability to the organization and its strategy	22	
Organizational Profile			
G4-3	Name of the organization	1	
G4-4	Primary brands, products and/or services	10-19	
G4-5	Location of organization's headquarters	35	
G4-6	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	35	
G4-7	Nature of ownership and legal form.	32-33	
G4-8	Markets served	11, 34	
G4-9	Scale of the reporting organization	35-38	
G4-10	Total workforce by employment type, employment contract, and region	20, 35-38	Regions are not reported
G4-11	Percentage of employees covered by collective bargaining agreements	20	
G4-12	Organization's supply chain	12	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership and supply chain	35-38	
G4-14	Explanation of whether and how the prudence concept is complied with by the organization	60 et seq.	
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	22	
G4-16	Memberships in associations (such as industry associations) and/or international advocacy organizations	24	
Scope and boundary of report			
G4-17	Entities included in the organization's consolidated financial statements or similar documents	70	
G4-18	Process for defining the report's contents and Aspect Boundaries as well as how the organization has implemented the principles for defining report content.	23-25, "Process" appendix to define the contents of the report and application of the accounting policies	
G4-19	Significant aspects that have been identified.	23	
G4-20	Aspect Boundary for each material aspect within the organization	23	
G4-21	Aspect Boundary for each material aspect outside the organization	23	

STANDARD DISCLOSURES, CONTINUED

G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements	25
G4-23	Significant changes since the previous reporting period with regard to Scope and Aspect Boundaries	25
Stakeholder engagement		
G4-24	List of stakeholder groups engaged by the organization	23-24
G4-25	Basis for identification and selection of stakeholders with whom to engage	23-24
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	23-24
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including stakeholder groups that have highlighted important topics and how these have affected the organization's reporting	23
Reporting profile		
G4-28	Reporting period	35
G4-29	Date of most recent previous report	79
G4-30	Reporting cycle	35
G4-31	Contact point for questions regarding the report or its contents	94
GRI index		
G4-32-	GRI index	87-90
Assurance		
G4-33	Policy and current practice with regard to seeking external assurance for the report	23
Governance		
G4-34	Governance structure of the organization	40-43
Ethical standards and integrity		
G4-56	Code of Conduct	20, 24

PERFORMANCE INDICATORS

Finance

Economic performance

DMA	11
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STANDARD DISCLOSURES AND PERFORMANCE INDICATORS UNDER GRI, CONTINUED

G4-EC1	Direct economic value generated and distributed, including revenues, operating expenses, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and the public sector	45 et seq.	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	30	
G4-EC3	Coverage of the organization's defined-benefit plan obligations	59	
G4-EC4	Significant financial assistance received from the public sector	20	
Market presence			
G4-EC6	Procedures for local hiring and proportion of senior executives hired from the local community at locations of significant operation	20	
Procurement practices			
DMA		12	
G4-EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	12	
ENVIRONMENTAL PERFORMANCE INDICATORS			
Energy			
DMA		26	
G4-EN1	Materials used	27-28	
G4-EN3	Energy consumption within the organization	29-30	
G4-EN6	Initiatives to reduce indirect energy consumption and reductions achieved	29-30	
Biodiversity			
DMA		30	
G4-EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	30	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	30	
Emissions			
DMA		38	
G4-EN15	Total direct and indirect greenhouse gas emissions by weight	26-27	
G4-EN19	Initiatives to reduce greenhouse gas emissions and reductions achieved	26-27	
G4-EN21	NO _x , SO ₂ and other significant air emissions by type and weight.	27	SO ₂ is not reported
Products and Services			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	27-28	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	28	

PERFORMANCE INDICATORS, CONTINUED

EMPLOYMENT CONDITIONS AND TERMS OF EMPLOYMENT

Employment		20	
DMA			
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender, and region	21	Regions are not reported
Work environment			
DMA		21	
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	21	Regions are not reported
Training and education			
G4-LA9	Average hours of training per year per employee by employee category	21	
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	20, 85-86	
Equal pay for men and women			
DMA		21	
G4-LA13	Ratio of basic salary of men to women by employee category and significant locations of operation	21	

HUMAN RIGHTS

Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	21	

ORGANIZATION'S ROLE IN SOCIETY

Society			
DMA		22-23	
G4-SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities including entering, operating, and exiting	20 et seq.	

PRODUCT RESPONSIBILITY

Product and service labeling			
DMA		28	
G4-PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements	28	

REVIEWER'S CONCLUSION

Tyréns (the Reviewer) has reviewed Bygghmax's sustainability report for the 2015 fiscal year, including the environmental report included in the sustainability report. In 2015 the review was based on GRI version 4 for the first time. Bygghmax reporting follows the "In Accordance Option" "Core". Previous reports have followed version 3.0. The Reviewer can state that the report largely follows the GRI G4 guidelines. Bygghmax has responded appropriately to the reviewer's questions and provided supplementary documentation upon request. The Reviewer's viewpoints have been taken into consideration and proposals for additions and corrections have been included as far as possible in the report. Tyréns has also offered proposals and viewpoints for future reports, and these have been presented to the company.

DEFINITIONS AND KEY PERFORMANCE MEASURES

Key performance measures. Bygghmax has reviewed its terminology for alternative performance measures 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 Bygghmax Group uses the alternative performance measures 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. Bygghmax reports alternative performance measures 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. Calculations of alternative performance measures can be found on www.bygghmax.se under financial statistics.

DEFINITIONS OF FINANCIAL KEY RATIOS/REPORTING TERMINOLOGY

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.

EBITA: EBIT after depreciation/amortization and impairment but before deduction for impairment of goodwill.

EBITDA margin: EBITDA divided 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

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

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.

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

Capital employed: Shareholders' equity plus net debt.

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

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

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

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

DEFINITION OF SECTOR-SPECIFIC KEY RATIOS

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.

A comparable unit (like-for-like unit) is regarded as comparable from the second year-end after the store has opened. For example, this means that a store that opened in 2014 is classified as a comparable unit from 2016. Stores relocated to new premises in an existing location are treated in the same manner.

Key performance indicators Definition Gross margin: Net sales minus goods for resale, divided by net sales

DEFINITIONS FROM THE ENVIRONMENTAL REPORT

Transported goods [tons]: The amount of goods, in tons, that are

transported from suppliers to Bygghmax facilities and distribution centers.

Transport work [ton km]: The mass in tons of every individual type of goods multiplied by the transport distances in kilometers.

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

CO₂ emissions per ton of goods transported [kg] CO₂ emissions per ton of goods transported [kg]

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

Landfill, unsorted: General waste that is not suitable for recycling or energy recovery.

Sorted waste: Not landfill or mixed waste.

DISTRIBUTION OF ANNUAL REPORT

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



INFORMATION ABOUT THE ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Byggmax Group AB (publ), corporate registration number 556656-3531, will be held on Wednesday, May 10, 2017, at 10:00 a.m. at Alviks Strand conference center, Gustavlundsvägen 141 in Bromma, Stockholm.

Right to participate at the AGM

Shareholders who want to participate at the AGM must: both be listed in the register of shareholders maintained by Euroclear Sweden AB on Thursday, May 4, 2017, and notify the company of their intention to attend the AGM, no later than by 4:00 p.m. on Thursday, May 4, 2017.

Notification

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

- By e-mail: info@byggmax.se
- By telephone: +46 (0) 8 514 930 60
- By mail: Byggmax 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
- Where applicable, the names of any advisers, 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

To be able to participate at the AGM, shareholders who have registered their shares in the name of a trustee must request registration of the shares in their own names in the register maintained by Euroclear Sweden AB. Registration of shareholders should be completed not later than Thursday, May 4, 2017. The shareholder should notify the trustee well in advance of this date. Such registration may be temporary.

Welcome to Byggmax's investor relations pages on:
www.byggmax.se/investor-relations

BYGG max

Byggmax, Box 6063, SE-171 06 Solna, Sweden
www.byggmax.se