

A close-up photograph of a man with a beard and safety glasses, looking down at a large wooden beam. The beam is the central focus, extending from the bottom left towards the top right. The man's face is partially visible on the right side of the frame. The background is a blurred workshop setting with a brick wall.

# **ANNUAL REPORT 2018**

**BYGGMAX GROUP**

**BYGGMAX®**

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# **BUSINESS DESCRIPTION – WHAT DOES BYGGMAX GROUP DO?**



# ABOUT THE BYGGMAX GROUP



## About us

Bygghmax Group consists of Bygghmax, Skånska Byggvaror and Buildor. The first Bygghmax store opened its doors in 1993 and 17 years later, in 2010, the Bygghmax 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.

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

# 5.1

BILLION KRONOR IN SALES

# 1,077

EMPLOYEES

# 3

MARKETS

# 163

PHYSICAL STORES

# 18

NEW STORES IN 2018

# -38%

CO<sub>2</sub>-EMISSIONS SINCE 2009  
(PER KRONA OF SALES)

## Our companies

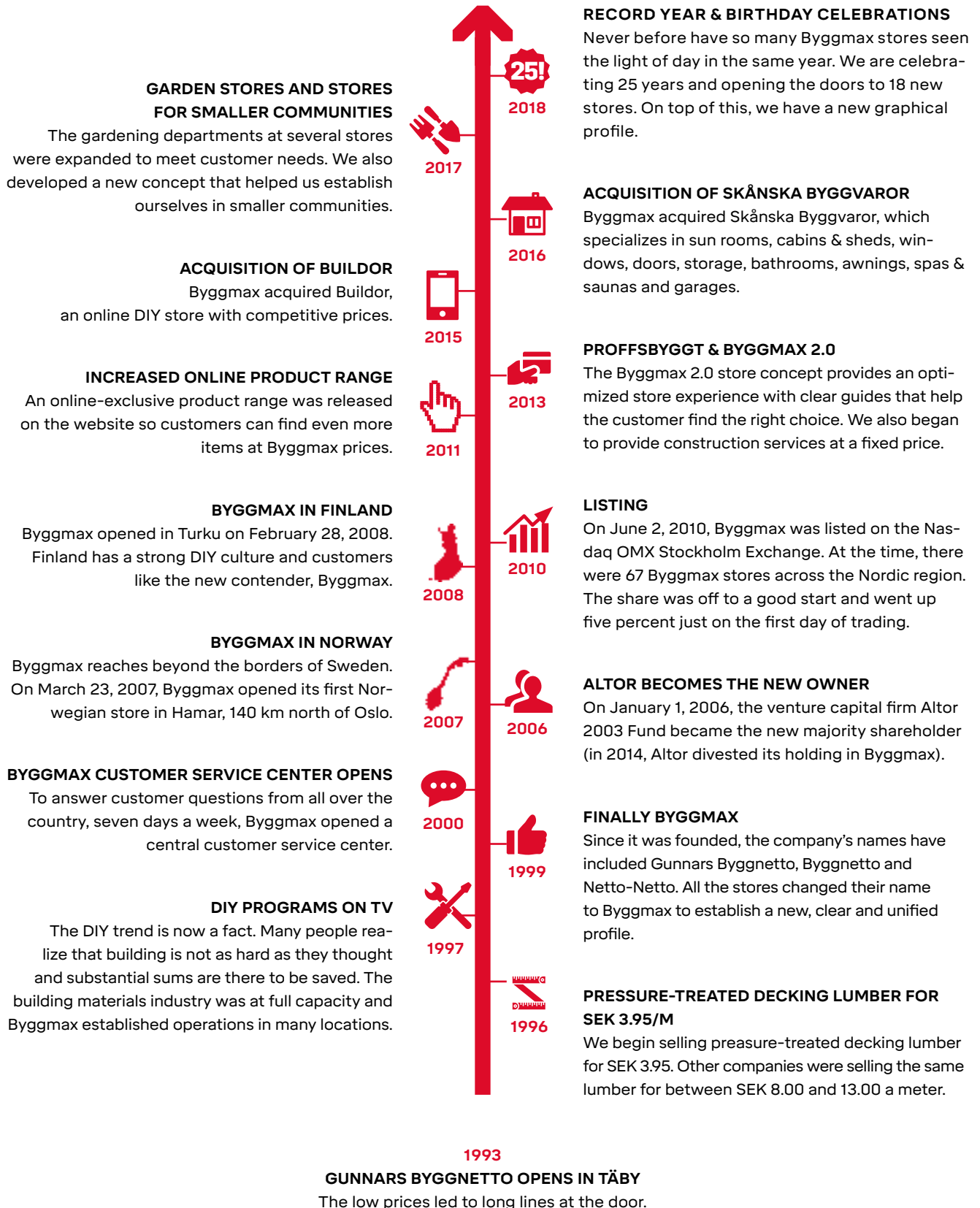
**BYGGMAX**

SkånskaByggvaror.se

**Buildor.se**  
*-Mycket byggvaror för pengarna*

# THE HISTORY OF BYGGMAX

**Bygghmax now has net sales of SEK 5.1 billion and operations in three countries.**



# OUR STORES

★ Stores opened in 2018

● Byggmax

● Skånska Byggvaror



## NEW STORES OPENED 2018

### In Sweden

Hällefors  
Ljusdal  
Malung  
Oskarshamn  
Ronneby  
Sala  
Sollefteå  
Stenungsund  
Stockholm Vallentuna  
Södertälje  
Sölvesborg  
Tranås

### In Norway

Hønefoss  
Karihaugen  
Karmøy  
Kristiansund

### In Finland

Kokkola  
Riihimäki

# THE FINANCIAL YEAR IN SUMMARY

**In 2018, Byggmax Group generated sales of approximately SEK 5.1 billion. The EBITDA margin excluding non-recurring items amounted to 6.8 percent. The company opened 18 new stores and had 163 stores at year end and an average of 1,077 employees over the year.**

## FIRST QUARTER

- Net sales amounted to SEK 665.2 M (782.6) down 15.0 percent.
- Earnings before depreciation of tangible and intangible assets (EBITDA) amounted to negative SEK 57.5 M (neg. 23.5). EBITDA excluding non-recurring items amounted to negative 66.2 M (neg. 23.5).
- The EBITDA margin was a negative 8.6 percent (neg. 3.0). The EBITDA margin excluding non-recurring items amounted to negative 10.0 percent (neg. 3.0).
- One (two) store opened in Finland during the quarter.

## SECOND QUARTER

- Net sales totaled SEK 1,731.2 M (1,775.8), up 2.5 percent.
- EBITDA amounted to SEK 168.0 M (210.2). EBITDA excluding non-recurring items was SEK 166.8 M (210.2).
- EBITDA margin was 9.7 percent (11.8). EBITDA excluding non-recurring items amounted to 9.6 percent (11.8).
- Eleven (four) new stores were opened: eight Byggmax stores in Sweden, two Byggmax stores in Norway and one Byggmax store in Finland.

## THIRD QUARTER

- Net sales totaled SEK 1,712.7 M (1,812.8), down 5.5 percent.
- EBITDA amounted to SEK 218.1 M (260.1). EBITDA excluding non-recurring items amounted to SEK 218.1 M (266.0).
- The EBITDA margin was 12.7 percent (14.3). The EBITDA margin excluding non-recurring items amounted to 12.7 percent (14.7).
- Three (three) new Byggmax stores opened in Sweden.

## FOURTH QUARTER

- Net sales amounted to SEK 998.6 M (950.2), up 5.1 percent.
- EBITDA amounted to SEK 27.5 M (neg: 1.9). EBITDA excluding non-recurring items amounted to SEK 27.5 M (22.1).
- Three (three) stores opened during the quarter: one Byggmax store in Sweden and two Byggmax stores in Norway.
- The Board of Directors proposes no dividend (SEK 2.5 per share last year).



# COMMENTS FROM THE CEO



## Good progress despite difficult conditions

2018 was a mixed year for the Byggmax Group. On the one hand, we implemented strategic initiatives at a high pace and with good results. The Byggmax segment is now in a stronger position, as we have trimmed costs and have more alternatives for profitable growth. Additionally, the realignment of Skånska Byggvaror is essentially completed.

On the other hand, tough market conditions affected large periods of the year, with a decreased market and high raw material prices for timber.

Sales for the Group decreased 4 percent, and profitability measured as EBITDA excluding non-recurring items was decreased to 6.8 (8.9). Sales have been negatively affected by a decreased market as well as the choice to reduce unprofitable sales at Skånska Byggvaror. The fourth quarter entailed a positive end to the year, with a return to normal for the previously negative external factors, increased sales and improved financial results.

## CHANGES IN THE MARKET

The Nordic consumer market for construction materials decreased during 2018, negatively affected by unfavorable weather conditions during the long winter and the hot summer. In the fourth quarter, the consumer market returned to modest growth. During the year, raw material price for timber increased considerably, which had a negative impact on Byggmax's gross margin.

## STRATEGIC BUSINESS DECISIONS

The focus in 2018 for the Byggmax segment was to build for profitable expansion. We opened 18 new stores and 12 garden departments. We have also continued to develop our e-commerce, including a broader product range and new delivery options for customers. In addition, we are pleased to conclude that both the initiatives launched in summer 2017 — a new format for smaller towns and the garden departments — have performed well and are part of Byggmax future offer. During the autumn we also tested a somewhat upgraded store concept in two stores. This initiative, called Store 3.0, mainly means adding selected product ranges and organizing the stores into clearer sections. At year end, we had a total of 151 Byggmax stores, and we see continued potential for further expansion.

At the same time, we have continued to streamline our business activities. We have continuously trimmed costs during the year, in line with Byggmax culture. Like-for-like costs — that is, costs for comparable stores — decreased during the year.

For Skånska Byggvaror, 2018 was a year of changes to become a more focused and modern leader in Garden Living, that is primarily conservatories, greenhouses, and related products. The initiatives have progressed at a high pace, according to plan, and with good results. The gross margin is back at historically high levels, costs have been decreased as a result of the restructuring and unprofitable sales have been decreased. The goal of ending the year as a more focused and a more profitable company has been achieved.

## SUSTAINABILITY AT BYGGMAX

Sustainability is important for us at Byggmax, and it impacts our decisions. Since 2009, an annual environmental report has been produced regarding Byggmax's environmental impact. During 2018 we continued our work to reduce our impact on the environment. Since 2009, our goal has been to reduce carbon dioxide per ton transported by 25





percent by 2020. This goal was met already in 2017. During 2018 we have continued to reduced our total emissions. By purchasing goods closer to our stores, we have succeeded in reducing emissions while increasing net sales.

New and renovated stores have LED lighting as light sources, all new forklifts (except in the northernmost stores) are electric forklifts, all new stores are built according to current norms for energy efficiency, and in both Sweden and Norway 100 percent of indirect energy usage consists of renewable energy.

Energy use per store\* decreased in 2018 and has decreased over 20 percent since 2012. During 2018 we have also continued to reduce the amount of printed material per store. Since 2009, the amount per store has reduced 77 percent, and the total amount has decreased 49 percent.

## THE SHARE

The Board of Directors propose to not pay any dividend in 2019. To generate good profits and dividends for the shareholders during the coming years, the board has suggested to this year prioritize having flexibility to capture business opportunities and scale up initiatives, instead of paying a dividend. Our goal to going forward distribute at least 50 percent of net profit remains.

## OUTLOOK

We are proud that our customers continue to appreciate our offer, and that we have a strong corporate culture with many talented employees. We are fully focused on implementing our strategic plan in 2019, focusing on profitable growth in the respective segment's core business.

Finally, I would like to thank all of our employees who make Bygghmax a company to be proud of, as well as our suppliers, shareholders and all of our customers who put their confidence in us! I look forward to giving more of Bygghmax to more customers in the future!

Stockholm, March 7, 2019

**Mattias Ankarberg**  
President and CEO

\*For stores where it is possible to affect indirect usage. See section Sustainability efforts and the sustainability report for more information.

# VISION, MISSION, TARGETS AND STRATEGY



**The Bygghmax vision is to be the world's best DIY retailer. We are on your side! We promise the best prices and to always be the easiest and fairest to deal with.**

## The Bygghmax business concept and idea

Our mission is simple. We sell building supplies and other products to DIY enthusiasts – at the lowest price. Shopping at Bygghmax should be quick, cheap, easy and friendly! Our business concept is also simple: customers do part of the job and we promise low prices.



**LOW PRICES AND A FOCUSED RANGE:** Bygghmax sells building supplies and other products to DIY enthusiasts. Our products have a high level of quality, the lowest possible price and the same low prices for everyone. With only around 3,000 items in the store, administration and management become simpler. To still be able to offer a broad variety, we have an even larger product range online.



### **DRIVE-IN MODEL AND SELF-SERVICE:**

In our drive-in model, customers pack their goods directly into their vehicles, helping us keep our costs down. The stores are located in suburbs that are easy to access by car.



### **CONSTANT IMPROVEMENTS:**

We challenge every process to enhance efficiency and to improve operating profits in all our areas of operation. We love to challenge old established truths.



### **STRONG CORPORATE CULTURE AND COST FOCUS:**

The foundation of Bygghmax's corporate culture is a genuine entrepreneurial spirit. The store managers and all employees feel pride in their own areas of responsibility. This means staying on top of costs and maintaining a focus on key performance indicators to perform well.



**CUSTOMER-ORIENTED WEBSITE:** Because we have a focused product range and limited personnel at stores to keep our costs low, we invest particularly in our website. There, you can find detailed instructions for different DIY projects, a complete product range of over 50,000 items and naturally, information about all of our stores.

## Goals

Bygghmax Group has established the following long-term goals for the Group: Organic sales growth of 10 to 15 percent per year. The EBITDA margin should be 9 to 10 percent per year. Distribute at least 50 percent of net profit.

The company's long-term financial targets were updated in connection with the launch of an updated strategy in June 2017. To realize the strategy, a number of initiatives to increase efficiency and the rate of growth were implemented in 2017 and 2018. As a result of IFRS 16, from 2019, Bygghmax Group will update the profitability target to an EBITA margin of 7-8 percent per year.

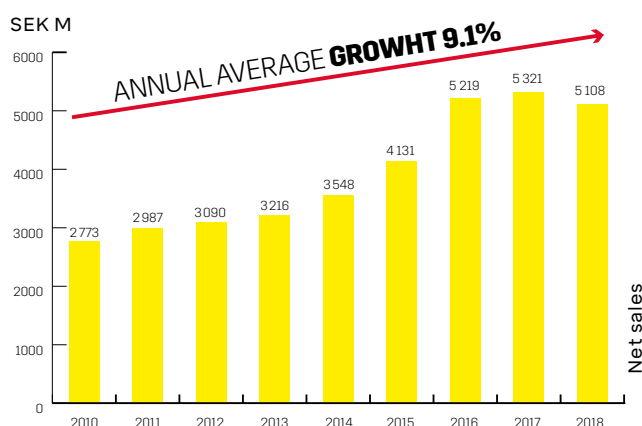
## Follow-up of targets

Sales for the Group decreased by 4 percent, and profitability measured as EBITDA excluding non-recurring items was reduced to 6.8 percent (8.9). Sales have been affected by a weak consumer market and the choice to reduce unprofitable sales at Skånska Bygghvaror.

## Strategies for achieving the goals

The Bygghmax Group launched an updated strategy in June 2017. The updated strategy is based on the attractive position the company currently holds in a good market, and on a number of unique strengths:

- A strong Bygghmax brand that holds the low-price position.
- A unique store format – close to customers and featuring self-service.
- A strong e-commerce position.
- The lowest costs in the industry.
- Ability to deliver growth.
- Strong culture of cost awareness and entrepreneurship.



Byggmax posted average annual growth of 9.1 percent during 2010–2018.

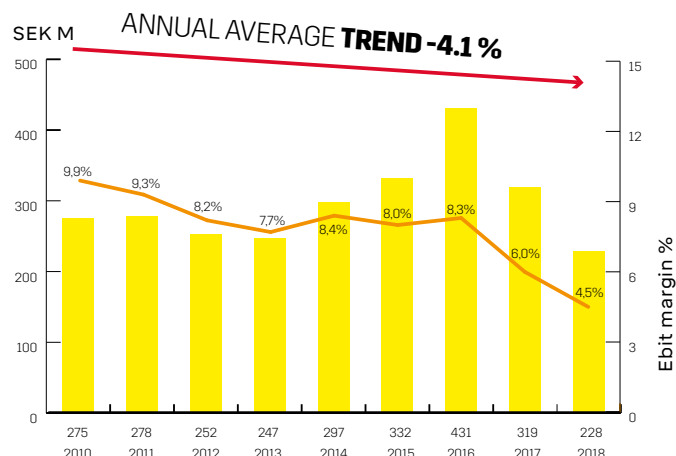
The future strategic orientation is based on two cornerstones: a simple, efficient operating model, and focused growth based on our strengths in store expansion, online shopping and product range development.

#### SIMPLE AND EFFICIENT OPERATING MODEL

The Byggmax Group works on continual improvement. This entails, for example, improving operations by further expanding its use of economies of scale at its purchasing function by handling larger product volumes and through procurement from low-cost countries. The organization will enhance its resource-efficiency by implementing 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.

For the Byggmax segment, the focus for 2018 was on building for growth. We opened 18 new stores and 12 garden sections. The new format for smaller communities and the garden sections have performed well and are part of the future offering at Byggmax. In autumn 2018, we also tested a somewhat upgraded store concept at two stores. This initiative, known as Store 3.0, mainly entails our addition of certain selected product ranges and organizing the stores into clearer sections.

For Skånska Byggvaror, 2018 was a conversion year to a modern leader in “Garden Living,” i.e. primarily such items as sun rooms, greenhouses and associated products.



Byggmax has posted an average annual decline in the EBIT margin of 4.1 percent during the 2010–2018 period. Buildor was acquired in late 2015, and Skånska Byggvaror Group AB was acquired in early 2016. The two acquired business activities have shown lower EBIT margins than the Byggmax segment. The numbers above do not include extraordinary items. The outcome for 2018 was affected by disadvantageous weather conditions and a dramatic increase in the price of lumber.

#### FOCUSED ORGANIC GROWTH

The Byggmax Group will deliver focused growth in three main areas:

- **New stores:** Grow to an identified potential of 210 stores in current markets (Sweden, Norway and Finland) and in addition test a smaller Byggmax format for profitable growth in smaller localities, a segment that represents 20 percent of the market where Byggmax currently has a low presence. The smaller format is now available in eight communities.
- **Online store:** Byggmax launched online shopping back in 2008 and currently occupies a unique position with possibility of gaining in online shopping moving forward. This, given the strong Byggmax brand, a strong position in the low-price segment, a broad online product range and the possibility of using the Byggmax store network to create efficiency in logistics and an omnichannel experience for customers. Byggmax aims to profitably grow faster than the online market.
- **Product range development:** In addition to continually upgrading its product range offering, Byggmax has developed a Byggmax concept for gardening products. The concept is built on Byggmax's strengths: a store format with a drive-in and ease of shopping, a focused product range with quality products, and the lowest possible prices. In 2018, the first Byggmax 3.0 store opened. A new store format with a focused product range, clearer store fittings and integrated garden sections. Quite simply, a better Byggmax.

## Value drivers

Value drivers are factors that affect the development of Byggmax in the short and long term. The following are the most relevant according to management assessments. Many factors impact operations in both the short and long term and, as such, are listed under the category where they are considered to have the greatest impact.

### Short-term factors:

- **Trends in purchasing prices** – Purchasing prices affect Byggmax's gross 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. Therefore the competition's pricing affects margins.
- **Short-term trends in the DIY market** – Byggmax operates in the DIY market and is thus impacted by market trends.
- **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:

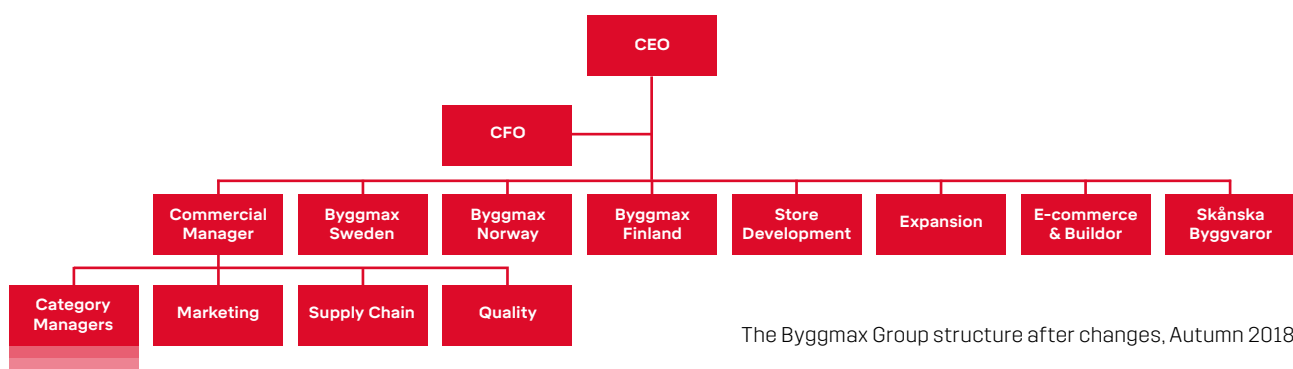
- **Ability to maintain a strong corporate culture** – The Byggmax culture has played an important role in the company's success, and maintaining it is a key factor.
- **Ability to implement the company's strategy and business concept** – Maintaining stringency throughout the range and pricing, as well as continuously tuning the organization through constant improvement, are a few keys to success.
- **Ability to renew concepts and strategies when needed** – The Byggmax concept has 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 operates in the low-price segment. Trends in the long-term development of this sector are therefore important.
- **Strategies of the competitors and their implementation thereof** – Byggmax operates in a competitive market and the actions of the competitors 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.
- **Sustainable development** – Sustainability is important for Byggmax, and it impacts the Group's decisions.

## 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 from the service office in Solna, Sweden, function-wide across all brands and stores, which promotes efficiency and the economies of scale that characterize the Byggmax business model. Byggmax stores are organized around three main areas of responsibility: country, regional and store management. The country managers are responsible for the entirety of their section. The regional managers are responsible for a number of store

managers in a region, who in turn manage daily operations.

Skånska Byggvaror has a resource-efficient organization in which many business activities are managed either centrally, or very close to operational activities. Apart from sales personnel in the local stores – direct operational staff linked to product and order flows that are localized to core operations in Bjuv and Ängelholm respectively – most of the other business processes are handled by the support organization at the main office in Solna, near Stockholm. Byggmax Online operates a shared e-commerce organization with Buildor.



The Byggmax Group structure after changes, Autumn 2018



# THIS IS BYGGMAX

**In the 25 years since Bygghmax was founded, our concept has always been essential for developing our operations. A focused product range, a resource efficient organization, a strong corporate culture and a consistent pricing strategy are all equally important aspects.**

## **Business model – possibly the simplest in the world**

Affordable high-quality products for the most common maintenance and DIY projects – this is what you can find in Bygghmax stores, regardless of if you are in Sweden, Norway or Finland. We focus on consumers and in the product range you can find standard building materials, such as lumber, insulation, sheets and boards as well as paint — all at the same low price, regardless of who you are. With its focused range and the best prices on the market, we handle large volumes and can obtain economies of scale in purchasing and logistics.

Today, Bygghmax has a strong market position, an extensive store network (with over 150 stores in the Nordic region) and a recognized brand. We intend to strengthen our market position over the long term by working systematically with sustainability issues.

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

The service office is in Solna, Sweden. The 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. Bygghmax affects society where we operate through growth and job opportunities. We have over 1,000 employees and make many of our customers' building dreams a reality.





**Byggmax's offering is based on simplicity and low prices — customers should focus less on their purchases and more on their DIY projects.**

## 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 165 billion (estimated DIY market size in 2017) according to DIY International and is expected to grow by about two percent annually over the next five years compared with average annual growth between 2009 and 2013 of 2.2 percent.

After showing rather high growth numbers for several years, the Nordic DIY market has now slowed down to more normal growth levels.

The assessment is that growth opportunities in the Nordic region remain favorable. The building materials market is fragmented. It is relatively expensive to hire professional tradesmen, and there is a longstanding DIY tradition. 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, as well as independent stores. The Swedish market has been dominated by Beijer and local DIY retailers, but the international chains and, above all, Byggmax are the companies growing rapidly. Many international chains, for example Bauhaus and Jem&Fix, are expanding.

The Norwegian market is dominated by a few strong chains with Bygghuset as the market leader. These chains sell to private consumers and the professionals. Other competitors include Maxbo, Coop Bygg and Bygger'n.

The market in Finland has been dominated by Rautakesko, with its K-rauta concept. 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. The majority are private consumers. Byggmax's primary offering includes the materials needed for building a house or completing 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 and sheets and boards. Most Byggmax stores have an identical range of products, thus assisting customers in their purchase planning. The range consists of the most in-demand building materials and includes nearly 3,000 products, which is far fewer than the industry norm where large retailers may have up to 100,000 products. 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 online 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 and currently numbers more than 50,000 products.

### 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.

## ■ As a major purchaser of construction products, Byggmax can be part of influencing product development ■

### Suppliers, purchasing, logistics and distribution – 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 – lumber, for example.

Regarding lumber – Byggmax's largest product group – all purchasing is done within the respective countries with the exception of Norway, where there is a great deal of imports from Sweden. Byggmax avoids being dependent on a single supplier by having several 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.

The greatest volumes are delivered by the supplier directly to the stores, in full truckloads. We have 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. Byggmax warehouse operations are based on three distribution centers in Lysekil, Gävle and Växjö.

Byggmax imposes strict requirements on its suppliers in such areas as delivery conditions, product quality, price, procedures and CSR work. In 2018, Byggmax developed a work method to conduct controls of suppliers' CSR work. The work methods have been tested and the results have been positive. We are expecting to expand this work during the coming year.

The high inventory turnover places major demands on efficient distribution and logistics, which is why an advanced order merchant system is used. 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. By being a large purchaser of construction products, Byggmax can be part of influencing the development of products, manufacturing, distribution, and return systems. Our method of conducting purchases is important because everything we sell comes from others. Furthermore, thanks to our working methods 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 163 stores, of which 108 are located in Sweden, 44 in Norway and 11 in Finland. By owning and operating the individual stores itself, Byggmax can control 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 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. 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. The main task of store employees is to organize the store's inventory, receive deliveries, assist customers and manage payment transactions.

#### A BYGGMAX WITH A GREEN THUMB

In 2017, Byggmax launched the new Byggmax gardening concept. The sale of seedlings and soil has been tested at all Byggmax warehouses for several years. Demand is strong, and we are confident in the combination of low prices and the drive-in concept in gardening. In 2018, Byggmax opened twelve garden sections.

#### BYGGMAX FOR SMALLER COMMUNITIES

To ensure that as many DIY enthusiasts as possible are close to a Byggmax store and can realize their dream projects, the idea of a format for smaller communities was launched: a somewhat smaller product range but where goods can be easily ordered on the Web that can then be picked up at local stores or delivered. There are currently eight of these smaller stores.

#### 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.



Key criteria for the location of a new store include demographics and disposable income of an area, as well as the store's accessibility. Bygghmax 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, environmental screenings – if any – are completed and the property made ready for occupancy, it normally takes Bygghmax four to six weeks to open a store. The aim is to open new stores immediately before or in conjunction with the summer season. During the past four years, Bygghmax has opened an average of eleven new stores every year. If Bygghmax identifies a more attractive store location in an existing area, the store is relocated. This is one way of developing operations.

### ONLINE STORE

Bygghmax Online was launched in 2009 as a way of expanding the sales channels, but e-commerce is more significant than this today. You can find inspirational and instructional films and a wide range of building materials and home and gardening products, all so you can find the exact quality and function you are looking for, at the right price. For this reason, Bygghmax has extended its range and now offers over 50,000 products.

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. To reach customers who want to finish their entire building project without more work than necessary, we launched Building Planner in 2015 – a unique, groundbreaking tool where you can design your room to your liking and get it renovated and finished at a fixed price. E-commerce is also an important source of information for customers who choose to visit a Bygghmax store, as the website continuously updates prices and stock levels for each individual Bygghmax store. Online shopping is naturally an important part of our business activities, which means that we launched an entirely new site to match our new identity.

### BYGGMAX CONSTRUCTION SERVICES

You can purchase construction services at a fixed price via Proffsbygg. Shop on Bygghmax's website, and at

stores and over the telephone at the Bygghmax customer service center. We offer floor laying, painting, plumbing and electrician's services as well as various construction services – all at fixed prices.

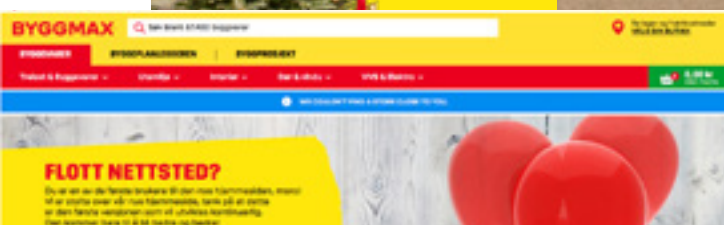
## Marketing – consistent brand strategy

Between 2016 and 2018, Bygghmax 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. Bygghmax currently has favorable brand recognition in Sweden, Norway and Finland. The brand is strengthened by the company's distinct business concept and the characteristic and effective store design.

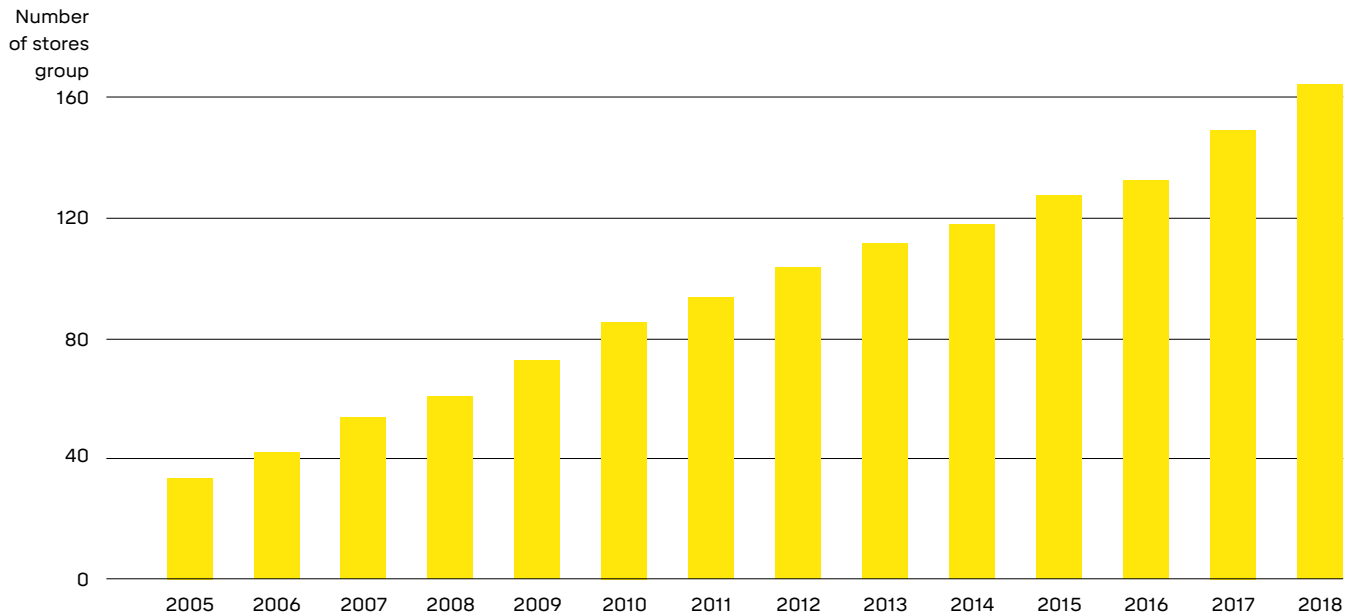
Bygghmax has invested substantial time and effort in developing its brand and attaining economies of scale in its marketing concept. Advertising uses a consistent form of expression, with realistic situations and real customer projects, which adds a documentary feeling to the activities, all of which is in line with the strategy of making things easy for DIY enthusiasts. In November 2018, Bygghmax launched an entirely new graphical profile. New logo, new typeface, updated colors and an updated image profile. You still recognize the yellow and the red, but the new profile is modernized and a step forward for Bygghmax as a brand. The foundation for the updated graphical profile is a helpful trademark evaluation where market position and target groups are analyzed over a long period of time.

Bygghmax's customers are the main characters in television commercials, advertisements, direct mail and on the website. We portray customers in the middle of their building project and they comment, without being directed, on Bygghmax and its products. The concept demonstrates the geographical spread of Bygghmax by using customers from all over Sweden. In particular, according to independent trade publications and surveys, it has strengthened Bygghmax's price profile and brand. In the summer of 2018, the second season of Bygghmax's and Jarowskij's production Alla Bygger (Everyone's Building) – which has the same concept as the advertising films – was broadcast on TV4.

TV commercials are produced with the assistance of a production company and all Bygghmax advertising is produced in-house. We adapt the ad concept to the different conditions in the countries where we are active.







## WHY THE EXPLOSIVE EXPANSION?

**When many other retail companies would have decided to close stores, Bygghmax went against the grain and opened more facilities than ever. In 2018, we opened a total of 18 new Bygghmax stores in Sweden, Norway and Finland.**

Why? Because online shopping is not really compatible with our main categories, heavy building materials and gardens. You can, of course, shop for both lumber and stone online if you like, but there is a catch in the form of questions like “What do I do if I want to return something?”, “How do I store the material if it arrives before I can start my project?”. Many customers also want to touch and feel the products before they buy them, and save time and money by transporting the goods home themselves. Driving to the nearest Bygghmax, borrowing a trailer free of charge, buying what you need and driving it home works perfectly. That is why it is the right thing for us to establish ourselves broadly – we are where our customers are.



# BYGGMAX'S DIFFERENT CONCEPTS

## BYGGMAX TRÄDGÅRD

In 2017, Bygghmax launched an entirely new gardening concept. We began with pilot stores in Borlänge and Vellinge, then continued with integrating the gardening concept in new openings across the country. We see major potential in the concept and are confident that low prices and drive-in for gardening goods are a winning combination.

Previously, we had (and still have) a smaller product range of plants, seedlings and soil at all Bygghmax facilities. When we realized how strong the demand was for these types of goods, we decided to invest in a focused product range of 700 products (stock-keeping units) in everything from fertilizers and seeds to pots and gardening equipment. We now have the gardening concept in a number of our stores in Sweden and Finland, and are constantly looking for how we can integrate it in several stores.



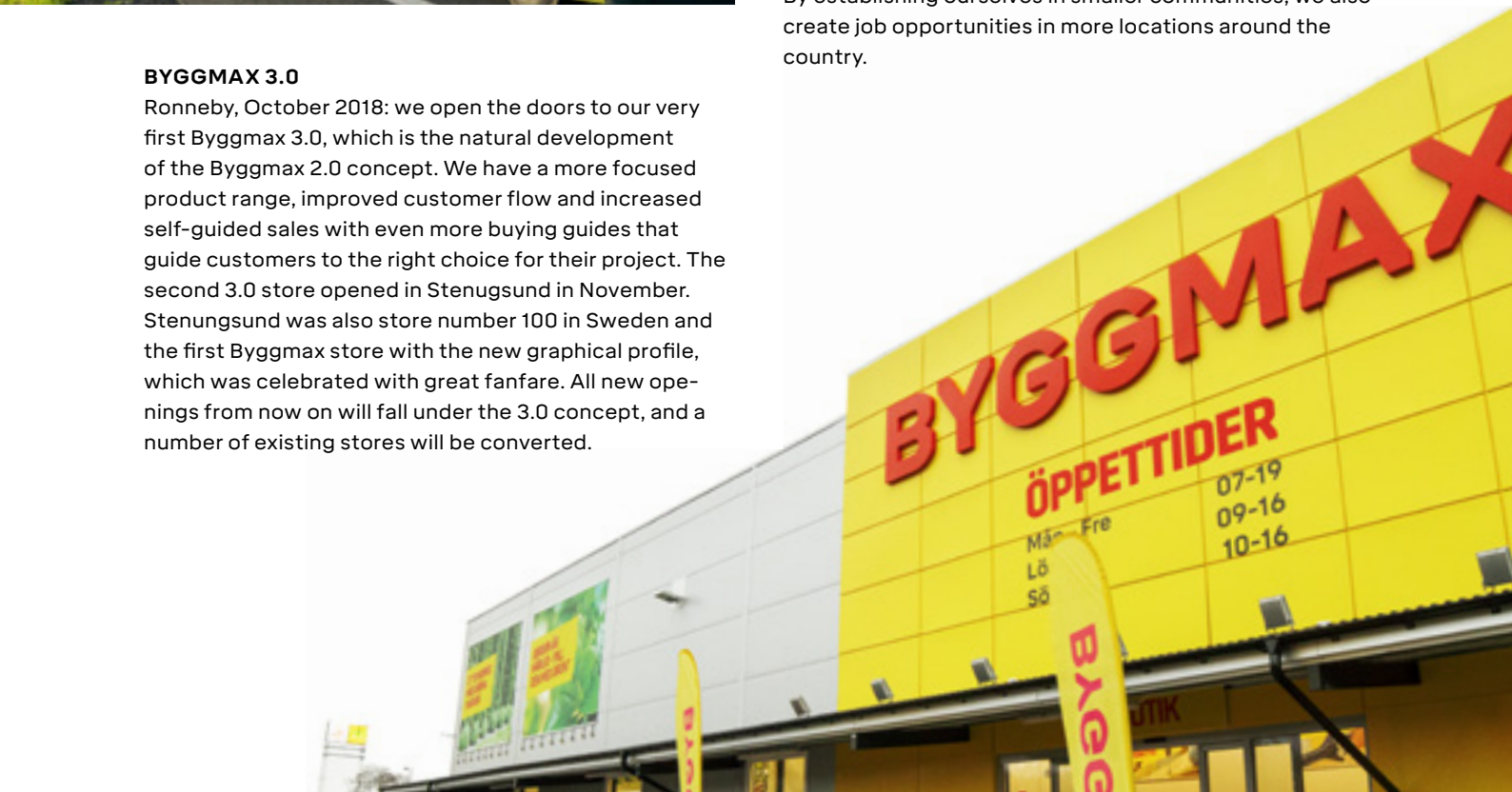
## BYGGMAX 3.0

Ronneby, October 2018: we open the doors to our very first Bygghmax 3.0, which is the natural development of the Bygghmax 2.0 concept. We have a more focused product range, improved customer flow and increased self-guided sales with even more buying guides that guide customers to the right choice for their project. The second 3.0 store opened in Stenungsund in November. Stenungsund was also store number 100 in Sweden and the first Bygghmax store with the new graphical profile, which was celebrated with great fanfare. All new openings from now on will fall under the 3.0 concept, and a number of existing stores will be converted.

## SMALLER FORMAT FOR SMALLER COMMUNITIES

We have also complemented our stores with a smaller format to establish ourselves in smaller communities. We want everyone to be closer to a Bygghmax store, and to have the opportunity to complete the building projects they've dreamed about at a lower cost. The smaller format entails a somewhat smaller product range where goods can be easily ordered online that can then be picked up at local stores or delivered directly to homes.

The first shops in the format for smaller communities were opened in Mariannelund and Kalix, and in 2018 several more opened, in locations like Sollefteå and Malung. By establishing ourselves in smaller communities, we also create job opportunities in more locations around the country.





# BYGGMAX'S VALUES PROVIDE A STRONG CORPORATE CULTURE

**For the last five years, work at Bygghmax has been based on six value words. These value words were developed together by employees and management at the 20-year anniversary celebration in 2013.**

Bygghmax's solid corporate culture — Bygghmax's values — is a prerequisite for the successful application and development of the company's business model. The corporate culture highlights freedom of action (facilitating fast and correct decision-making for employees and managers), a flat and communicative organization, cost awareness, and efficiency in daily operations. As a result, the organization is characterized by efficient decision-making processes and a distinct entrepreneur-

rial 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. At Bygghmax, we work systematically to streamline and improve operations and its flow. Collective agreements are applied for both hourly workers and salaried staff.



## RESPONSIBILITY

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

## 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!

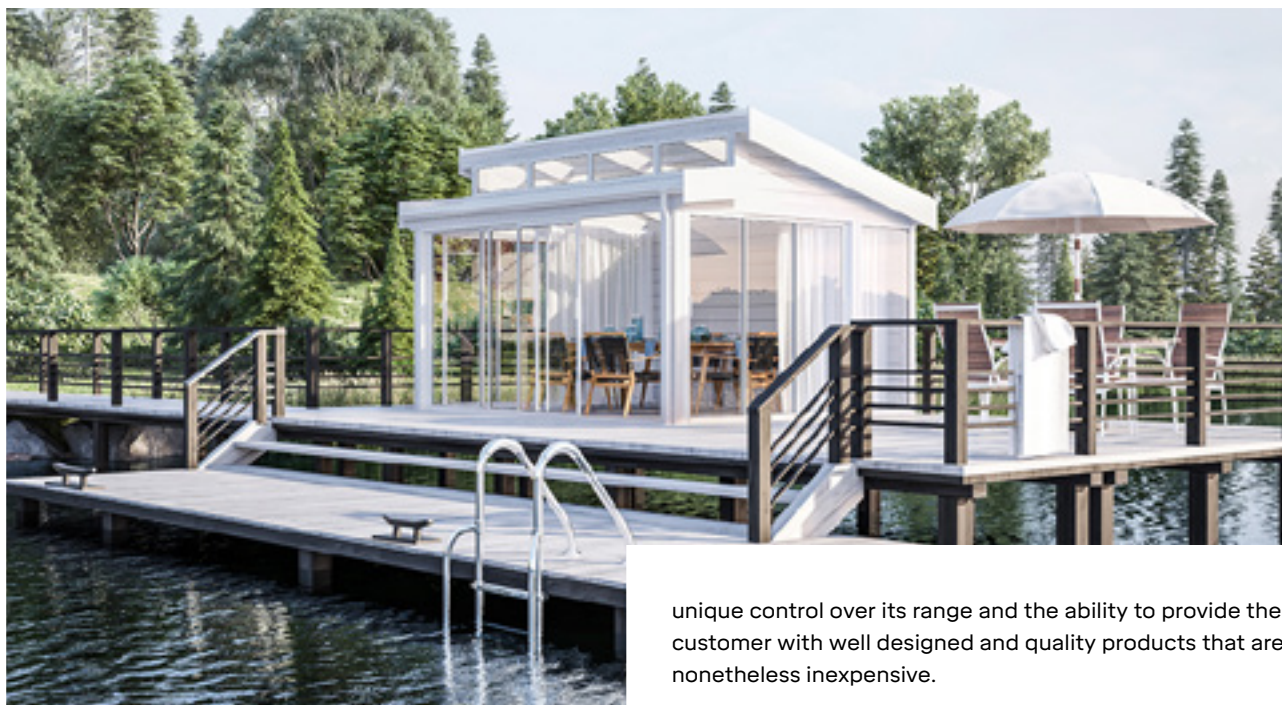


# SKÅNSKA BYGGVAROR



**Skånska Byggvaror is wrapping up its transformation year and starting to build profit growth in its core operations.**

**The company is a leading Nordic online shopping company, with strong and profitable operations in categories related to gardening buildings such as sun rooms and greenhouses.**



In 2018, Skånska Byggvaror underwent a major transformation. Skånska Byggvaror's sales decreased 28 percent year-on-year. The loss is explained primarily by the commercial model where the company deliberately decreased sales of less profitable products and services outside core operations, divested unprofitable business activities and restructured its cost base to lower operating costs. Sales also decreased as a result of challenging market conditions, including the extreme weather conditions during the 2018 peak season.

## **EXPENSIVE PRODUCTS DON'T HAVE TO BE EXPENSIVE**

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. An attractive product offering sold under proprietary brands is created through internal product development and manufacturing, complemented with carefully chosen suppliers. The journey from idea to launch, and between the factory and the end customer, is and has always been a short one. This gives Skånska Byggvaror

unique control over its range and the ability to provide the customer with well designed and quality products that are nonetheless inexpensive.

## **OMNICHANNEL**

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. Since 2014, Skånska Byggvaror has invested in physical 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. Newly opened stores have mainly been in the Shop-In-Shop concept in Plantagen stores in both Norway and Sweden. During a typical purchase from Skånska Byggvaror, customers pass seamlessly several times between the different sales channels: physical, online and via telephone. Today, Skånska Byggvaror has twelve stores in the Nordic region.

## **NORDIC PRESENCE**

Skånska Byggvaror has successfully been selling its products in Norway since 2012 through the brand and subsidiary Grønt Fokus. A certain level of sales is achieved in the Group through Byggmax in the Finnish market.





### PUNCTUAL AND CONVENIENT HOME DELIVERIES

All customers receive deliveries all the way to their homes. 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.

### 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.

### FOCUS AREAS IN 2019

For 2019, focus for Skånska Byggvaror now shifts to building for profitable growth in the core operation “Garden living.” The streamlining and profitability-improving efforts that began with the transformation initiative in 2018 will continue throughout 2019, but will be complemented with growth initiatives in product range, sales and marketing.

### THE INITIATIVES FOR THIS WILL TAKE PLACE IN THE FOLLOWING AREAS:

- In product range and product portfolio, several products will be launched in 2019 in the core categories. Work in product development will be expanded and intensified to further complement the product range with a growing core range of proprietary goods that will be launched in fall 2019/spring 2020.
- In the physical sales channels, modern sales support systems and proven sales methods for project sales will be introduced. In the online shopping channel, the technical platform will be modernized to enable automatic marketing and other e-commerce tools. Communication and profiling will also be updated, and entirely new sales channels will be evaluated.
- In marketing, market and media investments will be further optimized.
- Further investments will be made to strengthen online shopping competence, and to strengthen the proprietary product portfolio in core categories such as sun rooms and greenhouses.



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



## BUILDOR.SE – 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 since grown fast. 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 quickly 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.

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. 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.

Buildor has a slightly different profile than Byggmax, as we sell a lot in the areas of furnishings, 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.

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.

All deliveries come direct from the suppliers, which means as few intermediary links as possible. Thanks to a dedicated customer service with employees who are well-versed in product functions and respond quickly to any questions, regardless of whether it's about price or the functioning of the products, customer service is always paramount.



# EMPLOYEES

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

## ORGANIZATION – FUNCTION-CONTROLLED MANAGEMENT

Bygghmax has a resource-efficient organization with the majority of business activities centrally managed. Aside from the sales force, which is based primarily in Bygghmax stores, most business processes including online shopping are managed function-wide across all stores by the service offices in Solna, near Stockholm. Thus, there are no local offices — a feature that contributes to the efficiency and economies of scale that characterize Bygghmax. Store operations in the Bygghmax concept are organized around two main areas of responsibility: 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 new locations for additional outlets; in this case, they are also supported by our establishment team. In 2018, there were eleven regional managers in Sweden, Norway and Finland, and three country managers who support the regional managers and work strategically on development issues. Skånska Bygghvaror's store operations are organized by twelve store managers, who take care of day-to-day operations, and a customer center manager responsible for management, operations and results

## EMPLOYEES — 1,077 IN THE BYGGHMAX GROUP

During 2018, the Bygghmax Group had an average of 1,077 full-time employees, with store personnel accounting for the majority of the workforce. Due to significant seasonal variations, the operations require flexible store manning, which is achieved by having a substantial proportion of part-time employees. The relatively high degree of personal freedom of action for employees in combination with clearly defined areas of responsibility has created a highly motivated organization. Work attendance vis-à-vis normal working hours was 96 percent (97) during the year for Bygghmax and 98 percent (98) for Skånska Bygghvaror.

Investments in store personnel are made on an ongoing basis through regular internal training courses in product knowledge, sales and customer service. 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, 83 percent (10 of 12) reside in Sweden. Of other individuals in senior positions in the remainder of the organization (regional managers), 10 of 10 (100 percent) are local employees. At the next management level down, 100 percent of store managers in Sweden, Norway and Finland are locally employed. The Bygghmax 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 8.9 M in 2018 and SEK 8.1 M in 2017.

## SYSTEMATIC WORK ENVIRONMENT PROGRAM

Since 2008, Bygghmax 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 2018 fiscal year, the distribution of reported work accidents was as follows: Out of 16 personal injuries, four were to women and 12 were to men at the Bygghmax Group.

## TRAINING

The table on the following page specifies the estimated number of training hours 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.

## EQUAL TREATMENT

Bygghmax 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 Bygghmax and Skånska Bygghvaror personnel manuals, which are available to all employees. The Equality Policy is also published on the Bygghmax website. No known incidents of discrimination occurred in 2018. 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."





Work-related injuries	2018	2017
Number of personal injuries, employees	16	32
Women	4	6
Men	12	26
Fatalities	-	-
No. of lost time injuries (LTIs)	4	18
Total number of days absent (calendar days) due to work-related injuries	10	29
Accident ratio	1.59	3.67
Working days lost	0.99	3.33

TRAINING	Introduction, number of hours	Annual repetition, number of hours
Store employees	80	10
Store managers	120	40
Regionschef	160	100

	2018	2017
Women's salaries as a percentage of men's	100.7%	99.7%

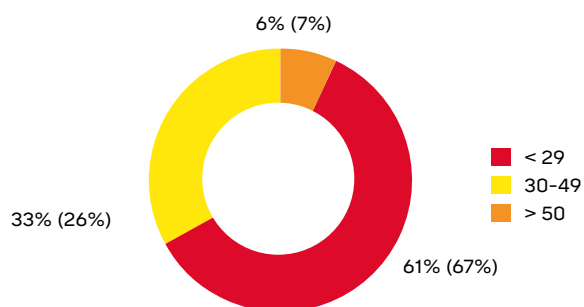
Gender	Staff turnover	
Men	70%	70%
Women	76%	71%

Age	Staff turnover	
<30	94%	92%
30-40	48%	45%
40-50	41%	44%
50+	42%	30%
Total	72%	70%

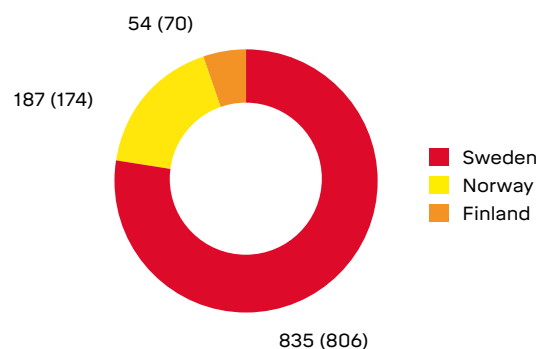
The above table illustrates staff turnover by age group and gender. The high total level of staff turnover is attributable to the seasonal nature of Byggmax's operations and the corresponding large increase in temporary staff during the summer.

Portion of external training between 25–35 percent

## WORKFORCE, AGE DISTRIBUTION



## WORKFORCE, EMPLOYEES BY COUNTRY







# **SUSTAINABILITY EFFORTS AND THE SUSTAINABILITY REPORT – AN IMPORTANT RESPONSIBILITY**



# BYGGMAX RESPONSIBILITIES

The Byggmax Group's guidelines for social responsibility comprise a code of conduct for suppliers, ethical guidelines, environmental policy, work environment policy and a diversity and equality policy. If you'd like to see the policy documents, they're available in their entirety on Byggmax's website.



Because the Byggmax Group is a part of society, and intends to stay that way for a long time to come, it is important for us to contribute to sustainable development by ensuring that our operations meet our sustainability goals. As a company, we have a social responsibility that extends over many different areas and that varies in nature depending on the company's operations. For example, Skånska Byggvaror offers production, which was not present in the Byggmax Group prior to the acquisition. Our risk analysis demonstrates that, from a sustainability perspective, the environmental impact is the most material topic, which is reflected in the report. Byggmax has previously reported according to the GRI G4 Core. The structure for this year's report is similar to the previous, but we have given up the strict GRI framework for the moment.

Through our collaborations in Europe, such as our Bri-coalliance 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 EDRA, the European collaborative organization for DIY retailers. Through this organization we participate in the dialogue with politicians in Brussels, and naturally we also collaborate with our suppliers to ensure that our policies are complied with.

In connection with our first environmental report in 2009, we set a goal of achieving a 25 percent reduction in carbon dioxide emissions, measured as emissions per ton transported, by 2020. The latest measurements showed that we have already reduced carbon emissions by 28 percent per ton transported. Even though we've reached our goal, we'll continue to work on reducing our environmental impact by, for example, setting new environmental goals for carbon dioxide emissions that

are in line with Sweden's climate goals for domestic transportation. Our goal is now to reduce carbon dioxide emissions by 70% between 2010 and 2030 per krona of sales. We see effective logistics solutions as a key factor in reducing our climate impact. This is one of the reasons we have distribution centers in Gävle and Lysekil. This enabled us to replace road transportation with maritime transportation, which in turn reduces the impact on the environment and consolidates deliveries out to our stores. Transporting products by water rather than by road significantly reduces carbon emissions and the burden on the traffic system.

During 2017, Byggmax decided to purchase only electric forklifts and to switch out the older diesel forklifts, except at the northernmost shops due to the weather conditions. The change will over time drastically reduce the company's purchases of fossil fuels.

## POLICIES AND GUIDELINES

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 anti-corruption 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, diversity and equality policy).

## LABOR

**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, diversity and equality policy, and Code of Conduct for suppliers).

## ENVIRONMENT

**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 and diffusion 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

## BYGGMAX IMPACT

Byggmax purchases completed products primarily from the Nordic region and Europe, and only around five percent from Asia. Buildor purchases completed products from a large number of producers and wholesalers, the majority of which are in the Nordic region, while there are few in Europe and none outside Europe. Skånska Byggvaror 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.

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 create fantastic homes.

The Byggmax product range is built around wood products that capture carbon dioxide. By encouraging and enabling other people to build in wood, we reduce society's impact on the environment.

## MEASURING METHODS AND REVIEW

The Annual Report contains various metrics applicable to the company's impact on society. The measuring



methods used for Byggmax 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 Byggmax to be a relatively large buyer to be able to influence various supplier behaviors and, consequently, not all product categories are relevant. As regards Skånska Byggvaror, production units and inventory are measured separately. Buildor's impact on the whole is deemed to be so small that it has been left out.

## 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)  
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)

## STAKEHOLDERS

The Byggmax Group maintains contact with a number of stakeholder groups. These include customers, suppliers, employees, politicians, property owners, neighbors and shareholders to name but a few. 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:** via the service 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: submits financial reports every quarter. In addition, the company 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 Byggmax and at suppliers. Byggmax's environmental impact.
- Owners: Future dividends from Byggmax and sustainable enterprise. Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

#### CODE OF CONDUCT FOR SUPPLIERS

Byggmax has proprietary manufacturing in its subsidiary, Skånska Byggvaror. As for the rest, Byggmax 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.

Agreements are signed with suppliers wherein they agree to comply with our Code of Conduct. Inspections are conducted at producers in connection with shipping and quality inspections. In 2018, Byggmax developed a work method to conduct controls of how chosen suppliers comply with our Code of Conduct. The work methods have been tested, with good results.

#### 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. Training took place for all employees at the service office, regional managers, and store managers.

#### 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. The company pursues continuous dialogue 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. Over the year, Byggmax focused on developing its flows of goods for the purpose of reducing its climate impact and to develop its product range with products that have an environmental profile.

#### 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.

Byggmax endeavors to handle work environment issues locally in the organization and make them a natural part of day-to-day activities. The CEO has primary responsibility for work environment programs and fire safety in the organization. The Country Managers and CEOs of Buildor and Skånska Byggvaror are responsible for ensuring that developed routines are observed. In the stores, 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.

During the year, Byggmax carried out employee surveys whose results show employee opinions remain high after last year's increase. A strong leadership culture and talented managers are necessary for good results in the work environment.

#### DIVERSITY AND EQUALITY POLICY

Byggmax seeks to create an environment in which people from various backgrounds and of various genders — both as groups and individuals — jointly and equally create range and totality in operations. The company endeavors to create an awareness 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 in the Byggmax Group. This applies both to the physical and psychosocial work environment. Our annual review shows that there are no appreciable differences in pay setting between men and women. Training took place for all employees at the service office, regional managers, and store managers.



#### HUMAN RIGHTS

Byggmax signs agreements with all its suppliers that they must observe our Code of Conduct. Purchasing occurs locally to a great extent, in the markets where the company operates. Less than 5 percent of purchases take place from countries outside the EU/EFTA. In most cases, we have long-lasting relationships with our suppliers. In turn, they employ subcontractors. In most cases, suppliers operating outside the EU/EFTA conduct inspections in conjunction with production and shipping. During 2018, Byggmax established a standardized work method for conducting inspections to ensure that suppliers comply with the Code of Conduct.

#### ANTI-CORRUPTION

By training our employees in our policies, we lay the ground for operations that are free from corruption. There is a greater risk of corruption in some areas than there is in others. Here, the purchasing function is deemed to stick out the most. Purchasing instructions clarify the importance of a correct approach for this particular group of employees. Having a strong process for signing purchasing agreements minimizes the risk of corruption in our work with external suppliers. No cases of corruption have been detected during the year.

# BYGGMAX 2018 ENVIRONMENTAL REPORT

## INTRODUCTION

As part of Byggmax's sustainability efforts, an environmental policy with environmental objectives was created in 2009. Every year since then, an environmental report has been produced and continual efforts have been made to reduce the organization's negative impact on the environment.

Skånska Byggvaror has also been included in the environmental report since 2017. Buildor's share of sales and its part in transportation operations are small in comparison to the whole. Nor does Buildor distribute printed material, and it has negligible energy consumption, which is why its impact can be considered marginal. Byggmax Group's main impact on the environment is defined in its 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.
- The printing and distribution of brochures.
- 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 set in 2009 was to reduce emissions of carbon dioxide and other greenhouse gases per ton transported by 25 percent by 2020. This goal was already met in 2017. Byggmax's new goal, which is in line with Sweden's goal for domestic transportation, is to reduce carbon dioxide emissions measured per krona of sales by 70 percent, compared with 2010, no later than 2030.

## TRANSPORTATION

Buildor, which is a purely online retailer with relatively small goods volumes, and Skånska Byggvaror have also formed part of the Byggmax Group since 2015 and 2016, respectively. In the emissions calculations below, certain exceptions have been made for such streams that comprise a relatively small portion of the Group's total transportation of goods. Buildor, which is a purely online retailer with relatively small goods volumes is therefore not included, nor are Skånska Byggvaror goods, which are purchased by the supplier including transportation, since they are reported by the supplier. 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 emissions calculations for Byggmax did not include online goods deliveries and home deliveries from stores. However, all incoming transportation to stores and distribution centers as well as outgoing transportation from distribution center stores is included.

Compared with the previous year, we can see that in 2018, CO<sub>2</sub> emissions per ton of goods transported has increased. This is due in large part to the number of boat shipments decreasing compared with last year, which means an increased amount of road freight and therefore an increased amount of emissions per ton of goods transported. That the share of boat shipments has decreased somewhat is a result of reduced purchasing from Asia, which means transport work via boat is inevitably lower. Transport work per ton can be attributed to more purchasing and an increased portion of outward freight from our central warehouses in relation to incoming goods, which means shorter driver distances overall.

	2018	2017	2016	Trend 2017-2018	Trend 2009-2018*
Transported goods [thousand ton]	624.6	676.1	695.9	-8%	58%
Transport work [million ton-kilometers]	362.6	402.4	417.6	-10%	33%
Of which marine [million ton-kilometers]	84.53	105.26	93.3	-20%	80%
Share marine	23%	26%	22%	-11%	35%
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]	278.1	297.2	323.1	-6%	24%
Share road	77%	74%	78%	4%	-7%
Transport work per ton [ton-kilometers/ton]	581	595	600	-2%	-15%
CO <sub>2</sub> emissions per ton of goods transported [kg]	25.7	25.2	28.1	2%	-26%
CO <sub>2</sub> per krona of sales [kg/TSEK]	3.5	3.6	3.8	-4%	-38%
Absolute carbon emissions CO <sub>2</sub> [ton]	16,851	18,196	19,456	-7%	22%

Tabell 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 2009 is not pro forma for Skånska Byggvaror, rather it only includes data from Byggmax.

	2018	2017	2016	Trend 2017-2018	Trend 2009-2018*
NO <sub>x</sub> [g/ton transported]	235	225	241	4%	-21%
CO [g/ton transported]	59.8	57.0	63.1	5%	-21%
HC [g/ton transported]	10.3	9.9	10.6	4%	-20%
Particles [g/ton transported]	5.8	5.7	5.9	1%	-18%
NO <sub>x</sub> total [ton]	139.6	152.1	168.0	-8%	19%
CO total [ton]	36.0	38.4	43.5	-6%	20%
HC total [ton]	6.1	6.7	7.4	-8%	21%
Particles total [ton]	3.5	3.9	4.2	-10%	25%

Tabell 2, emission of greenhouse gases and environmental hazardous substances per ton 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 Byggvaror, but includes only data from Byggmax.

We can also see that the amount of goods transported continued to decrease. This can be seen in relation to the reduced net sales for Byggmax Group as a whole during 2018. This generates fewer transported goods overall. Premises, methods of transportation and overall purchase orders that could have an impact on Byggmax's transportation emissions were more or less unchanged during the year.

Emissions of other greenhouse gases and environmentally hazardous substances, per ton transported and in absolute figures, are presented in table 2 above. This category includes nitrogen oxides (NO<sub>x</sub>), hydrocarbons (HC), carbon monoxide (CO) and small particles (PT). The table below shows relatively small changes compared with the previous year. Even in this case, we can see some increase of other greenhouse gases and environmentally hazardous substances, which is also a result of reduced boat shipments and therefore increased road freight, which has a higher emissions amount per ton. The reduction in boat shipments is due to the decreased container stream from Asia because of inventory reconciliation and the fact that we've found suppliers closer to our local markets and no longer need to import

Material	Weight (tons)	Proportion of recycled/reused material
Glass	2,278	0%
Aluminum	691	60%
Rubber	81	0%
Wood	177	0%
Other material	160	n/a

Tabell 3, input material used in Skånska Byggvaror in 2018, with percentage of material that comes from renewable sources.

Packing material	Weight (tons)	Proportion of recycled/reused material
Corrugated board	105	66%
Plastic	5.5	0%

Tabell 4, packing material used in Skånska Byggvaror's production in 2018, with the percentage of material that comes from renewable sources.

goods from the continent. 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 163 over the corresponding period and to the stores' geographic spread now being substantially larger than it was nine years ago. Skånska Byggvaror has also been acquired since the first calculations were carried out, which also resulted in an increase in total emissions.

## 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 through the extent to which they are recycled or reused at the end of their service life.

Skånska Byggvaror carries out fitting and packing of sun room and wardrobe parts as well as packaging of accessories for produced goods in Bjuv, outside Helsingborg. Thanks to our choice of input materials and production sub-suppliers, we are able to change our environmental impact. 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. 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.

Product and service 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. Work is going on to launch chemical products that are in accordance with the Nordic Ecolabel. Legislation requires that chemical products have safety data sheets. This comprises about 15 percent of all products in the stores' range.

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.



Waste category	2018	2017	2016	Trend 2017-2018	Trend 2009-2018
Mixed waste	12.22%	10%	8.1%	1.83%	4.0%
Landfill, unsorted	6.74%	6.1%	6.2%	0.69%	0.5%
Sorted	81.04%	83.6%	85.7%	-2.52%	-4.5%

Tabell 5, deviation of waste 2016- 2018 for Byggmax stores in Sweden.

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 purchased from Nordic suppliers who produce in the Nordic region and in full loads directly from sawmills to minimize environmental impact. By and large, lumber is purchased near the stores where it's sold to minimize the environmental impact of transportation. In 2018, boric acid was forbidden in pressure-treated lumber.

Of the lumber purchased in 2018, 52 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.

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 amount is somewhat increased from 2017. The difficulty with increasing further is due to problems at the production center producing enough volume.

The percentage of FSC/PEFCT-labeled flooring is over 91%.

Printed matter total, group	2018	2017	2016	Trend 2017-2018*	Trend 2009-2018*
Printed matter (tons)	689	928	1,211	-25.8%	-37.4%
Printed matter per store (tons)	4.23	6.31	8.71	-33.0%	-79.6%

Tabell 6, total printed matter and per Byggmax and Skånska Byggvaror (from 2016 onwards)

Only a low proportion of articles Byggmax sells 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.

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 50.2 tons today. The total amount of waste decreased significantly compared with the previous year. The amount to sort also decreased somewhat.

Energy source	2018	2017	2016	Diff 2017-2018	Diff 2009-2018
Diesel (GJ)	10,147	10,380	10,061	-2.2%	1.2%
Total (GJ)	11,706	10,380	10,061	12.8%	14.5%
Energy/store (GJ)	67.2	75	79	-10.6%	-59.1%
Energy/received order (GJ)	0.093	0.091	0.093	1.9%	-59.3%

Tabell 7, direct energy per non-renewable energy source, 2016-2018 for Byggmax stores.

## PRINTED MATTER

The printed matter produced and distributed by the Group is an important part of its environmental impact. Over a nine-year period — from 2009 to 2018 — Byggmax has reduced the volume of printed materials by about 77 percent per store and around 37 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 in combination with moving marketing operations to the internet.

	Of which renewable energy	Of which nuclear power	Of which fossil fuel
Sweden	100%	0%	0%
Norway	100%	0%	0%
Finland*	13.3%	42.7%	42.7%

Tabell 8, indirect energy consumption per primary energy source in 2018, for stores where indirect use is possible to influence.

\*Residual mix data for Finland is for 2017.

Energy consumption (TJ)	2018	2017	2016	Diff 2017- 2018	Diff 2012- 2018
Sweden	29.8	30	28.78	-0.7%	32.8%
Norway	22.5	21.74	17.12	3.5%	10.3%
Finland	2.77	3.9	4.01	-29.0%	-26.1%*
Per store SE	0.30	0.34	0.35	-11.8%	-17.7%
Per store NO	0.56	0.6	0.52	-6.7%	-30.0%
Per store FI	0.25	0.3	0.31	-16.7%	-13.7%*

Tabell 9, indirect energy use 2016-2018, for stores where indirect use is possible to influence. \*Finland is compared 2014-2018 as data up to 2013 was incomplete.

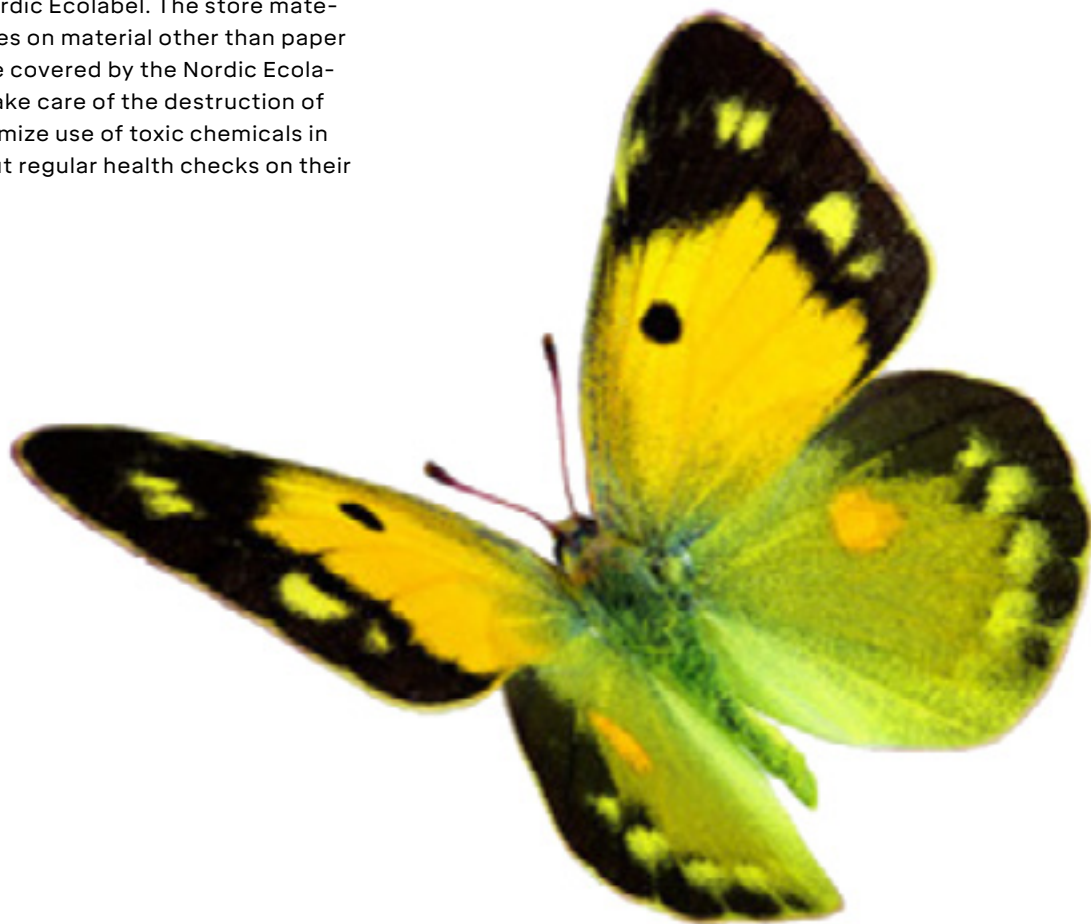
The printing firms are certified in accordance with FSC, and in the case of the advertising printing firm, in accordance with the Nordic Ecolabel. The store material printing firm produces on material other than paper and cannot therefore be covered by the Nordic Ecolabel. The printing firms take care 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.

## ENERGY CONSUMPTION

Byggmax strives for energy efficiency, and all new stores constructed surpass the building regulations imposed in the respective countries. New and renovated stores have LED lighting installed as the light source. All new forklifts, except for in the northernmost stores, are electric forklifts. All new stores are built in accordance with the current norms for energy efficiency.

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.

The indirect energy used by Byggmax per primary energy source mainly comprises electricity and heat. Most of our stores are heated using electricity. In 2017, the electricity agreements were renegotiated in Sweden for the Byggmax stores that do not have electricity included in lease agreements and the choice fell to continue purchasing guarantee-of-origin hydroelectricity. In addition, 100 percent of the energy for the stores in Norway is derived from renewable sources. In Finland, the stores have a residual mix with electricity. Electricity consumption has increased, owing to the increase in the number of stores.



# 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 2018

The last price paid on December 31, 2018 was SEK 32, corresponding to a market capitalization for Byggmax of SEK 1,952 million. The highest price noted for the share during the fiscal year was SEK 56 and the lowest notation was SEK 31. In 2018, approximately 61 percent of trading in the Byggmax share took place on Nasdaq OMX Stockholm. 18 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 2018 period, the standard deviation for the share price was 2.6 percent and the Beta 0.8 against the OMX Stockholm All Share index.

## SHARE CAPITAL

The share capital in Byggmax Group AB (publ) amounted to SEK 20,333,015 divided among 60,999,045 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, 2018, the number of shareholders in Byggmax was 16,734 (16,571) according to Euroclear. The ten largest shareholders owned shares amounting to 57 percent of the votes and capital in the company. The percentage of non-Swedish ownership amounted to 45 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 2017 Annual General Meeting 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 in the warrants program have entered into a pre-emption agreement.

2018

Total number	954,000
Price	4.37
Exercise price	67.5
Term	3.5
Number of participants	26

## 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 no dividend (SEK 2.5 per share last year). 2018 was a year with difficult external factors, which led to weak financial results for the entire year. Meanwhile, profitability in the core Byggmax operations is good, we have proven initiatives to grow profitability in business activities. To create good profitability and dividends to shareholders for the next year, the Board elected to propose prioritizing flexibility in order to promote business opportunities and scale up initiatives instead of dividends. It is still our aim to distribute at least half of our net profits in the future.

## BYGGMAX AS AN INVESTMENT

Byggmax has an attractive business model that builds on our strengths and aims to create value for shareholders. We combine good growth, a position as a low-price actor with the industry's lowest costs and a capital-efficient business model. Byggmax has historically generated good cash flows that have been used for dividends and to invest in business activities.

Byggmax has a history of healthy growth and has successfully established stores since its start in 1993. We estimate that the number of ordinary Byggmax stores in existing markets can be increased from 163 to 210. Additionally, there is potential for several stores in our format for smaller communities. Byggmax also has a number of exciting investments currently being developed, including investment in gardening stores, developing our e-commerce, and upgrading our existing stores.



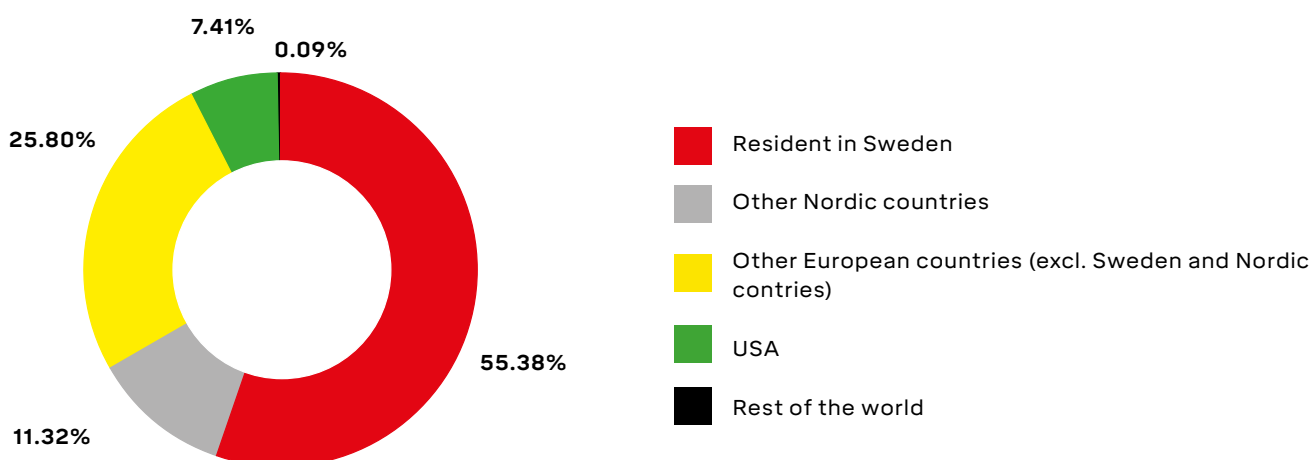
**SHARE PERFORMANCE**

	2018	2017
Earnings per share, SEK	2.3	3.2
Equity per share, SEK	22.1	22.3
Dividend per share, SEK	0 <sup>1</sup>	2.5
Cash from operating activities per share, SEK	6.4	5.0
Number of shares outstanding, thousands	60,999	60,999
Average number of shares, thousands	60,999	60,861
Dividend in percentage of profit after tax	0 <sup>1</sup>	78
Number of shareholders	16,734	16,571
Share price at December 31, SEK	32.0	55.0
Dividend yield, %	0 <sup>1</sup>	4.5

**TEN LARGEST SHAREHOLDERS**

Name	Number of shares	Holding (%)
CI Investments, Inc.	6,211,000	10.18%
Odin Forvaltning AS	5,854,476	9.60%
Afa Försäkring	5,172,442	8.48%
FIL Gestion SASU	3,364,000	5.51%
Alantra Asset Management SGIIC SA	2,968,000	4.86%
Försäkringsaktiebolaget, Avanza Pension	2,955,639	4.85%
Swedbank Robur fonder	2,407,068	3.95%
Unionen- Svenska	2,000,000	3.28%
Merian Global Investors (UK) Ltd	1,945,000	3.19%
Didner & Gerge Fonder Aktiebolag	1,880,000	3.08%
Total of the ten major shareholders	34,757,625	56.98%
Total other shareholders	26,241,420	43.02%
Total at December 31, 2018	60,999,045	100.00%

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

**SHAREHOLDER CATEGORIES**

<sup>1</sup>The dividend for 2018 is the proposed dividend by the Board to the AGM.

# CHAIRMAN'S COMMENTS



It has been an intense year for the Byggmax Group. We opened 18 new Byggmax stores, 12 garden sections, restructured Skånska Byggvaror, and implemented numerous measures to strengthen future growth and profitability.

## 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:

- Opening of new stores
- Introduction of an audit committee
- Continued enhancement of operating activities
- Revision and adoption of the company's policies
- Establishing dividends

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

As made evident in the Corporate Governance Report, Byggmax applies the Swedish Corporate Governance Code. The Audit Committee monitors the company's assessment of the internal audit through measures including contact with the company's auditors.

## FINANCIAL POSITION

At year-end 2018, Byggmax held a strong position. Even during a year with difficult conditions, the Group generated good profit. Net profit amounted to SEK 138 M (195). Shareholders' equity increased to SEK 1,346 M (1,359) per December 31, 2018. The Board's proposal to refrain from distributing a dividend for 2019 means that the financial position will be strengthened. It is important for Byggmax to be financially strong, as that enables us to continue investing in the future. You can read more about our outlook and investments in the President's comments.

For my part, I am enthusiastic about the future potential of the Byggmax Group given the continued growth potential in both segments.

Finally, I would like to thank all our employees for a job well done in 2018.

Anders Moberg  
Chairman of the Board



# **FINANCIAL STATEMENTS – FROM ADMINISTRATION REPORT TO KEY PERFORMANCE INDICATORS**



# ADMINISTRATION REPORT

The Board of Directors and President of Byggmax 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, 2018 to December 31, 2018. Unless otherwise specified, all information applies to the Group. Information in brackets refers to the preceding year. All amounts are stated in SEK millions (SEK M) unless otherwise specified.

## Operations in general

The Byggmax Group conducts sales of building materials in stores and through e-commerce. The business concept is to retail building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Byggmax should be inexpensive, quick, simple, and friendly! Business activities are conducted in Sweden, Norway and Finland. At the end of the period, there were 163 Byggmax stores: 100 in Sweden, 40 in Norway, 11 in Finland and 12 showrooms under the Skånska Byggvaror concept. In addition to the Byggmax stores, there is a service office in Solna that manages purchasing, e-commerce, accounting and finance as well as marketing and IT functions across the stores, and one service office for Skånska Byggvaror Group AB.

### THE SHARE AND OWNERSHIP STRUCTURE

Byggmax Group AB's (publ) share is listed on Nasdaq OMX Stockholm. At December 31, 2018, the largest shareholder was CI Investments Inc. with 10.18 percent of the shares. A list of the ten largest shareholders is available on page 35.

Byggmax Group AB's (publ) share capital was SEK 20,333,015 and consists of 60,999,045 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.

### SUSTAINABILITY REPORTING

Byggmax has observed the requirements of the Swedish Annual Accounts Act concerning sustainability reporting in this Annual Report and in the Environmental Report. The Sustainability Report pertains to the Byggmax Group and the subsidiaries that meet the requirements under the Swedish Annual Accounts Act for preparing a separate sustainability report. The reader is referred to the Group's Sustainability Report on pages 25–33.

### SUBSIDIARIES AND FOREIGN SUBSIDIARIES

The Byggmax Group's retail operations in Norway are conducted by the subsidiary Byggmax Norge and in Finland by the subsidiary Byggmax AB Finland. Skånska Byggvaror Group owns the subsidiary Grönt Fokus AS.

## Significant events during the fiscal year

- 18 (12) stores were opened, of which 12 Byggmax stores in Sweden, four Byggmax stores in Norway and two Byggmax stores in Finland.
- The Board of Directors proposes no dividend (SEK 2.50 per share last year).

## Group sales and earnings

Net sales for the business totaled SEK 5,107.8 M (5,321.4), down 4.0 percent. Operating income totaled SEK 5,123.4 M (5,360.8), a decrease of 4.4 percent. Operating income was impacted positively by a capital gain from the sale of Skånska Byggvaror's Danish subsidiary Pavillon totaling SEK 3.7 M. Operating income for 2017 was impacted positively by the Buildor earnout of SEK 33.4 M. Net sales for comparable stores declined 10.8 percent in local currency. Currency effects on sales were +1.1 percent (+0.3). The gross profit margin amounted to 30.8 percent, compared with 31.0 percent for the preceding year. The gross profit margin was impacted positively by improvements in purchasing, pricing and mix effects, and negatively by significantly higher raw materials prices for lumber, which is Byggmax's largest product category.

Personnel and other external expenses decreased a total of SEK 11.4 M. Expenses were impacted positively by continued trimming of costs in Byggmax and decreased costs in Skånska Byggvaror as a result of the restructuring previously decided upon, and lower marketing costs as a result of the choice to reduce unprofitable sales. Expenses linked to new stores opened after the fourth quarter of 2017 totaled SEK 80.3 M (52.5). Personnel and other external expenses were impacted positively by the add-back of discontinuation expenses for four Byggmax stores in Finland totaling SEK 6.2 M, and negatively in 2017 by SEK 30.9 M, attributable to discontinuation expenses for four Byggmax stores in Finland.

EBITDA amounted to SEK 356.1 M (444.9), corresponding to an EBITDA margin of 7.0 percent (8.4). EBITDA was impacted positively in 2017 by the Buildor earnout of SEK 33.4 M; negatively by discontinuation expenses for four Byggmax stores in Finland totaling SEK 30.9 M; and negatively by restructuring costs for Skånska Byggvaror totaling SEK 32.3 M. EBITDA for 2018 was impacted

positively by the add-back of discontinuation expenses for four Byggmax stores in Finland totaling SEK 6.2 M. EBITDA excluding non-recurring items (see Note 41) totaled SEK 346.2 M (474.8), equivalent to a margin of 6.8 percent (8.9).

EBIT for 2017 was impacted negatively SEK 17.1 M, of which SEK 7.2 M was attributable to Skånska Byggvaror's Danish subsidiary Pavillon, and SEK 9.9 M attributable to restructuring costs for Skånska Byggvaror (see Note 41).

Profit before tax amounted to SEK 162.2 M (258.2). Net financial items amounted to an expense of SEK 25.9 M (expense: 13.6). Net financial items for the quarter were impacted by exchange-rate effects of negative SEK 8.4 M (pos: 3.1).

The tax expense for the year amounted to SEK 24.6 M (expense: 63.6). The tax was impacted positively by the revaluation of the deferred tax liability based on the tax rate when the debt is expected to be settled, which amounted to SEK 3.2 M.

#### SALES AND EARNINGS BY SEGMENT

Byggmax supplies segment information for three segments: Byggmax, Skånska Byggvaror and Other.

The Byggmax segment includes Byggmax AB and the subsidiaries Byggmax Norge and Byggmax AB Finland. Net sales decreased 0.2 percent to SEK 4,480.5 M (4,491.1). The gross margin for full-year 2018 was impacted negatively by significantly higher raw materials prices for lumber, which is Byggmax's largest product category. EBITDA amounted to SEK 354.3 M (435.6) for the full year. Earnings were impacted by costs for stores opened after the fourth quarter of 2017 totaling SEK 80.3 M (43.3), and positively by the reversal of discontinuation expenses for four Byggmax stores in Finland totaling SEK 6.2 M. Earnings for 2017 were impacted negatively by discontinuation expenses for four Byggmax stores in Finland

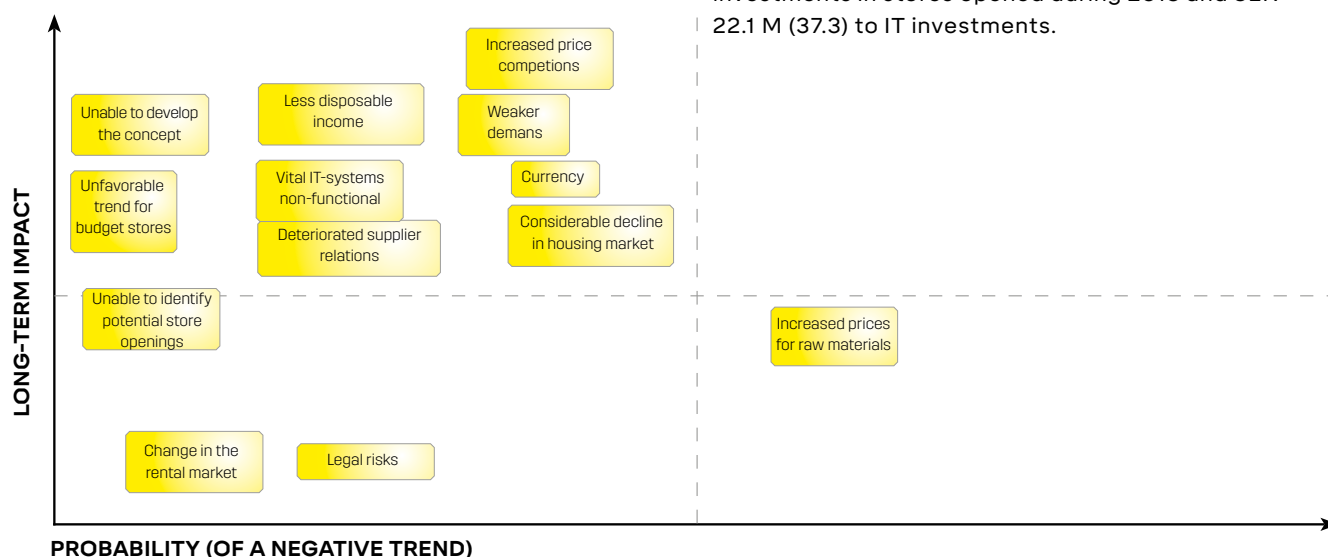
totaling SEK 30.9 M. The EBITDA margin was 7.9 percent (9.7) for the full year.

Net sales for the Skånska Byggvaror segment decreased 28.1 percent to SEK 509.9 M (709.2). EBITDA amounted to SEK 3.5 M (neg: 18.7). The gross margin in Skånska Byggvaror increased, impacted positively by mix-effects and pricing. EBITDA for the full year was impacted by costs for stores opened after the fourth quarter of 2017 of SEK 1.5 M (9.2). Operating income was impacted positively by a capital gain from the sale of Skånska Byggvaror's Danish subsidiary Pavillon totaling SEK 3.7 M. The EBITDA margin was 0.7 percent (neg: 2.6). The cost base for Skånska Byggvaror was restructured during the fourth quarter of 2017. The restructuring impacted Byggmax Group's financial performance in the fourth quarter of 2017 with a non-recurring cost totaling SEK 49.4 M (of which SEK 17.1 M was depreciation, amortization and impairment), approximately half of which impacted cash flow. The largest cost component is leasing costs related to office premises, inventory and store space. The measures carried out have a pay-off time of 2–2.5 years, measured as annual cost savings in relation to the non-recurring cost.

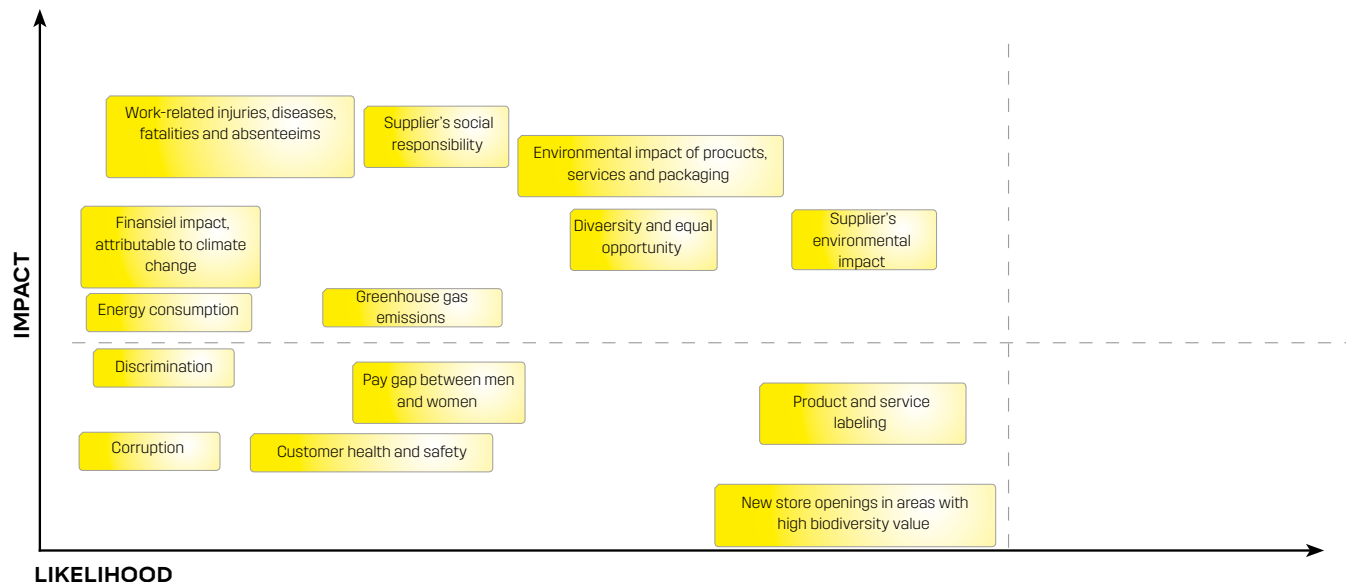
#### CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK 390.3 M (302.3), up SEK 88.0 M year-on-year.

At the end of the fiscal year, inventory totaled SEK 871.2 M (879.6), which was a decrease of SEK 8.4 M year-on-year. At the end of the period, Skånska Byggvaror's inventory totaled SEK 63.7 M (69.9). Compared with the end of the year-earlier period, 18 (9) new Byggmax stores were added and the associated inventory amounted to SEK 83.0 M (40.5). The distribution inventory was SEK 40.3 M lower than the preceding year. Inventory turnover was a multiple of 4.0 (4.3) during the fiscal year. Investments during the year totaled SEK 176.5 M (134.1). Of these investments, SEK 91.9 M (38.9) pertained to investments in stores opened during 2018 and SEK 22.1 M (37.3) to IT investments.



The above diagram displays the identified risks and their likelihood as well as the extent of the long-term impact.



The diagram displays the identified risks and their likelihood as well as the extent of the long-term impact.

Consolidated shareholders' equity amounted to SEK 1,346.4 M (1,358.8) at December 31, 2018. Consolidated net debt was SEK 1,098.4 M (1,177.6), a decreased of SEK 79.2 M compared to the preceding year. Net debt in relation to EBITDA amounted to a multiple of 3.1 (2.6). The equity/assets ratio amounted to 36.7 percent (37.2). Unutilized credits totaled SEK 275.2 M (327.3).

#### 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 activities, financial position and performance are shown below.

##### MARKET

- Changes in turnover 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 chain of stores is greatly dependent 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), all other factors unchanged	Effect on profit (SEK M) after tax 2018
Cost price	+1%	-27.6
Personnel costs	+1%	-4.7

#### FINANCIAL RISKS

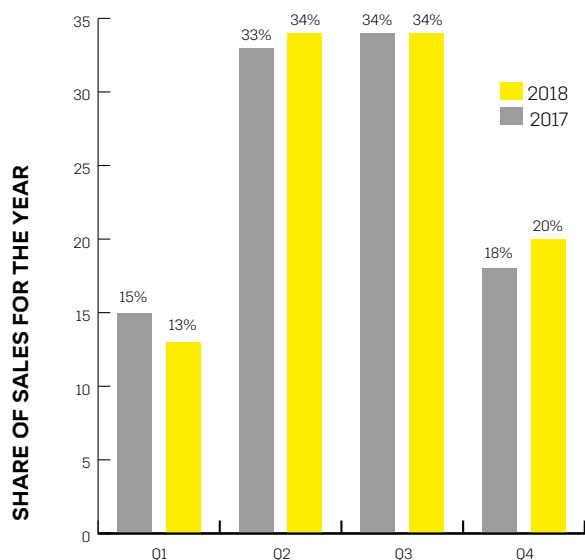
- Meeting the need for working capital
- Obligations in credit agreements
- Currency risk
- Interest risk
- Legal risks such as those related to customs handling

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 impact 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 1,077 (1,061). Further information about employees can be found in Note 9.

### EXPECTATIONS REGARDING FUTURE DEVELOPMENT

The strategic orientation over the next few years is based on a simple, efficient operating model in combination with focused growth based on Byggmax's strengths in store expansion, online shopping and product range development. Byggmax will continue to expand with new stores and has identified a potential for 240 stores in current markets (Sweden, Norway and Finland). Moreover, there is additional potential for store expansion in the form of a roll-out of the smaller format for smaller locations, launched in 2017. A Byggmax concept for garden products was also launched in 2017; at the end of 2018 there were 14 stores. The concept is built on Byggmax's strengths: a store format with drive-in and ease of shopping, a focused product range with quality products, and the lowest possible prices. Skånska Byggvaror is undergoing a switch to a modern, more focused e-commerce player in "garden living" — sun rooms, garden buildings, greenhouses and so on. The Board of Directors expects the positive sales trend to continue. Byggmax does not provide forecasts for competitive reasons.

### SUSTAINABILITY EFFORTS

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, as well as keeping pace with society's long-term sustainability goals.

The environmental effort is conducted through such measures as a continuous dialogue on sustainability 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 25). Byggmax is a company governed by values. The way in which we act towards, and the attitude with which we treat each other lay the foundation for job satisfaction and social relations. One main focus in the company's new strategy is on people, who constitute a fundamental prerequisite for continued company development. Through surveys conducted during the year, we can see that we are developing in the right direction in all important indicators. Locating sourcing primarily locally, or within the EU, creates positive control over working conditions in the value chain. Those portions of sourcing done through imports from low-cost countries are regulated through agreements in which the suppliers commit to observing strict requirements. Through local inspections, we have established a local presence that enables us to react if poor working conditions are brought to light. By regular training in policies and instructions, we are creating an attitude and a culture free from corruption. Sourcing agreements are certified by authorized signatories, which creates control over large parts of our economic relationships.

### GUIDELINES FOR COMPENSATION TO SENIOR EXECUTIVES

Pursuant to a motion to the 2019 Annual General Meeting (AGM), the following guidelines apply until the 2020 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 (STIs) based on annual performance targets, long-term incentives (LTIs) based on performance over several years, pension and other benefits. In addition to the aforementioned come the terms for notice of termination and severance pay. Fixed salaries should be set below market averages. However, overall remuneration, including STIs and LTIs, 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. Remuneration from the STI program can amount to a maximum of 100 percent of the fixed salary for the President and 40 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 2017 Annual General Meeting 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 remuneration.

**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 non-compete clause against continued compensation is applicable for a period of up to 24 months after termination of the notice period.

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 2018 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 43–47.

**SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR**

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

**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. 556602–5895), Skånska Byggvaror 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 70.0 M (149.9) for the full fiscal year. Earnings were impacted by an anticipated dividend of SEK 70.0 M (150.0).

**PROPOSED DISTRIBUTION OF EARNINGS**

Byggmax's dividend policy is presented in greater detail under the “Byggmax share” on page 34. The following earnings in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	82,831,638
Profit for the year	70,000,000
TOTAL	152,831,638
The Board of Directors and the President propose that these earnings be distributed such that:	
To be carried forward	152,831,638
TOTAL	152,831,638

**STATEMENT BY THE BOARD OF DIRECTORS REGARDING THE PROPOSED DIVIDEND PURSUANT TO THE SWEDISH COMPANIES ACT, CHAPTER 18, SECTION 4**

The Board propose no dividend for the fiscal year 2018.

# 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, 2018 to December 31, 2018. 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.bolagsstyrning.se](http://www.bolagsstyrning.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 2018.

## SHAREHOLDERS

At year-end, the share capital in Bygghmax amounted to SEK 20.3 M divided among 60,999,045 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, 2018 was 16,734. At December 31, 2018, the largest shareholder was CI Investments Inc. with 10.2 percent of the shares. Non-Swedish owners accounted for ownership of approximately 44.6 percent of the total number of shares. For further information regarding the share and shareholders please see pages 34–35 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](http://bygghmax.com).

## 2018 ANNUAL GENERAL MEETING

The 2018 AGM was held on May 9, 2018 at Alviks Strand Conference Center in Bromma (Stockholm). At the AGM, 85 shareholders representing 45.2 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, Lottie Svedenstedt, Daniel Mühlbach, Hannele Kemppainen, Mikael Norman och Ullrika Eliasson; election of new member Per Strömberg. Karin Hygrell-Jonsson 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 2019 AGM

The next AGM for shareholders in Bygghmax will be held on Thursday, May 9, 2019, at Elite Hotels of Sweden in Vasastan (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 9, 2018, resolved that a Nomination Committee would be appointed for the 2019 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 Byggmax Board of Directors adopts a formal work plan and written instructions in respect of financial reporting and allocation of duties between the Board and the President. The formal work plan regulates the Board's obligations, 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 45). As is made evident, Byggmax meets the Code's requirement that the majority of the elected Board members are independent of the company and the Group management and that at least two of these are independent of the company's major shareholders.

## THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

A detailed description of the Board members is available on page 101 and the Board's composition and attendance at Board meetings is presented on page 45.

## THE BOARD'S WORK IN 2018

The Board held 11 meetings in 2018. Important issues addressed by the Board in 2018, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, included the following:

- Proposed dividend
- Revision and adoption of the company's policies

- Opening of new stores in every country
- Continued work on improving operating activities
- Introduction of an audit committee

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

## EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS IN 2018

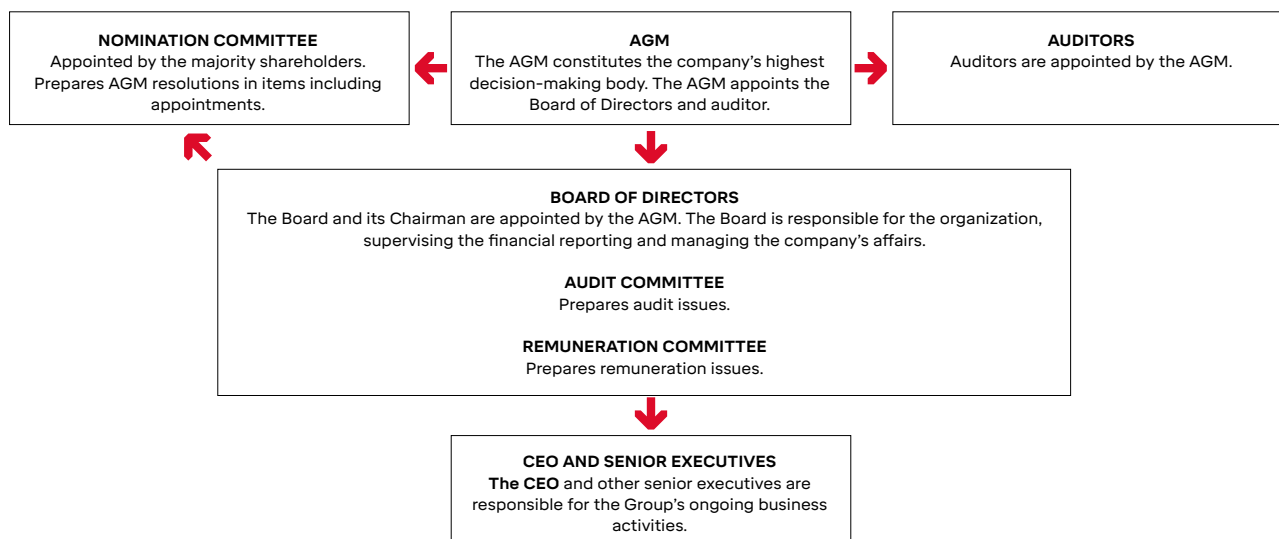
The Chairman of the Board is responsible for evaluating the work of the Board including the input of the individual Board members. The evaluation focuses on the supply and demand of specific competence and ways of working. The Board of Directors carries out an annual internal evaluation of the work of the Board. In 2017, an external evaluation of the Board's work was conducted by means of a survey and interviews. The evaluation was reported verbally and in writing 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.

## THE BOARD'S REMUNERATION COMMITTEE

The Board currently has no separate remuneration committee. It is the Board's belief that the tasks that would otherwise be performed by a remuneration committee 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.

## AUDIT COMMITTEE

A separate Audit Committee was appointed in 2018. The committee consists of Mikael Norman (chairman), Ullrika Eliasson and Daniel Mühlbach. The Audit Committee monitors financial reporting. The Committee meets with the company's auditors three times a year to discuss such



matters as audit plans and audit reports. At meetings with the company's auditors, the Committee is given the opportunity to meet without the presence of the CEO.

### CEO AND SENIOR EXECUTIVES

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

Mattias Ankarberg has been CEO of Bygghmax since November 14, 2016. He has no shareholding or partnership in any company with which the company has a significant relationship. The Bygghmax Group management comprises of eleven members including the CEO. A description of the management is available under the heading "Bygghmax Group Management" (page 99-100).

### REMUNERATION GUIDELINES

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

### 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, Bygghmax 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 Bygghmax. 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. Bygghmax'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) supervises 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' fee Note 9	Dependent on the company's management and major shareholders
Anders Moberg	Chairman of the Board	2006	11/11	SEK 600,000	No
Hannele Kemppainen	Board Member	2015	11/11	SEK 285,000	No
Lottie Svedenstedt <sup>1</sup>	Board Member	2010	10/11	SEK 317,512	No
Karin Hygrelle-Jonsson <sup>2</sup>	Board Member	2014	4/11	SEK 102,027	No
Daniel Mühlbach	Board Member	2015	11/11	SEK 310,807	No
Mikael Norman <sup>1</sup>	Board Member	2016	11/11	SEK 382,028	No
Ullrika Eliasson	Board Member	2016	10/11	SEK 281,876	No
Per Strömberg <sup>3</sup>	Board Member	2018	6/11	SEK 184,209	No

<sup>1</sup>Fees refer to invoiced amount until May 2018 incl. social security contributions.

<sup>2</sup>Member of the Board until May 2018

<sup>3</sup>Member of the Board from May 2018

## 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.

At Byggmax, we work systematically on enhancing the efficiency of and improving operations and their flows. This approach impacts how Byggmax's internal control work is conducted. An important part of this work is identifying the root cause of why a discrepancy occurred whenever one arises as part of a work process, and then implementing an improvement to counteract the discrepancy arising 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 as well as fraud in e-commerce.

### 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.

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



**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 in both Byggmax and Skånska Byggvaror. 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.

**LONG TERM OVERVIEW****Results, SEK M**

	2018	2017	2016 <sup>1</sup>	2015	2014	2013	2012	2011	2010
Net sales	5,107.8	5,321.4	5,219.3	4,131.1	3,547.2	3,216.4	3,090.4	2,987.1	2,773.0
EBITDA	356.1	444.9	581.3	415.8	366.4	304.1	305.6	323.0	314.0
EBITA	227.7	318.7	436.6	331.7	296.8	246.7	252.2	277.5	274.8
EBIT	188.1	271.9	391.8	331.7	296.8	246.7	252.2	277.5	274.8
Profit before tax	162.2	258.2	350.3	334.1	283.2	237.9	231.5	251.6	237.4
Income tax	-24.6	-63.6	-65.7	-74.3	-65.2	-53.9	-51.7	-69.5	-65.2
<b>Profit for the year</b>	<b>137.6</b>	<b>194.6</b>	<b>284.6</b>	<b>259.8</b>	<b>217.9</b>	<b>184.0</b>	<b>179.8</b>	<b>182.2</b>	<b>172.2</b>

**Key ratios:**

Net sales growth, %	-4.0	2.0	26.3	16.5	10.3	4.1	3.5	7.7	13.5
Like-for-like (LFL) sales growth, %	-10.8	-0.1	0.8	12.8	3.8	-0.7	-2.7	-1.9	2.7
Gross margin, %	30.8	31.0	30.6	30.6	31.1	30.7	30.2	30.1	29.7
EBITDA margin, %	7.0	8.4	11.1	10.1	10.3	9.5	9.9	10.8	11.3
EBITA margin, %	4.5	6.0	8.4	8.0	8.4	7.7	8.2	9.3	9.9
Operating (EBIT) margin, %	3.7	5.1	7.5	8.0	8.4	7.7	8.2	9.3	9.9
Interest coverage ratio, %	24.5	34.0	28.3	57.9	40.6	21.0	18.9	19.7	13.3

**Balance sheet SEK M****Assets**

Fixed assets	2,575.7	2,574.9	2,619.0	1,527.2	1,375.5	1,299.6	1,266.5	1,218.2	1,207.4
Inventories	871.2	879.6	818.5	666.1	612.7	538.3	465.8	424.9	350.5
Other current assets	167.0	153.7	151.0	109.3	100.4	73.8	87.3	99.8	70.0
Cash and cash equivalents	52.5	40.1	41.9	31.7	30.9	33.1	33.9	22.8	34.1
<b>Total assets</b>	<b>3,666.4</b>	<b>3,648.3</b>	<b>3,630.5</b>	<b>2,334.4</b>	<b>2,119.5</b>	<b>1,944.8</b>	<b>1,853.5</b>	<b>1,765.8</b>	<b>1,662.0</b>

**Share holders' equity and liabilities**

Shareholders' Equity	1,346.4	1,358.8	1,302.2	1,142.0	1,047.6	970.0	914.2	844.4	748.5
Long-term interest-bearing liabilities	304.9	406.2	572.4	42.9	0.0	0.0	0.0	130.0	239.3
Long-term non-interest-bearing liabilities	192.1	201.0	201.3	105.8	97.4	84.1	82.4	100.8	53.6
Current interest-bearing liabilities	846.0	811.6	699.6	350.9	480.5	504.3	483.5	344.0	240.0
Accounts payable	748.4	591.3	630.7	520.3	370.4	284.7	278.7	268.9	268.9
Other current liabilities	228.6	279.3	224.4	172.5	123.6	101.7	94.7	77.7	111.7
<b>Total liabilities and shareholders' equity</b>	<b>3,666.4</b>	<b>3,648.3</b>	<b>3,630.5</b>	<b>2,334.4</b>	<b>2,119.5</b>	<b>1,944.8</b>	<b>1,853.5</b>	<b>1,765.8</b>	<b>1,662.0</b>

**Key ratios**

Capital employed	2,444.7	2,536.5	2,532.3	1,504	1,499	1,447	1,381	1,332	1,194
Capital employed less goodwill, customer relationships and brands	359.2	411.3	360.2	289	448	396	330	281	143
Net debt	1,098.4	1,177.6	1,230.1	362	451	477	467	488	445
Return on capital employed, %	9.1	11.0	21.9	22.4	20.1	17.4	18.6	22.0	23.5
Return on capital employed less goodwill, customer relationships and brands %	59.1	74.2	146.8	90.1	70.3	68.0	82.6	131.0	228.2
Return on equity, %	10.2	14.6	23.3	23.7	21.6	19.5	20.4	22.9	31.7
Net debt/EBITDA	3.1	2.7	2.1	0.9	1.2	1.6	1.5	1.5	1.4
Average working capital, i% of net sales <sup>2</sup>	0.5	-0.8	-3.6	-2.1	2.2	1.4	0.5	-1.5	-3.0
Equity ratio/riks-bearing capital, %	36.7	37.3	35.9	48.9	49.4	49.9	49.3	47.8	45.0

**Per share data**

Equity per share, SEK	22.1	22.3	21.4	18.8	17.2	16.0	15.1	13.9	12.3
Earnings per share, SEK	2.3	3.2	4.7	4.3	3.6	3.0	3.0	3.0	2.8
Dividend per share, SEK	0.0	2.5	2.4	2.14	2.6	2.3	2.0	1.8	1.5
Cash flow from operations per share, SEK	6.4	5.0	5.5	8.1	5.1	3.2	3.6	1.5	3.4

<sup>1</sup> Skånska Byggarvar Group AB has been consolidated as of Januari 1, 2016. <sup>2</sup> A reconciliation table is available on the IR website under "financial statistics".

# DEFINITIONS AND KEY PERFORMANCE MEASURES

Bygghmax uses terminology for alternative performance measures in accordance with the guidelines from the European Securities and Markets Authority (ESMA). The Bygghmax Group uses the alternative performance measures EBITDA, EBITA, return on equity, working capital, net debt, equity/assets ratio, capital employed, interest-bearing liabilities, long-term non-interest bearing liabilities and average working capital, % of net sales. The Group believes that these key performance indicators can be utilized by users of the financial statement 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](http://www.bygghmax.se) under financial statistics, or at <http://om.bygghmax.se/sv/investerare/finansuell-statistik/>

## DEFINITIONS OF FINANCIAL KEY PERFORMANCE INDICATORS/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.

**EBITDA excluding non-recurring items:** EBITDA excluding non-recurring items is a metric deemed relevant by the Group for investors seeking to understand earnings from operating activities excluding the impact from non-recurring items.

**Non-recurring items:** The Group defines non-recurring items in the report as acquisition costs, earnouts, restructuring owing to changes in Skånska Bygghvaror strategy and discontinuation expenses pertaining to four stores in Finland. These items are not included in ordinary business transactions and the amounts are of significant size and thereby impact earnings and key performance indicators.

**EBITDA margin:** EBITDA divided by net sales.

**EBITA:** EBITA is a ratio that the Group considers to be relevant for investors seeking to understand earnings generation before amortization and impairment of goodwill. The Group defines EBITA as EBIT after depreciation/amortization of intangible and tangible fixed assets, but before deduction for impairment of goodwill.

**EBITA margin:** EBITA 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:** Capital employed is a ratio that the Group considers to be relevant for investors seeking to understand the company's profitability in relation to externally financed capital and shareholders' equity. The Group defines capital employed as shareholders' equity plus net debt.



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

**Return on equity:** Earnings after tax divided by average shareholders' 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.

**Interest-bearing liabilities:** Interest-bearing liabilities are used to calculate net debt. The Group defines interest-bearing liabilities as borrowing from credit institutions plus other long-term liabilities.

**Long-term non-interest bearing liabilities:** Long-term non-interest bearing liabilities are a ratio that the Group considers to be relevant for investors seeking to understand the company's indebtedness without interest-rate exposure. The Group defines long-term non-interest bearing liabilities as long-term liabilities without interest-rate obligations.

**Average working capital, % of net sales:** Average working capital, % of net sales is a ratio that the Group considers to be relevant for investors seeking to understand how much of the company's sales are bound up in working capital. The Group defines average working capital, % of net sales as the average working capital for the year, as defined by the Group, divided by net sales.

## DEFINITION OF SECTOR-SPECIFIC KEY RATIOS

### Net sales for comparable stores:

Net sales for comparable stores is an important sector-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 sector. 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 2016 is classified as a comparable unit from 2018. Stores relocated to new premises in an existing location are treated in the same manner.

**Gross margin:** Net sales minus goods for resale, divided by net sales.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK M	Note	2018	2017
<b>Operating income</b>			
Net sales		5,107.8	5,321.4
Other operating income	6, 13, 19	15.7	39.4
<b>Total operating income</b>	5	<b>5,123.4</b>	<b>5,360.8</b>
<b>Operating expenses</b>			
Goods for resale		-3,534.4	-3,671.6
Other expenses	7, 8, 13	-632.3	-685.8
Personnel costs	9, 30	-600.6	-558.5
Depreciation, amortization and impairment of tangible and intangible fixed assets	14, 15	-168.0	-173.0
<b>Total operating expenses</b>		<b>-4,935.3</b>	<b>-5,089.0</b>
<b>EBIT</b>		<b>188.1</b>	<b>271.9</b>
Profit from participations in Group companies		-0.1	0.0
Financial income	13	18.7	22.6
Financial expenses	13	-44.5	-36.2
<b>Profit/loss from financial items</b>	10	<b>-25.9</b>	<b>-13.6</b>
<b>Profit before tax</b>		<b>162.2</b>	<b>258.2</b>
Income tax	11	-24.6	-63.6
<b>Profit for the year</b>		<b>137.6</b>	<b>194.6</b>
<b>Other comprehensive income for the period</b>			
Items that will not be reclassified to profit or loss		0.0	0.0
		0.0	0.0
Items that may be reclassified to profit or loss			
Translation differences		2.5	-7.7
<b>Other comprehensive income for the period</b>		<b>2.5</b>	<b>-7.7</b>
Comprehensive income for the year		140.1	186.9
<b>Earnings per share before dilution, SEK</b>	12	<b>2.3</b>	<b>3.2</b>
<b>Earnings per share after dilution, SEK</b>	12	<b>2.3</b>	<b>3.2</b>

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

## CONSOLIDATED BALANCE SHEET

	Note	Dec 31, 2018	Dec 31, 2017
Amounts in SEK M			
<b>ASSETS</b>			
<b>Fixed assets</b>			
Capitalized expenses for development work	5, 14	68.8	63.4
Goodwill, customer relations and brands	5, 14	2,085.6	2,125.2
Buildings and land	5, 15	3.9	4.3
Leashold improvements	5, 15	20.9	17.7
Equipment, tools, fixtures and fittings	5, 15	378.2	336.4
Deferred tax assets	28	5.4	5.5
Other long-term receivables	18	13.0	22.3
<b>Total fixed assets</b>		<b>2,575.8</b>	2,574.9
<b>Current assets</b>			
Inventories	21	871.2	879.6
Prepayments to suppliers		11.9	12.4
Accounts receivables	20	13.0	12.0
Derivatives	19	0.0	1.3
Current tax assets		20.4	0.0
Other receivables	22	64.5	77.5
Prepaid expenses and accrued income	23	57.2	47.1
Cash and cash equivalents	24	52.5	40.1
Assets held for sale	35	0.0	3.4
<b>Total current assets</b>		<b>1,090.7</b>	1,073.4
<b>TOTAL ASSETS</b>		<b>3,666.4</b>	3,648.3



## CONSOLIDATED BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec 31, 2018	Dec 31, 2017
<b>EQUITY</b>			
<b>Capital and reserves that can be attributed to the Parent Company's owners</b>			
Share capital	25	20.3	20.3
Other capital contributions	25	441.0	441.0
Reserves	26	-13.6	-16.1
Earnings brought forward including profit for the year		898.6	913.6
<b>Total shareholder's equity</b>		<b>1,346.4</b>	<b>1,358.8</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Borrowing from credit institutions	27	304.9	406.2
Deferred tax liabilities	28	191.2	200.5
Long-term liabilities	29	0.9	0.5
<b>Total long-term liabilities</b>		<b>497.0</b>	<b>607.2</b>
<b>Current liabilities</b>			
Borrowing from credit institutions	27	846.0	811.6
Provisions	33	8.5	51.9
Accounts payable		748.4	591.3
Current income tax liabilities	11	0.0	7.3
Derivative instruments	19	1.9	0.0
Other liabilities	31	65.3	44.7
Accrued expenses and deferred income	32	153.0	171.3
Liabilities directly related to assets held for sale	35	0.0	4.1
<b>Total current liabilities</b>		<b>1,823.1</b>	<b>1,682.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>3,666.4</b>	<b>3,648.3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK M	Attributeable to shareholders in Parent Company					Total shareholders' equity
	Note 12,25, 26	Share capital	Other capital contributions	Reserves	Earnings brought forward incl. profit for the year	
<b>Opening balance at January 1, 2017</b>		<b>20.2</b>	<b>441.0</b>	<b>-8.4</b>	<b>849.3</b>	<b>1,302.2</b>
Profit for the year					194.6	194.6
<b>Other comprehensive income for the year</b>						
Translation differences				-7.7		-7.7
<b>Total comprehensive income</b>				<b>-7.7</b>	<b>194.6</b>	<b>186.9</b>
New share issues during 2017		0.1			11.0	11.1
Issues of warrants					4.3	4.3
Dividends					-145.8	-145.8
<b>Total transactions with shareholders</b>		<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-130.4</b>	<b>-130.3</b>
<b>Closing balance at December 31, 2017</b>		<b>20.3</b>	<b>441.0</b>	<b>-16.1</b>	<b>913.6</b>	<b>1,358.8</b>
<b>Opening balance at January 1, 2018</b>		<b>20.3</b>	<b>441.0</b>	<b>-16.1</b>	<b>913.6</b>	<b>1,358.8</b>
Profit for the year					137.6	137.6
<b>Other comprehensive income for the year</b>						
Translation differences				2.5		2.5
<b>Total comprehensive income</b>				<b>2.5</b>	<b>137.6</b>	<b>140.1</b>
Issues of warrants					-0.1	-0.1
Dividends					-152.5	-152.5
<b>Total transactions with shareholders</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-152.6</b>	<b>-152.6</b>
<b>Closing balance at December 31, 2018</b>		<b>20.3</b>	<b>441.0</b>	<b>-13.6</b>	<b>898.6</b>	<b>1,346.4</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK M	Note	2018	2017
<b>Cash flow from operations</b>			
EBIT		188.1	271.9
Non-cash items			
– Depreciation/amortization of tangible and intangible fixed assets		168.0	173.0
– Other non-cash items <sup>1</sup>		-10.5	68.0
Interest received		13.3	14.4
Interest paid		-36.2	-29.6
Tax paid		-61.5	-79.6
<b>Cash flow from operations before changes in working capital</b>		<b>261.2</b>	<b>418.1</b>
<b>Changes in working capital</b>			
Increase/decrease in inventories and work in progress		9.5	-64.9
Increase/decrease in other current receivables		2.0	6.2
Increase/decrease in other current liabilities	31	117.5	-57.1
<b>Cash flow from operations</b>		<b>390.3</b>	<b>302.3</b>
<b>Cash flow from investing activities</b>			
Investment in intangible fixed assets	14	-25.2	-35.4
Investment in tangible fixed assets	15	-151.2	-98.7
Investment in other financial fixed assets		0.0	7.5
Divestment of subsidiaries		2.4	0
<b>Cash flow from investing activities</b>		<b>-174.1</b>	<b>-126.6</b>
<b>Cash flow from financing activities</b>			
Change in overdraft facility		75.0	87.0
Issue/redemption of warrants		-0.1	14.9
Dividend to Parent Company's shareholders		-152.5	-145.8
Amortization of loans		-126.2	-125.9
<b>Cash flow from financing activities</b>	34	<b>-203.8</b>	<b>-169.6</b>
<b>Cash flow for the period</b>		<b>12.4</b>	<b>6.1</b>
Cash and cash equivalents at the beginning of the period	24	40.1	34.0
<b>Cash and cash equivalents at the end of the period</b>	24	<b>52.5</b>	<b>40.1</b>

<sup>1</sup> Other non-cash items for 2017 pertain primarily to earnouts of SEK 33.4 M, restructuring costs of SEK 32.3 M and discontinuation expenses of SEK 30.9 M. They also include translation differences and gains/losses on the divestment of fixed assets.



## PARENT COMPANY INCOME STATEMENT

Amounts in SEK M	Note	2018	2017
<b>Operating income</b>			
Net sales		0.0	0.0
Other operating income		0.3	0.3
<b>Total operating income</b>		<b>0.3</b>	<b>0.3</b>
<b>Operating expenses</b>			
Other external expenses	8, 9	-8.5	-8.7
Personnel costs	9	-0.7	-0.4
<b>Total operating expenses</b>		<b>-9.1</b>	<b>-9.1</b>
<b>EBIT</b>		<b>-8.8</b>	<b>-8.8</b>
Dividends from Group companies		70.0	150.0
Interest income and similar items		33.1	29.5
Interest expenses and similar items		-24.3	-20.8
<b>Profit from financial items</b>	10	<b>78.8</b>	<b>158.7</b>
<b>Profit before tax</b>		<b>70.0</b>	<b>149.9</b>
Tax on profit for the year	11	0.0	0.0
<b>Profit for the year</b>		<b>70.0</b>	<b>149.9</b>

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, 2018	Dec 31, 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Participations in Group companies	16	1,219.3	1,219.3
Receivables from Group companies		354.0	354.0
<b>Total fixed assets</b>		<b>1,573.3</b>	<b>1,573.3</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		19.7	19.1
Other receivables	22	70.0	150.2
Prepaid expenses and accrued income		3.2	4.4
<b>Total current receivables</b>		<b>92.9</b>	<b>173.8</b>
<b>Cash and bank balances</b>		<b>0.0</b>	<b>0.0</b>
<b>Total current assets</b>		<b>92.9</b>	<b>173.8</b>
<b>TOTAL ASSETS</b>		<b>1,666.2</b>	<b>1,747.1</b>

## PARENT COMPANY BALANCE SHEET, continued

Amounts in SEK M	Note	Dec 31, 2018	Dec 31, 2017
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<b>Restricted equity</b>			
Share capital	25	20.3	20.3
<b>Total restricted equity</b>		<b>20.3</b>	<b>20.3</b>
<b>Unrestricted equity</b>			
Share premium reserve		429.8	429.8
Retained earnings		-347.0	-344.4
Profit for the year		70.0	149.9
<b>Total unrestricted equity</b>		<b>152.8</b>	<b>235.4</b>
<b>Total shareholders' equity</b>		<b>173.2</b>	<b>255.7</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	27	304.9	406.1
<b>Total long-term liabilities</b>		<b>304.9</b>	<b>406.1</b>
<b>Current liabilities</b>			
Borrowing from credit institutions	27	1,184.3	1,081.9
Accounts payable		0.2	0.1
Accrued expenses and deferred income	32	3.6	3.3
<b>Total current liabilities</b>		<b>1,493.0</b>	<b>1,085.3</b>
<b>STOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,666.2</b>	<b>1,747.1</b>

## CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

Amounts in SEK M	Note 12,25, 26	Restricted equity	Unrestricted equity			Total sha- re-hol- ders equity
		Share capital	Share premium reserve	Retained earnings	Profit/ loss for the year	
<b>Shareholders' equity on January 1, 2017</b>		<b>20.2</b>	<b>418.7</b>	<b>-338.3</b>	<b>139.7</b>	<b>240.3</b>
Carried forward				139.7	-139.7	0.0
Profit for the year					149.9	149.9
Other comprehensive income						0.0
<b>Total comprehensive income</b>					<b>149.9</b>	<b>149.9</b>
New issue in 2017		0.1	11.1			11.1
Dividend				-145.8		-145.8
<b>Total transactions with shareholders</b>		<b>0.1</b>	<b>11.1</b>	<b>-145.8</b>	<b>0.0</b>	<b>-134.7</b>
<b>Shareholders' equity on December 31, 2017</b>		<b>20.3</b>	<b>429.8</b>	<b>-344.4</b>	<b>149.9</b>	<b>255.7</b>
<b>Shareholders' equity on January 1, 2018</b>		<b>20.3</b>	<b>429.8</b>	<b>-344.4</b>	<b>149.9</b>	<b>255.7</b>
Carried forward				149.9	-149.9	0.0
Profit for the year					70.0	70.0
Other comprehensive income						0.0
<b>Total comprehensive income</b>					<b>70.0</b>	<b>70.0</b>
Dividend				-152.5		-152.5
<b>Total transactions with shareholders</b>		<b>0.0</b>	<b>0.0</b>	<b>-152.5</b>	<b>0.0</b>	<b>-152.5</b>
<b>Shareholders' equity on December 31, 2018</b>		<b>20.3</b>	<b>429.8</b>	<b>-347.0</b>	<b>70.0</b>	<b>173.2</b>



## PARENT COMPANY CASH-FLOW STATEMENT

Amounts in SEK M	Note	2018	2017
<b>Cash flow from operations</b>			
EBIT		-8.8	-8.8
Adjustment for non-cash items			
– Group contributions received		19.7	19.1
– Other non-cash items <sup>1</sup>		70.0	181.7
Interest received		13.4	9.8
Interest paid		-24.6	-20.5
Tax paid		0.0	0.0
<b>Cash flow from operations before changes in working capital</b>		<b>69.6</b>	<b>181.3</b>
<b>Changes in working capital</b>			
Operating receivables		80.9	-9.0
Operating liabilities		1.3	-53.5
<b>Cash flow from operations</b>		<b>151.8</b>	<b>118.7</b>
<b>Cash flow from financing activities</b>			
Repayment of debt		-125.6	-125.9
Dividend		-152.5	-145.8
New share issues		0.0	11.1
Changes in current financial liabilities		126.2	141.8
<b>Cash flow from financing activities</b>		<b>-151.8</b>	<b>-118.7</b>
<b>Cash flow for the period</b>		<b>0.0</b>	<b>0.0</b>
Cash and cash equivalents at the beginning of the period		0.0	0.0
<b>Cash and cash equivalents at the end of the period</b>		<b>0.0</b>	<b>0.0</b>

# ACCOUNTING POLICIES AND NOTES

## 1 General information

The Byggmax Group conducts sales of building materials. Business activities are conducted in Sweden, Norway and Finland. At the end of the period, there were 163 stores, of which 100 were in Sweden, 40 in Norway, 11 in Finland and 12 showrooms styled in line with Skånska Byggvaror's concept. Byggmax's business concept is to retail high-quality building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Byggmax should be affordable, quick, simple, and friendly!

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 38, SE-171 71 Solna.

The Parent Company is listed on Nasdaq OMX Stockholm.

On March 7, 2019, the Board of Directors approved these consolidated financial statements for publication. The annual accounts will be presented to the Annual General Meeting on May 9, 2019.

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

## 2 Summary of significant 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 Byggmax 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, 2018. Byggmax 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

None of the published standards and interpretations mandatory for the Group for fiscal year 2018 have had any impact on the consolidated financial statements beyond the increased disclosure requirements that follow from the updates to IAS 7.

IFRS 9 Financial Instruments 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 standard has been adopted by the EU.

IFRS 9 is applied by the Group from the fiscal year beginning on January 1, 2018. In accordance with the transition rules of the standard, the Group has not restated comparative figures for the 2017 fiscal year.

The new classification and measurement rules have not significantly impacted the Group's financial position as of the transition date, since the regulations do not entail any changes as regards measurement of the financial instruments included in the consolidated balance sheet at this date.

IFRS 9 introduced a new impairment model built on expected credit losses, and which takes prospective information into account. No material effect from this has been identified, however, since customer losses have historically been extremely low, and our prospective assessment is that credit risk will remain low.

IFRS 15 Revenue from Contracts with Customers entails new requirements regarding recognition of revenue, and replaces IAS 18 Revenue and IAS 11 Construction Contracts, and several related interpretations. The new standard provides more detailed guidance in many areas that previously were not clear from the IFRS rules then in force, including how agreements with several performance obligations, flexible pricing, the customer's right to return and so on should be reported. The standard has been adopted by the EU.

IFRS 15 is applied by the Group for the fiscal year starting January 1, 2018. The Group has chosen to apply the standard retroactively; that is, to report the 2017 comparison year in accordance with IFRS 15 as well. There are no material differences relating to allocation of price in IFRS 15. In conformity with earlier principles, product sales are recognized when risk passed to the customer, which according to the analysis also meets the criteria for transfer of control in IFRS 15.

The Group has also analyzed management of returns, as well as discounts, to customers, and was able to ascertain that current application is consistent with IFRS 15. Revenue from returnable products continues to be recognized only in the amounts the Group anticipates being entitled to recognize as revenue.

IFRS 15 has not had any material impact on the Group's financial position.

### 2.1.2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS THAT HAVE NOT BEEN APPLIED BY THE GROUP

A new standard and interpretation came into effect for fiscal years beginning January 1, 2019 and was not applied in the preparation of these financial statements. This new standard and interpretation is expected to impact the consolidated financial statements as follows:

IFRS 16 Leases was published in January 2016 by the IASB. The standard has been adopted by the EU and will replace IAS 17 Leases, as well as the appurtenant interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires assets and liabilities attributable to all lease contracts, excepting brief agreements or agreements regarding low-value assets, to be recognized in the balance sheet. This report is based on the view that the lessee is entitled to use an asset for a specific period of time while also having an obligation to pay for this entitlement. This will result in the majority of current operating leases being recognized in the balance sheet beginning in 2019.

The Group has conducted a complete review of all lease contracts, in which information was collected and compiled as a basis for calculations and quantification in connection with conversion to IFRS 16. There are primarily lease contracts relating to store leases in the Group. In connection with the transition to IFRS 16, the majority of these leases will be recognized in the balance sheet as right-of-use assets and as financial liabilities. Note 37 contains a specification regarding the Group's non-terminable leasing contracts.

The Group will use the partial retroactive application (which means that comparison figures do not need to be

recalculated). The Group's income statement, balance sheet and key performance indicators will be affected by IFRS 16. The effect on the opening balance at January 1, 2019 is shown below.

<i>Amounts in SEK M</i>	<i>January 1, 2019</i>
<b>FIXED ASSETS</b>	
<i>Tangible fixed assets</i>	1,477.6
<b>CURRENT ASSETS</b>	
<i>Current receivables</i>	-36.1
<b>LONG-TERM LIABILITIES</b>	
<i>Borrowing from credit institutions</i>	1,132.3
<b>CURRENT LIABILITIES</b>	
<i>Borrowing from credit institutions</i>	309.2

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 an entity when the Group is exposed to, or has rights to, variable returns from its holding in the entity 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. 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.

## 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. Byggmax defines the acquisition as a business combination in the event the acquired business includes 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. Byggmax 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 CEO. Segment information is provided for three segments from 2016. These three segments are Byggmax, Skånska Byggvaror and Other. Other includes Buildor, intra-Group leasing of owned properties, a distribution company and the Parent Company Byggmax Group AB (publ). No individual part of the Other segment represents such a material part that it forms a reportable segment, which is why Byggmax 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 the statement of comprehensive income.

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 comprehensive income 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 work and similar items*

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 Byggmax 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 Byggarvaror Group AB, the CGU is considered to comprise Skånska Byggarvaror 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 Byggarvaror. 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 comprehensive income 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 Byggmax'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 2018, 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

### 2.9.1 FINANCIAL INSTRUMENTS 2018

The Group classifies its financial instruments in the following categories: financial assets measured at fair value in profit or loss, financial assets at amortized cost, financial liabilities measured at fair value in profit or loss 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**

Derivatives are held only for financial hedging of risks and not for speculative purposes. If derivatives do not fulfill the criteria for hedging, they are classified as held for sale and are recognized at fair value in profit or loss. They are classified as current assets or current liabilities if they are expected to be settled within 12 months of the end of the reporting period. The Bygghmax Group does not apply hedge accounting. Changes in the value of derivative instruments attributable to borrowing are recognized under financial expenses. Other changes in the value of derivatives are recognized as financial income or expenses.

### **Financial assets at amortized cost**

Financial assets at amortized cost 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. Financial assets at amortized cost 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 comprehensive income under other expenses. The Group applies the modified retrospective approach for calculating expected credit losses. The method means that expected losses during the receivable's entire lifetime are used as the basis for accounts receivable and contractual assets.

### **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 are recognized after the acquisition date at fair value. Financial assets at amortized cost 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 for a financial asset or a group of financial assets, such as the closure of an active market or the probability that a debtor will not be able to discharge its obligations.

### **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 if they are expected to be settled within three months after the balance-sheet date. The overdraft facility is recognized as borrowing among current liabilities.

### **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 comprehensive income 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.

## **2.9.2 FINANCIAL INSTRUMENTS 2017**

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 derivatives in the form of currency forward contracts. The Byggmax Group does not apply hedge accounting according to IAS 39, meaning that all derivatives are recognized at fair value in profit or loss. Changes in the value of derivatives attributable to borrowing are recognized under financial expenses. Other changes in the value of derivatives 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 in 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 comprehensive income 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 for a financial asset or a group of financial assets, such as the closure of an active market or the probability that a debtor will not be able to discharge its obligations. Impairments of equity instruments, which are recognized in comprehensive income, are not reversed in comprehensive income. 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 comprehensive income.

***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 if they are expected to be settled within three months after the balance-sheet date. The overdraft facility is recognized as borrowing among current liabilities.

***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 comprehensive income 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 comprehensive income, 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 comprehensive income 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 Bygghmax product range. Sales are primarily to private customers, although there are some sales to companies. Own production or development of products occurs in Skånska Bygghvaror. 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 the transfer of control over the goods to the customer, which occurs upon delivery of the goods to the customer in the store or via online shopping. No variable remuneration is forthcoming, and return amounts are immaterial. Right of return is 30 days.

#### *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 2.15 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 EARNINGS PER SHARE

Earnings per share before dilution is calculated based on profit/loss for the year pertaining to the Parent Company's owners and the weighted average number of shares outstanding. Earnings per share after dilution is calculated based on profit/loss for the year pertaining to the Parent Company's owners and the weighted average number of shares outstanding after dilution. Dilution effects arise owing to share options that can be settled with shares. Share options have a dilution effect when the average share price during the period exceeds the exercise price of the warrants. See also Note 12.

### 2.15 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 lease period are expensed in comprehensive income 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 lease 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 comprehensive income 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 lease 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 lease, 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 lease and in accordance with the contract.

Gains relating to sale-and-leaseback transactions are recognized in the item financial income in comprehensive income and losses relating to sale-and-leaseback transactions are recognized in the item financial expenses in comprehensive income.

## 2.16 PROVISIONS

A provision is recognized in the balance sheet when the Group has an existing legal or informal obligation as a consequence of an incident that has occurred, and it is likely that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. The provisions mainly pertain to ongoing restructuring projects.

## 2.17 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.

## 2.18 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 Byggmax's central finance department according to the financial policy established each year by the Board of Directors. The Board of Directors continuously receives reports in respect of cash flows, debt levels and fulfillment of the terms of financial agreements, together with comparisons with budgets and forecasts.

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

#### *a) Market risk*

##### *(i) Currency risk*

The Byggmax Group's consolidated accounts are stated in SEK, but apart from Sweden the Group also has operations in Norway, Finland, and Denmark, and a large portion of the purchases in these countries are made in currencies other than the functional currency for the Group. 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. Byggmax has currency exposure in SEK and NOK, and 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*

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2018	Effect on EBIT (SEK M) 2017
NOK	+10/- 10%	+/- 2.4	+/- 2.4
EUR	+10/-10%	+/-0.4	+/- 0.6

#### *Exposure in another currency other than the functional currency at December 31, 2018, in the transaction currency*

	DKK	EUR	NOK	PLZ	SEK	USD	GBP
Accounts receivable	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Accounts payable	3.2	11.6	0.3	0.0	35.7	-0.5	0.3

**Exposure in another currency other than the functional currency at December 31, 2017 in the transaction currency**

	DKK	EUR	NOK	PLZ	SEK	USD	GBP
Accounts receivable	0.0	0.1	0.0	0.0	0.2	0.0	0.0
Accounts payable	4.1	56.0	0.3	0.1	43.3	2.1	0.0

Byggmax 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 thus arise for the shareholders' equity of the Group in consolidation of the balance sheets of foreign companies and branches. This risk is not hedged.

**Translation of foreign subsidiaries' income statements**

Translation of foreign subsidiaries' income statements is done at the average rates of the respective periods. Changes in exchange rates in 2018 impacted the Group's comprehensive income by SEK 2.5 M (-7.7). Assuming the invoicing and net earnings for 2018, a five percent change in the SEK rate against NOK and EUR would impact net sales by SEK 68.1 M (74.0) and net earning by approximately SEK 2.8 M (3.0).

**Translation of foreign subsidiaries' balance sheets**

Translation of foreign subsidiaries' balance sheets is done at the closing-date rate. The translation risk is attributable to changes in the exchange rate that impact the value of the foreign net assets upon translation to SEK. On the balance-sheet date, foreign net assets totaled SEK 215.2 M (178.9). In accordance with financial policy, the Group does not hedge this risk. A five percent change in the SEK rate against NOK and EUR would impact shareholders' equity by SEK 10.8 M (9.2).

**(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 percentage point higher/lower during 2018, with all other variables constant, the consolidated profit after tax for the fiscal year would have been SEK 8.7 M lower/higher, primarily as an effect of higher interest expenses for borrowing with floating-rate interest. Byggmax continuously monitors the interest risk by examining the effect of loans with floating-rate interest on EBIT for the year. Byggmax conducts interest-rate hedging in the form of an interest-rate cap.

**Sensitivity analysis, interest risk**

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2018	Effect on EBIT (SEK M) 2017
Interest rate	+1%/-1%	8.7	6.7

**b) Credit risk**

Byggmax has very low credit risk in relation to the Group's customers in that the majority of sales are in cash and since the Group invoices external customers to a lesser extent. Credit exposure primarily comprises accrued but as yet unpaid bonuses from suppliers except for Skånska Byggvaror, which has a larger share of receivables exposed to credit risk. Normally, Skånska Byggvaror has had customer losses under one percent. Approximately 95 percent of accounts receivable in Skånska Byggvaror come from private individuals.

**c) Liquidity risk**

Byggmax's policy in respect of liquidity risk is to ensure the Group has sufficient cash and cash equivalents to finance its operating activities. The Board of Directors manages the liquidity risk exposure through ensuring that Byggmax has sufficient credit facilities in place to satisfy the future needs of the business. The need is established through continuous follow up of forecast and actual cash flows with consideration taken to the tenors of financial assets and liabilities in the balance sheet. Byggmax's primary credit facility is provided by Svenska Handelsbanken by way of a credit agreement. The agreement with Svenska Handelsbanken extends until December 21, 2020. Byggmax has fulfilled covenant requirements under the banking agreement during the year.

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, 2018, the Group had cash and cash equivalents totaling SEK 52.5 M (40.1) and an unutilized credit facility of SEK 275.2 M (327.3). Information regarding blocked bank funds is available in Note 18. 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. For derivatives, however, amounts have been indicated at fair value, and where their amounts have no major impact on assessment of future liquidity risks for the company. 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
<b>At December 31, 2018</b>				
Borrowing	846.0	299.8	4.8	0.3
Gross regulated derivative instruments (currency forwards)				
Accounts payable	748.4			
<b>Total</b>	<b>1,594.4</b>	<b>299.8</b>	<b>4.8</b>	<b>0.3</b>
<b>At December 31, 2017</b>				
Borrowing	812.6	101.3	306.1	0.0
Gross regulated derivative instruments (currency forwards)				
Accounts payable	591.3			
<b>Total</b>	<b>1,404.0</b>	<b>101.3</b>	<b>306.1</b>	<b>0.0</b>
<b>Parent Company (SEK M)</b>				
<b>At December 31, 2018</b>				
Borrowing	846.0	299.8	4.8	0.3
<b>Total</b>	<b>846.0</b>	<b>299.8</b>	<b>4.8</b>	<b>0.3</b>
<b>At December 31, 2017</b>				
Borrowing	812.6	101.3	306.1	0.0
<b>Total</b>	<b>812.6</b>	<b>101.3</b>	<b>306.1</b>	<b>0.0</b>



### 3.2 MANAGEMENT OF FINANCING/CAPITAL RISK

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, 2018, are not considered to be able to significantly affect the Group's EBIT and financial position for the coming fiscal year

### *Leasing*

Leasing contracts on properties constitute the largest and most important portion of leases signed by the Group. In classifying its contracts, the Group has therefore assessed whether the contracts are to be considered as financial or operating leases. Leases contain no clause stating that ownership rights to the properties will pass over to the company at the end of the contract period.

In view of the fact that leasing fees the Group pays to the lessor are regularly adjusted with indexation so as to correspond to a market leasing level, and that the Group

assumes no risk for the residual value of the properties, it has been determined that all economic risks and advantages associated with the properties on the whole rest with the lessors. Based on these qualitative factors, the agreements have been classified as operating leases. 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. For more information, refer to Note 37.

### *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 14.

### *Provisions*

A provision is recognized in the balance sheet when the Group has an existing legal or informal obligation as a consequence of an incident that has occurred, and it is likely that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated.

If the effect of the point in time of payment is material, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and – if suitable – the risks associated with the liability. Provisions are attributable to liquidation and reconstruction costs. Refer to Note 33.

## 5 Segment information

Segment information by brand, SEK M	Byggmax		Skånska Byggvaror		Other		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Income</b>										
Total net sales by segment	4,486.6	4,495.5	525.7	725.0	1,120.9	1,059.8	-1,025.5	-958.8	5,107.8	5,321.4
Internal net sales	6.1	4.4	15.9	15.7	1,003.5	938.7	-1,025.5	-958.8	0.0	0.0
<b>External net sales</b>	<b>4,480.5</b>	<b>4,491.1</b>	<b>509.9</b>	<b>709.2</b>	<b>117.4</b>	<b>121.1</b>	<b>0.0</b>	<b>0.0</b>	<b>5,107.8</b>	<b>5,321.4</b>
<b>Other operating income</b>									15.7	39.4
<b>EBITDA</b>	<b>354.2</b>	<b>435.6</b>	<b>3.5</b>	<b>-18.7</b>	<b>-1.6</b>	<b>27.9</b>			<b>356.1</b>	<b>444.9</b>
Operating margin before amorti- zation and depreciation, percent	7.9	9.7	0.7	-2.6	-0.1	2.6			7.0	8.4
Amortization and depreciation									168.0	-173.0
Financial income									18.7	22.6
Financial expenses									-44.5	-36.2
<b>Profit before tax</b>									<b>162.2</b>	<b>258.2</b>

Geographic area/country	Net sales		Fixed assets		Investments	
	2018	2017	2018	2017	2018	2017
Norway	1,037.1	1,055.9	114.8	109.0	34.2	23.0
Sweden	3,907.7	4,023.5	2,425.4	2,423.0	133.9	110.8
Other countries	162.9	242.0	17.2	15.0	8.3	0.6
Group	5,107.8	5,321.4	2,557.4	2,547.0	176.5	134.4

The division into segments is described in Note 2.3. The Parent Company has no net sales. The geographic information reports revenue based on where customers are located, whereas the fixed assets are based on where the facilities are located. These assets comprise fixed assets except financial instruments and deferred tax assets.

Assets per segment	Byggmax		Skånska Byggvaror		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total assets per segment	2,316.6	1,958.7	1,053.9	1,075.5	296.0	614.1	3,666.4	3,648.3
Of which, fixed assets	1,476.9	1,427.9	942.4	980.6	138.0	138.6	2,557.4	2,547.0

Liabilities and shareholders' equity per segment	Byggmax		Skånska Byggvaror		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total liabilities per segment	2,316.6	1,958.7	1,053.9	1,075.5	296.0	614.1	3,666.4	3,648.3

## 6 Other operating income

Group	2018	2017
Exchange-rate differences	7.2	3.9
Gain from divestment of equipment	0.7	1.0
Reversal of earnout	0.0	33.4
Profit from participations in Group companies	3.7	0.0
Other	4.0	1.1
<b>Total other operating income</b>	<b>15.7</b>	<b>39.4</b>

## 7 Other expenses

Group	2018	2017
Exchange-rate differences	-13.5	-9.7
Loss from divestment of equipment	-0.7	-2.3
Other	-1.4	-3.9
<b>Total other operating expenses</b>	<b>-15.5</b>	<b>-15.9</b>

## 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	2018	2017
Öhrlings PricewaterhouseCoopers		
Auditing assignments	1.6	1.5
Other assignments	0.0	0.0
Tax consultancy	0.2	0.0
Other services	0.0	0.1
<b>Total auditors' fees</b>	<b>1.7</b>	<b>1.6</b>

Parent Company	2018	2017
Öhrlings PricewaterhouseCoopers		
Auditing assignments	0.4	0.4
Other assignments	0.0	0.0
Tax consultancy	0.0	0.0
Other services	0.0	0.1
<b>Total auditors' fees</b>	<b>0.4</b>	<b>0.5</b>

The following compensation has been paid over the year to the Group's Swedish auditors, Öhrlings PricewaterhouseCoopers AB:

	2018	2017
Auditing assignments	1.3	1.3
Tax consultancy	0.2	0.0
Other services	0.0	0.1
<b>Total compensation</b>	<b>1.5</b>	<b>1.4</b>

## 9 Employee benefits

Group	2018	2017
Salaries and other remuneration	430.8	410.2
Social costs	121.4	110.5
Pension costs	27.6	25.8
Other personnel costs	10.5	12.0
<b>Total employee benefits</b>	<b>590.4</b>	<b>558.5</b>

The guidelines for determining compensation to senior executives that were adopted by the 2018 Annual General Meeting correspond, in all material respects, with the guidelines that are being proposed to the 2019 Annual General Meeting. Information about these guidelines is available in the Administration Report on page 38. 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).

Salaries and other remuneration plus social costs (SEK M)	2018			2017		
	Salaries and other remuneration	Social costs (of which pension costs)	Number	Salaries and other remuneration	Social costs (of which pension costs)	Number
<b>Group</b>						
Board members, President and other senior executives	10.9	5.9 (2.1)	9	13.6	6.5 (1.9)	9
Other employees	422.4	143.7 (25.5)	1,074	399.1	130.4 (23.8)	1,059
<b>Total</b>	<b>433.3</b>	<b>149.6 (27.6)</b>	<b>1,083</b>	<b>412.7</b>	<b>136.9 (25.7)</b>	<b>1,068</b>
<b>Parent Company</b>						
Board members	2.5	0.7 (0.0)	7	2.5	0.5 (0.0)	7
President and other senior executives (incl. Svea)	0.0	0.0	1	0.0	0.0	1
Other employees	0.0	0.0	0	0.0	0.0	0
<b>Total</b>	<b>2.5</b>	<b>0.7 (0.0)</b>	<b>8</b>	<b>2.5</b>	<b>0.5 (0.0)</b>	<b>8</b>

No separate remuneration is payable to the President of Byggmax Group AB (publ) in 2018.

	2018		2017	
	Average number of employees	Of whom men	Average number of employees	Of whom men
<b>Subsidiaries</b>				
Sweden	835	71%	806	71%
Norway	187	84%	174	87%
Finland	54	67%	70	73%
Denmark	1	30%	11	64%
<b>Total in subsidiaries</b>	<b>1,077</b>	<b>63%</b>	<b>1,061</b>	<b>78%</b>
<b>Group total</b>	<b>1,077</b>	<b>63%</b>	<b>1,061</b>	<b>78%</b>



## 9 Employee benefits, continued

	2018		2017	
	Number on balance-sheet date	Of whom men	Number on balance-sheet date	Of whom men
<b>Group (including subsidiaries)</b>				
Board members	7	57%	7	43%
President and other senior executives	12	75%	10	70%
<b>Group total</b>	<b>19</b>	<b>66%</b>	<b>17</b>	<b>72%</b>
<b>Parent Company</b>				
Board members	7	43%	7	43%
President and other senior executives	1	100%	1	100%
<b>Parent Company total</b>	<b>8</b>	<b>72%</b>	<b>8</b>	<b>72%</b>

Remuneration to senior executives (SEK M)	Basic salary/ Directors' fees	Variable compensation	Other benefits	Pension costs	Other compensation	Total
<b>2018</b>						
Chairman of the Board – Anders Moberg	0.6					0.6
Board member – Daniel Mühlbach	0.3					0.3
Board member – Hannele Kemppainen	0.3					0.3
Board member – Karin Hygrell-Jonsson	0.1					0.1
Board member – Lottie Svedenstedt*	0.3					0.3
Board member – Mikael Norman*	0.4					0.4
Board member – Ullrika Eliasson	0.3					0.3
Board member – Per Strömberg	0.2					0.2
President – Mattias Ankarberg	5.0	0.2	0.0	1.4		6.6
Other senior executives (eleven individuals, of whom three women)**	12.7	1.5	0.0	3.2	0.0	16.4
<b>Total</b>	<b>20.2</b>	<b>1.7</b>	<b>0.0</b>	<b>4.6</b>	<b>0.0</b>	<b>26.5</b>

\*Refers to invoiced amount through May 2018, incl. social fees on part of the fee.

\*\*A senior executive was on part-time parental leave in 2018.

Compensation to senior executives (SEK M)	Basic salary/ Directors' fees	Variable compensation	Other benefits	Pension costs	Other compensation	Total
<b>2017</b>						
Chairman of the Board – Anders Moberg	0.6					0.6
Board member – Daniel Mühlbach	0.3					0.3
Board member – Hannele Kemppainen	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*	0.4					0.4
Board member – Ullrika Eliasson	0.3					0.3
President – Mattias Ankarberg	4.7	2.3	0.0	1.4		8.4
Other senior executives (twelve individuals, of whom three women)	13.2**	1.1	0.0	2.3	1.4***	18.0
<b>Total</b>	<b>20.5</b>	<b>3.4</b>	<b>0.0</b>	<b>3.7</b>	<b>1.4</b>	<b>29.0</b>

\* Refers to invoiced amount, incl. social fees on part of the fee.

\*\* In 2017, changes were made in the Bygghmax Group management and new senior executives joined on various occasions. Furthermore, this section includes three senior executives, of which two have ended their employment for 2018 and one received 12-months' severance pay.

\*\*\*Other compensation includes SEK 0.5 M for compensation received by employees when subscribing for new warrants, and severance pay of SEK 0.9 M for one person who ended their employment with the Group.

## 9 Employee benefits, continued

There are no agreements concerning severance pay for the President or other senior executives. The period of notice for the President in the event of termination by the company or by the President is three months. The retirement age for the President and other senior executives is 65. Fixed salary and pension reflect the scope and responsibility entailed in the assignment. The President has a defined-contribution pension. Variable compensation pertains to remuneration for bonus earned in 2018 that is payable in 2019.

### Warrant program

The 2013, 2015 and 2017 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 using the Black-Scholes model. Each warrant entitles its holder to subscribe for one share in the company at the exercise prices shown in the table below. The participants in the warrants program have entered into a pre-emption agreement. The subscription period for the 2013 warrant program commenced on May 30, 2017 and concluded on November 30, 2017; employees in the Byggmax Group subscribed for a total of 262,000 shares during the second, third and fourth quarters of 2017. Subscription of shares has resulted in an increase in share capital of SEK 87,000, as well as an increase in the share premium reserve of SEK 11.1 M. The 2015 warrant program expired on November 30, 2018 and was not exercised since the share price was lower than the exercise price. The 2017 warrant program expires on December 7, 2020 and can be exercised from June 8, 2020.

## 10 Profit/loss from financial items

Group	2018	2017
<b>Financial income</b>		
Exchange-rate gains	13.1	9.7
Changes in fair value — interest swaps and currency derivatives	6.1	12.6
Interest income	-0.5	0.3
Other financial income	0.0	0.0
<b>Total</b>	<b>18.7</b>	<b>22.6</b>
<b>Financial expenses</b>		
Exchange-rate losses	-18.5	-7.4
Changes in fair value — interest swaps and currency derivatives	-9.2	-11.8
— interest expenses, bank loans	-14.6	-13.1
— interest expense, discount rate, earnout	0.0	-1.6
Other financial expenses	-2.3	-2.3
<b>Total</b>	<b>-44.5</b>	<b>-36.2</b>
<b>Profit/loss from financial items</b>	<b>-25.8</b>	<b>-13.6</b>
<b>Parent Company</b>	<b>2018</b>	<b>2017</b>
<b>Earnings from shares in Group companies</b>		
Dividends from Group companies	70.0	150.0
<b>Total</b>	<b>70.0</b>	<b>150.0</b>
<b>Interest income and similar items</b>		
Exchange-rate gains	1.2	0.6
Group contributions	19.7	19.1
Interest income	12.2	9.8
<b>Total</b>	<b>33.1</b>	<b>29.5</b>
<b>Interest expenses and similar items</b>		
Exchange-rate losses	-0.9	-0.5
Interest expenses	-23.3	-20.2
<b>Total</b>	<b>-24.3</b>	<b>-20.8</b>
<b>Profit/loss from financial items</b>	<b>78.8</b>	<b>158.7</b>

## 11 Income tax

Group	2018	2017
Current tax for the year	-39.9	-64.8
Current tax attributable to previous years	5.7	-1.5
Remeasured deferred tax due to changed tax rate in Sweden	3.2	0.0
Deferred tax expense relating to temporary differences	-5.9	-15.1
Deferred tax income relating to temporary differences	12.2	17.8
<b>Total</b>	<b>-24.6</b>	<b>-63.6</b>

Parent Company	2018	2017
Current tax for the year	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

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

Group	2018	2017
Profit before tax	162.2	258.2
Income tax calculated according to the Group's prevailing tax rate	-35.7	-56.8
Non-taxable income	1.0	0.0
Non-deductible costs	-1.1	-4.4
Tax effect of interest on the tax allocation reserve	-1.6	0.0
Reversal of earnout, non-taxable income	0.0	7.3
Remeasured deferred tax due to changed tax rate in Sweden	3.2	0.0
Deficits for tax purposes for which no deferred tax asset is recognized	0.0	0.0
Blocked amounts on foreign taxes for tax purposes	0.2	-1.6
Effect of foreign tax rates	0.0	0.0
Adjustment of current tax relating to previous years	5.7	-1.5
Other	2.3	-6.7
<b>Tax expense</b>	<b>-24.6</b>	<b>-63.6</b>

Parent Company	2018	2017
Profit before tax	70.0	149.9
Income tax calculated according to prevailing tax rate	15.4	-33.0
Non-taxable income	-15.4	33.1
Non-deductible costs	0.0	-0.1
<b>Tax expense</b>	<b>0.0</b>	<b>0.0</b>

Weighted average tax rate within the Group:	15.2%	24.6%
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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 Earnings per share

Before dilution	2018	2017
Profit for the year attributable to the Parent Company's shareholders	137.6	194.6
Weighted average number of shares before dilution (thousands)	60,999	60,861
Earnings per share before dilution (SEK)	2.3	3.2
<b>After dilution</b>		
Profit for the year attributable to the Parent Company's shareholders	137.6	194.6
Weighted average number of shares before dilution (thousands)	60,999	60,861
Dilution effect regarding warrants	0	45
Weighted average number of shares after dilution (thousands)	60,999	60,906
Earnings per share after dilution (SEK)	2.3	3.2
Number of shares outstanding at end of period (thousands)	60,999	60,999
Dividend per share (SEK)	0.0	2.50

## 13 Exchange-rate differences

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

Group	2018	2017
Other operating income	7.2	3.9
Other expenses	-12.7	-9.7
Financial income	10.2	9.1
Financial expenses	-16.6	-6.7
<b>Total exchange-rate differences</b>	<b>-11.9</b>	<b>-3.5</b>

## 14 Intangible assets

Capitalized expenses for development work

Group	2018	2017
Opening cost	149.7	125.4
New acquisitions	28.4	35.5
Sales and scrapping	-14.3	-10.2
Reclassifications	-4.1	0.0
Exchange-rate differences	0.1	1.1
<b>Closing accumulated cost</b>	<b>159.7</b>	<b>149.7</b>
Opening depreciation	-86.2	-75.0
Sales and scrapping	14.2	9.4
Amortization for the year	-21.5	-18.1
Impairment	0.0	-4.4
Reclassifications	2.7	0.0
Exchange-rate differences	-0.1	0.1
<b>Closing accumulated amortization</b>	<b>-90.9</b>	<b>-86.2</b>
<b>Closing carrying amount</b>	<b>68.8</b>	<b>63.4</b>

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



## 14 Intangible assets, continued

Goodwill, customer relationships and brands	Goodwill		Customer relationships		Trademark		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening cost	1,808.3	1,815.5	120.8	135.9	196.1	220.6	2,125.2	2,172.0
Amortization	0.0	0.0	-15.1	-15.1	-24.5	-24.5	-39.6	-39.6
Impairment	0.0	-7.2	0.0	0.0	0.0	0.0	0.0	-7.2
<b>Closing carrying amount</b>	<b>1,808.3</b>	<b>1,808.3</b>	<b>105.7</b>	<b>120.8</b>	<b>171.6</b>	<b>196.1</b>	<b>2,085.6</b>	<b>2,125.2</b>

Of recognized goodwill, SEK 1,051.0 M relates to the Swedish operations in Byggmax, SEK 121.7 M relates to Buildor and SEK 635.6 M to Skånska Byggvaror. The 2017 impairment relates to impairment in connection with the revaluation of assets in Pavillon Danmark A/S when revaluation of assets held for sale took place.

An impairment test was carried out in September 2016 due to a lower earnings forecast for Skånska Byggvaror compared with that used at the acquisition date. This resulted in an impairment of SEK -44.8 M, which negatively impacted earnings for 2016. For Skånska Byggvaror, 2018 was a transformation year towards a more focused and modern leader in "Garden Living," i.e. sun rooms, greenhouses and associated products. At the beginning of 2018 there was a plan for revising both commercial models – which affects sales as well as gross margins and costs. The initiative went according to plan, at a high pace and with good results. The gross margin is back at historically high levels, costs have decreased as a result of the restructuring plan and unprofitable sales have decreased. For Skånska Byggvaror, the focus in 2019 now shifts to building for profitable growth in the core business. We have growth initiatives within assortment, sales and marketing.

### 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.

The Swedish operations in Byggmax are deemed to be one of three cash-generating units (CGUs). 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 Byggvaror, the CGU is considered to comprise Skånska Byggvaror in its entirety.

The recoverable amount for the CGU linked to the Swedish operations of Byggmax, the CGU comprising Buildor and the CGU comprising Skånska Byggvaror 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 2018 business plan for each CGU and forecasts for the period from 2019–2023 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 2023, 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 target and is in line with sustainable growth for the industry. The margin used was in line with that used in previous years for the respective CGUs. When discounting expected future cash flows, a weighted average cost of capital (WACC) before tax was used, which is currently 5.0 percent (7.1) for Byggmax AB. As regards an assessment of possible impairment needs for Buildor, a WACC of 11.0 percent (11.0) was used, and for Skånska Byggvaror a WACC of 10.7 percent (10.7) was used. 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 Byggmax Group

Testing indicates that the recoverable amount exceeds the carrying amount. However, the outcome pertaining to Skånska Byggvaror is sensitive to changes in key assumptions. The estimated recoverable amount for Skånska Byggvaror totaled SEK 880.8 M and net assets including goodwill and other acquisition-related intangible assets was SEK 855.1 M. The intangible assets (for example, goodwill) are written down according to plan.

### Sensitivity analysis

**EBIT margin:** If the estimated EBIT margin after the end of the forecast period had been a percentage point lower than management's assessment, the aggregate recoverable amount would decrease by 7.2 percent (Byggmax 7.2 percent, Skånska Byggvaror 7.2 percent, Buildor 13.5 percent). The EBIT for Skånska Byggvaror can decline by 0.4 percentage points before the recoverable amount corresponds to the carrying amount.

**Future growth:** If the estimated rate of growth for extrapolating cash flow beyond the forecast period had been one percentage point lower than the basic assumption of 2 percent, the aggregate recoverable amount would decrease by 0.9 percent (Byggmax 0.9 percent, Skånska Byggvaror 0.7 percent, Buildor 0.8 percent). Growth can decline by 0.3 percentage points for Skånska Byggvaror before the

## 14 Intangible assets, continued

recoverable amount corresponds to the carrying amount.

Discount rate: If the estimated weighted average cost of capital (WACC) applied to discounted cash flows for the Group had been one percentage point higher than the basic assumption of 5.0–11.1 percent, the aggregate recoverable amount would decrease by 1.1 percent (Byggmax 1.0 percent, Skånska Byggvaror 2.8 percent, Buildor 2.3 percent). The discount rate can increase by 0.2 percentage points for Skånska Byggvaror before the recoverable amount corresponds to the carrying amount.

These calculations are hypothetical, and are not to be regarded as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution. None of the hypothetical cases above should give rise to an impairment of goodwill in an individual cash-generating unit. None of the above hypothetical cases would lead to an impairment of goodwill in the individual cash-generating units Byggmax or Buildor.

## 15 Tangible fixed assets

### Equipment, tools, fixtures and fittings

Group	2018	2017
Opening cost	874.9	802.9
Purchases	148.4	94.4
Sales and scrapping	-20.5	-5.4
Reclassifications	-3.9	-1.1
Exchange-rate differences	5.0	-15.9
<b>Closing accumulated cost</b>	<b>1,003.8</b>	<b>874.9</b>
Opening depreciation	-538.5	-447.6
Sales and scrapping	13.6	2.8
Depreciation for the year	-104.7	-96.3
Reclassifications	6.2	0.0
Exchange-rate differences	-2.2	8.7
<b>Closing accumulated depreciation</b>	<b>-625.6</b>	<b>-538.5</b>
<b>Closing carrying amount</b>	<b>378.2</b>	<b>336.4</b>

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

Group	2018	2017
Cost – capitalized finance leasing	0.0	0.0
Accumulated depreciation	0.0	0.0
<b>Carrying amount</b>	<b>0.0</b>	<b>0.0</b>

### Buildings and land

Group	2018	2017
Opening cost	7.9	7.9
<b>Closing accumulated cost</b>	<b>7.9</b>	<b>7.9</b>
Opening depreciation	-3.6	-3.2
Depreciation for the year	-0.4	-0.4
<b>Closing accumulated depreciation</b>	<b>-4.0</b>	<b>-3.6</b>
	<b>3.9</b>	<b>4.3</b>

## 15 Tangible fixed assets, continued

### Leasehold improvements

Group	2018	2017
Opening cost	25.5	22.2
Purchases	4.9	4.5
Sales and scrapping	0.0	-0.1
Exchange-rate differences	0.2	-1.0
<b>Closing accumulated cost</b>	<b>30.6</b>	<b>25.5</b>
Opening depreciation	-7.7	-6.5
Sales and scrapping	0.0	0.0
Depreciation for the year	-1.8	-1.6
Exchange-rate differences	-0.1	0.4
<b>Closing accumulated depreciation</b>	<b>-9.6</b>	<b>-7.7</b>
<b>Closing carrying amount</b>	<b>20.9</b>	<b>17.7</b>

## 16 Participations in Group companies

Parent Company	2018	2017
Opening cost	1,219.3	1,251.0
Reversal, part of purchase consideration, Buildor	0.0	-31.7
<b>Closing carrying amount</b>	<b>1,219.3</b>	<b>1,219.3</b>

The Parent Company has participations in the following Group companies:

	Corporate registration number	Registered office	Share of capital	Number of shares	Carrying amount	
Name					2018	2017
<b>Companies owned by Byggmax Group AB (publ)</b>						
Byggmax AB	556645-6215	Halmstad	100%	100,000	345.0	345.0
Svea Distribution AB	556602-5895	Eslöv	100%	200	13.0	13.0
Byggmax Fastighetsutveckling AB	556726-8593	Stockholm	100%	1,000	0.1	0.1
Buildor AB	556867-2405	Stockholm	100%	1,558	118.5	118.5
Skånska Byggvaror Group AB	556987-6849	Helsingborg	100%	1,579,710	742.7	742.7
					<b>1,219.3</b>	<b>1,219.3</b>
<b>Holdings in other Group companies</b>						
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 Finland Fastighetsholding 1 Oy	2186417-4	Helsingfors	100%			
Byggmax Finland Fastighet 1 Oy	2186407-8	Helsingfors	100%			
Byggmax Finland Fastighetsholding 2 Oy	2186507-0	Helsingfors	100%			
Buildor AS	918 104 925	Oslo	100%			
Skånska Byggvaror AB	556100-1891	Helsingborg	100%			
Grönt Fokus AS	976 461 428	Kristiansand	100%			

## 17 Financial instruments per 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) in 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 attributable to level 2 and is based on the closing-date rate at year end provided by the external valuers. No reclassifications between the various levels took place during the fiscal year.

<b>Assets in the balance sheet at Dec. 31, 2018</b>	Assets carried at amortised cost	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	90.5		90.5
Cash and cash equivalents	52.5		52.5
Other long-term receivables	13.0		13.0
<b>Total</b>	<b>156.0</b>	<b>0.0</b>	<b>156.0</b>

<b>Liabilities in the balance sheet at Dec. 31, 2018</b>	Liabilities carried at amortised cost	Liabilities measured at fair value in profit or loss	Total
Borrowings (excluding liabilities related to financial leasing)	1,150.9		1,150.9
Derivative instruments		1.9	1.9
Accounts payable and other liabilities excluding accrued expenses and deferred income	814.6		814.6
<b>Total</b>	<b>1,965.5</b>	<b>1.9</b>	<b>1,967.4</b>

<b>Assets in the balance sheet at Dec. 31, 2017</b>	Loan receivables and accounts receivable	Assets measured at fair value in profit or loss	Total
Derivative instruments		1.3	1.3
Accounts receivable and other receivables excluding prepaid expenses and accrued income	111.8		111.8
Cash and cash equivalents	40.1		40.1
Other long-term receivables	22.3		22.3
<b>Total</b>	<b>174.2</b>	<b>1.3</b>	<b>175.5</b>

<b>Liabilities in the balance sheet at Dec. 31, 2017</b>	Liabilities measured at fair value in profit or loss	Other financial liabilities	Total
Borrowings (excluding liabilities related to financial leasing)		1,217.8	1,217.8
Accounts payable and other liabilities excluding accrued expenses and deferred income		636.6	636.6
<b>Total</b>	<b>0.0</b>	<b>1,854.4</b>	<b>1,854.4</b>

## 18 Other long-term receivables

Group	2018	2017
Blocked bank funds	0.0	7.9
Other	13.0	14.4
<b>Total other long-term receivables</b>	<b>13.0</b>	<b>22.3</b>

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 10.4 M. This receivable is reported under long-term receivables.

## 19 Derivative instruments

Group Dec. 31, 2018	Assets	Liabilities
Derivative instruments		
Currency forwards – held for sale	0.0	1.9
<b>Total derivative instruments</b>	<b>0.0</b>	<b>1.9</b>

Group Dec. 31, 2017	Assets	Liabilities
Derivative instruments		
Currency forwards – held for sale	1.3	0.0
<b>Total derivative instruments</b>	<b>1.3</b>	<b>0.0</b>

Derivative instruments held for sale are classified as current assets or current liabilities. The nominal amount for outstanding currency forwards on the balance-sheet date was SEK 76.8 M (21.2). 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	2018	2017
Accounts receivable	15.5	14.8
Provisions for doubtful receivables	-2.5	-2.8
<b>Total accounts receivable</b>	<b>13.0</b>	<b>12.0</b>

Of the total reserve for doubtful accounts receivable of SEK 2.5 M (2.8), SEK 1.6 M (1.7) comes from Skånska Byggvaror, of which SEK 0.0 M (0.0) pertains to the subsidiary Pavillon Danmark A/S. Ninety-five percent of the remaining provision in Skånska Byggvaror consists of a large number of private individuals. Byggmax's provisions total SEK 0.9 M (1.1), which consist primarily of one customer whose receivable is expected to be recoverable.

### Age distribution of impaired accounts receivable 2018

Group	Not past-due	1-30 days	31-60 days	61-90 days	>90 days
Expected credit loss level	0%	0%	0%	0%	100%



## 20 Accounts receivable , continued

### Age distribution of past due unimpaired accounts receivable

Group	2017
Less than 30 days	5.0
31–60 days	1.4
61–90 days	1.0
over 90 days	3.2
<b>Total past due accounts receivable</b>	<b>10.5</b>

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

## 21 Inventories

Group	2018	2017
Completed goods and goods for resale	867.1	877.0
Work in progress	4.1	2.7
<b>Total inventories</b>	<b>871.2</b>	<b>879.7</b>

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

## 22 Other receivables

Group	2018	2017
Bonus receivables from suppliers	52.0	51.2
Other receivables	12.5	26.3
<b>Total other receivables</b>	<b>64.5</b>	<b>77.5</b>
<b>Parent Company</b>		
Dividends from Group companies	70.0	150.0
<b>Total other receivables</b>	<b>70.0</b>	<b>150.0</b>

Most bonus receivables are in SEK. As of the balance-sheet date, December 31, 2018, 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	2018	2017
Prepaid rent	34.7	24.4
Prepaid leasing fees	1.1	0.3
Accrued interest income	3.2	4.4
Other items	18.1	18.1
<b>Total prepaid expenses and accrued income</b>	<b>57.2</b>	<b>47.1</b>

## 24 Cash and cash equivalents

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

Group	2018	2017
Balance sheet		
Cash and bank balances	52.5	40.1
Total cash and cash equivalents	52.5	40.1
Cash-flow statement		
Cash and bank balances	52.5	40.1
Total cash and cash equivalents	52.5	40.1

## 25 Share capital and other capital contribution

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

Group	2018-12-31	2017-12-31
No. of shares (000s)	61.0	61.0
Share capital	20.3	20.3
Other capital contributions	1,326.0	1,338.5
Total	1,346.4	1,358.8

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	2018	2017
Long-term		
Liabilities to credit institutions	304.9	406.2
Total	304.9	406.2
Short-term		
Liabilities to credit institutions	401.2	346.1
Overdraft facilities	444.8	465.5
Total	846.0	811.6
Total borrowing	1,150.9	1,217.8

## 27 Borrowing, continued

Parent Company	2018	2017
Long-term		
Liabilities to credit institutions	304.9	406.1
<b>Total</b>	<b>304.9</b>	<b>406.1</b>
Short-term	2018	2017
Liabilities to credit institutions	401.2	616.4
Overdraft facility	783.2	465.5
<b>Summa</b>	<b>1,184.4</b>	<b>1,081.9</b>
<b>Total borrowing</b>	<b>1,489.3</b>	<b>1,488.0</b>

All borrowing within the Group is in SEK. All external loans have an interest period of three months, meaning that the carrying amount closely corresponds to fair value. Refer to Note 3c for more information. There are no pledged assets for loans, refer to Note 36.

The Group has the following unutilized credit facilities:

Group	2018	2017
Overdraft facility	155.2	134.5
<b>Total</b>	<b>155.2</b>	<b>134.5</b>

## 28 Deferred tax

Group				2018	2017
Deferred tax liabilities					
Untaxed reserves				130.9	128.1
Intangible fixed assets				60.3	72.3
Total deferred tax liabilities				191.2	200.5
Gross changes	Untaxed reserves	Intangible assets	Acquired deferred tax liabilities	Total	
At January 1, 2018	128.1	72.3	0.0	200.4	
Recognized:					
In profit or loss	2.8	-10.3		-7.4	
Directly in shareholders' equity		-1.7		-1.7	
At December 31, 2018	130.9	60.3	0.0	191.3	
Gross changes	Untaxed reserves	Intangible assets	Acquired deferred tax liabilities	Total	
At January 1, 2017	113.3	87.1	1.0	201.3	
Recognized:					
In profit or loss	14.8	-14.8	-1.0	-0.9	
Directly in shareholders' equity				0.0	
At December 31, 2017	128.1	72.3	0.0	200.5	

## 28 Deferred tax, continued

Deferred tax assets		2018	2017
Derivatives		0.4	-0.2
Valuation of loss carry-forwards		5.0	5.8
Total deferred tax assets		5.4	5.5
Gross changes	Derivatives	Loss for tax purposes	Total
At January 1, 2018	-0.2	5.8	5.5
Recognized:			
In profit or loss	0.6		0.6
Directly in shareholders' equity		-0.8	-0.8
At December 31, 2018	0.4	5.0	5.4
Gross changes	Derivatives	Loss for tax purposes	Total
At January 1, 2017	0.1	3.8	3.8
Recognized:			
In profit or loss	-0.3	2.0	1.7
Directly in shareholders' equity			0.0
At December 31, 2017	-0.2	5.8	5.5
Deferred tax liabilities, net		2018	2017
Total deferred tax liabilities, net		185.9	195.0
Net changes relating to deferred taxes are as follows:			
Group		2018	2017
On the opening date		195.0	197.4
Recognition in profit or loss		-8.1	-2.5
Other		-0.9	0.0
On the balance-sheet date		185.9	195.0

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 5.4 M (5.5). Of these, SEK 1.8 M (1.8) is in respect of losses amounting to SEK 8.2 M (8.2) that can be offset against future taxable profits. SEK 1.6 M (0.3) pertains to taxes on internal gains of SEK 7.5 M (1.5), SEK 0.4 M (0.0) to derivatives and SEK 1.6 M (1.6) to blocked amounts for foreign tax.

## 29 Long-term liabilities

Group	2018	2017
Guarantee commitments	0.9	0.5
<b>Total long-term liabilities</b>	<b>0.9</b>	<b>0.5</b>

## 30 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 fiscal year 2018 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 9.3 M (7.0), of which ITP2 SEK 3.4 M. Byggmax's level of participation in the ITP2 plan was 0.017 percent and is indicated as the Group's share of the aggregate fees to the plan. Anticipated fees for the ITP2 plan next year total SEK 3.0 M. Alecta's surplus can be distributed to policy holders and/or insured persons. On December 31, 2018, Alecta's surplus in the form of the collective consolidation level amounted preliminarily to 142 percent (154). 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.

## 31 Other liabilities

Group	2018	2017
VAT liabilities	34.9	15.1
Personnel-related liabilities	11.4	11.4
Other	19.0	18.2
<b>Total other liabilities</b>	<b>65.3</b>	<b>44.7</b>

## 32 Accrued expenses and deferred income

Group	2018	2017
Accrued salaries	35.0	36.7
Accrued vacation pay	54.6	50.5
Accrued social fees	17.3	15.4
Other	54.5	68.7
<b>Total accrued expenses and deferred income</b>	<b>161.5</b>	<b>171.3</b>

Parent Company	2018	2017
Other	3.6	3.3
<b>Total accrued expenses and deferred income</b>	<b>3.6</b>	<b>3.3</b>

## 33 Other provisions

Group	2018	2017
Liquidation costs for fyour stores in Finland	0.0	19.6
Restructuring cost Skånska Byggvaror	8.5	32.3
<b>Total other provisions</b>	<b>8.5</b>	<b>51.9</b>

Provisions 2017 consist of estimated liquidation costs for four Byggmax stores in Finland. The total amount is 19.6 M, of which 3.1 M as impacted inventory costs and 16.5 M as impacted personnel and other external expenses. Provisions also consist of restructuring costs for Skånska Byggvaror in order to focus on the "Garden Living" core operation as well as to reduce operatins costs. Total amount is 8.5 M (32.3) which impacted personnel and other external expenses.



### 34 Changes to cash flow in indebtedness recognized in financing activities

Group	OB 2018	cash flow	Reclassifications and other non- cash items	CB 2018
Loans	752.4	-80.0	33.7	706.1
Warrant program	-			-
Dividend	-	-152.5		-
	752.4	-232.5	33.7	706.1
Utilized credit	465.4	-20.6		444.8
<b>Cash flow changes in financing operations</b>	<b>1,217.8</b>	<b>-253.1</b>	<b>33.7</b>	<b>1,150.9</b>

Group	OB 2017	cash flow	Reclassifications and other non- cash items	CB 2017
Loans	820.1	-125.9	58.2	752.4
Warrant program	-	15.0	0.0	-
Dividend	-	-145.8	0.0	-
	820.1	-256.6	58.2	752.4
Utilized credit	404.6	87.0	-26.2	465.4
<b>Cash flow changes in financing operations</b>	<b>1,224.7</b>	<b>-169.6</b>	<b>31.9</b>	<b>1,217.8</b>

### 35 Assets and liabilities held for sale

Group	2018	2017
Tangible fixed assets	0.0	0.7
Accounts receivable	0.0	0.7
Inventories	0.0	1.7
Other receivables	0.0	0.1
Prepaid expenses and accrued income	0.0	0.1
<b>Total assets held for sale</b>	<b>0.0</b>	<b>3.4</b>
	2018	2017
Other long-term liabilities	0.0	-0.1
Accounts payable	0.0	-2.0
Other current liabilities	0.0	-1.1
Accrued expenses and deferred income	0.0	-0.9
<b>Total liabilities directly attributable to assets held for sale</b>	<b>0.0</b>	<b>-4.1</b>

Assets and liabilities for operations in Pavillon Danmark A/S classified in 2017 as assets held for sale. The business was divested in 2018.

## 36 Pledged assets, contingent liabilities and contingent assets

### Pledged assets

Group	2018	2017
For own debts and provisions:		
Blocked bank funds	0.0	7.9
<b>Total pledged assets, contingent liabilities and contingent assets</b>	<b>0.0</b>	<b>7.9</b>

### Contingent liabilities

Group	2018	2017
<b>Capital adequacy guarantee on behalf of Group companies</b>	<b>None</b>	<b>None</b>

## 37 Obligations

### Obligations relating to operating leasing

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

Expensed leasing costs amounted to SEK 265.3 M (265.8).

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

Group	2018	2017
Within one year	300.0	228.6
Later than one year but within five years	931.5	674.3
Later than five years	464.4	378.5
<b>Total</b>	<b>1,696.0</b>	<b>1,281.4</b>

## 38 Transactions with related parties

No related-party transactions took place apart from compensation to the Board and senior executives. Information regarding key individuals in senior management is provided in Note 9, Employee benefits.

## 39 Events after the balance-sheet date

No significant events have occurred since the end of the balance-sheet date

## 40 Distribution of earnings

Retained earnings	82,831,638
Profit for the year	70,000,000
<b>TOTAL</b>	<b>152,831,638</b>
The Board of Directors and the President propose that these earnings be distributed such that:	
Dividends paid to owners of the parent	0
To be carried forward	152,831,638
<b>TOTAL</b>	<b>152,831,638</b>

## 41 Effect of non-recurring items

	2018	2017
Earnout Buildor 2017	0.0	33.4
Capital gain on divestment of Pavillon	3.7	0.0
Closure costs for four stores in Finland	6.2	-30.9
Restructuring costs, Skånska Byggvaror, EBITDA	0.0	-32.3
<b>Total EBITDA effect</b>	<b>9.9</b>	<b>-29.8</b>
Impairment Skånska Byggvaror	0.0	-7.2
Restructuring costs Skånska Byggvaror depreciation	0.0	-9.9
<b>Total EBIT effect</b>	<b>9.9</b>	<b>-46.9</b>

The Board of Directors and President hereby affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and provide an accurate portrayal of the Group's 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 9, 2019 for adoption.

Stockholm den 7 mars 2019

ANDERS MOBERG  
Chairman of the Board

DANIEL MÜHLBACH  
Board member

HANNELE KEMPPAINEN  
Board member

LOTTIE SVEDENSTEDT  
Board member

MIKAEL NORMAN  
Board member

MATTIAS ANKARBERG  
President and CEO

PER STRÖMBERG  
Board member

ULLRIKA ELIASSON  
Board member

Our auditors' report was submitted on March 7, 2019  
Öhrlings PricewaterhouseCoopers AB

ANN-CHRISTINE HÄGGLUND  
Authorized Public Accountant  
Auditor in Charge

ERIK BERGH  
Authorized Public Accountant

# AUDITOR'S REPORT

To the general meeting of the shareholders of Byggmax Group AB (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 Byggmax Group AB (publ) for the year 2018 except for the corporate governance statement on pages 43–47. The annual accounts and consolidated accounts of the company are included on pages 38–93 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 2018 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 2018 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 43–47. 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 consolidated statement of comprehensive income and the balance sheet for the group and the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### 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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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.

Byggmax Group consists of a number of subsidiaries and branches in the Nordic countries. Sweden represents about 77% of consolidated sales, while Norway represents approximately 20% of sales, and other countries 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 96% of consolidated sales. Our audit procedures in respect giving an opinion on the consolidated profit and loss statement and balance sheet are, in all material aspects, performed by the central audit team. All subsidiaries and affiliates are also subject to statutory audits in their respective countries. Byggmax Group's business is seasonal and nearly 65% of the company's revenues are earned during the second and third quarters

### 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 MATTER**

*Valuation, completeness and allocation of revenues*

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

The group's revenue for 2018 amounts to MSEK 5,108. 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.

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 Byggvaror, 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.

### **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 movement in 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.

### **KEY AUDIT MATTER**

*Valuation, allocation and the existence of inventory*

We refer to Note 21 - Inventories, Note 2.10 - Accounting principles.

Bygghmax group's inventories are found, physically, at a number of locations, in stores in the Nordic region and at three distribution centres in Sweden. As at 31 December 2018, the total value of the inventories was MSEK 871 and is comprised primarily by finished goods for sale.

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.

### **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 sample 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.

We have also 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 sample 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 centres.

We have also, on a 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 MATTER**

##### *Valuation of Goodwill*

We refer to Note 4 - Important estimates and assessments for accounting purposes and Note 14 Goodwill, customer relationships and brands

Acquired goodwill and other acquisition-related intangible assets including customer relationships comprise a significant portion of the Byggmax group's balance sheet of MSEK 2,086 as at the end of December 2018. Byggmax group's goodwill as at 31 December 2018 amounted to MSEK 1,808 and is allocated to three cash generating units: Byggmax AB, Skånska Byggvaror 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.

As described in note 14 in the group's annual report Skånska Byggvaror is in turnaround face and a number of initiatives in order to increase the profitability is ongoing. Note 14 also includes the Byggmax group's assumptions, judgments and conclusions relating to above mentioned assets per 31 December, 2018.

#### **HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER**

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. As stated in note 14 the impairment test for the cash generating unit Skånska Byggvaror is sensitive for changes in key parameters.

Finally, we have assessed the information provided in Note 14 (Goodwill, Custom Relationships and brands) to deem if such information is appropriate.

#### **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 1-37 as well as on pages 99-103. 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 DIRECTOR'S 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## 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 Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). 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 Director's and the Managing Director of Byggmax Group AB (publ) for the year 2018 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 Director's and the Managing Director 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 DIRECTOR'S 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' 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 fulfill 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 Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). 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 43-47 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.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of Byggmax Group AB (publ) by the general meeting of the shareholders on the 9 May 2018 and has been the company's auditor since May 2006.

Stockholm 15 March 2019

Öhrlings PricewaterhouseCoopers AB

*Ann-Christine Hägglund*  
Authorized Public Accountant  
Partner in charge

*Erik Bergh*  
Authorized Public Accountant

# BYGGMAX GROUP MANAGEMENT



## ALEKSI VIRKKUNEN

Country Manager Byggmax Finland since 2015. Born 1975. Education: M.Sc. in Economics from Helsinki Graduate School of Economics. Background: Previously the Store Intensity Manager at Rautakesko. Other assignments: No other assignments. Shareholding: 0 shares.



## BENEDICTE INVERSINI

Country Manager Byggmax Norway since September 2017. Born 1974. Education: Bachelor in Business Administration (Oslo). Background: Previously CEO of Torshov Bilrekvisita, and several management positions at Ikea and Elgiganten. Other assignments: No other assignments. Shareholding: 0 shares.



## JOHAN QUIST

Head of Byggmax Store Development since 2017. Born 1985. Education: International purchasing from Stockholm International Business School. Background: Previously Category Manager at Byggmax. Other assignments: No other assignments. Shareholding: 1,725 shares and 20,000 warrants.



## JONATAN SCHWAMBERG

Founder and President of Buildor AB. Member of Group management since April 19, 2016. Born 1983. Education: Stockholm School of Economics. Background: Former founder of Buildor AB, acquired by Byggmax Group AB at the end of 2015. Other assignments: No other assignments. Shareholding: 61,000 shares and 80,000 warrants.



## MARCUS ESSESJÖ

Country Manager Byggmax Sweden since April 2017. Born 1983. Education: Master of Business Administration, University of Stirling (Scotland). Background: Previously held several management positions in sales and marketing at Åhléns and Media Markt. Other assignments: No other assignments. Shareholding: 6,000 shares and 80,000 warrants.



## MATTIAS ANKARBERG

President and 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: Board member of Thule Group. Shareholding: 95,000 shares and 400,000 warrants.



## NIKLAS HAMBERG

Head of Supply Chain Byggmax Group since 2017 (employed 2009). Born 1983. Education: M.Sc. Engineering, Lund University. Other assignments: Deputy member of Sierra Blue Invest AB. Shareholding: 798 shares and 15,000 warrants.



## OSCAR TJÄRNBERG

President of Skånska Byggvaror Group AB; joined Group management of Byggmax Group AB on October 2, 2017. Born 1972. Education: M.Sc. Engineering from Luleå University of Technology. Background: Previously CEO of Lekmer, Deputy CEO for inkClub, Head of Online for Telenor Sweden, CSO and COO for Lensway. Other assignments: No other assignments. Shareholding: 52,000 shares.



## OSKAR RÖÖF

CIO since 2018 (employed 2018). Born 1978. Education: M.Sc. Business and Economics from Uppsala University; B.Sc. in Computer and Systems Sciences from Stockholm University. Background: Formerly CIO at Espresso House Group. Other assignments: No other assignments. Shareholding: 0 shares.



## PER HARALDSSON

Commercial Manager since 2018. Previously Chief Purchasing Officer from 2013 (employed 2008). Born 1974. Education: M.Sc. in Engineering from the Institute of Technology, Linköping University. Background: Previously Business Area Manager at Rusta. Other assignments: No other assignments. Shareholding 58 965 shares, 80,000 warrants and exposure through endowment insurance to a further 48,850 shares.



# BYGGMAX GROUP MANAGEMENT, CONTINUED



## *PERNILLA WALFRIDSSON*

CFO since 2005 (employed in 2005). Born 1973. Education: Master of Science in Business and Economics, Växjö University. Background: Formerly CFO at consumer electronics chain Power; Business Controller at IKEA Russia and Controller at IKEA AB. Other assignments: Board Member and Chairman of Audit Committee at NetOnNet Group AB; Board member of Sortera Group AB. Shareholding: 235,500 shares and 40,000 warrants.



## *SARAH KÖNIG*

Head of Group Expansion at Byggmax Group since October 2017. Born 1974. Education: Law at Stockholm University. Background: Previously Leasing Director at Steen & Ström, Real Estate and Expansion Manager at RNB Retail, and several positions at Jones Lang LaSalle and Tenants & Partner. Other assignments: No other assignments. Shareholding: 0 shares.

## *AUDITORS*

Byggmax's auditor is Öhrlings PricewaterhouseCoopers AB, with Ann-Christine Häggglund as Auditor in Charge since 2013. Ann-Christine Häggglund is an Authorized Public Accountant and a member of FAR SRS. The address of Öhrlings PricewaterhouseCoopers AB's offices is Torsgatan 21, SE-113 97 Stockholm, Sweden.

# BYGGMAX BOARD OF DIRECTORS



## 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, ITAB AB, 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, President Inter Ikea Systems A/S, Business Area Manager Ikea of Sweden and CEO Kid Interiør A/S. Other assignments: Chairman of the Board of MiL Institute AB and Tillväxt Helsingborg; Board member of MiL Foundation, Gullberg & Jansson AB, ITAB Shop Concept AB, Swedavia AB and Helsingborgs IF. Shareholding: 10,000 shares in Byggmax.



## MIKAEL NORMAN

Board member since 2016. Born 1958. Education: Law and economics degrees from 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 and Chairman of audit committee at Bravida Holding AB, Bonava AB, Cloetta AB and Swedavia AB. Shareholding: 8,500 shares in Byggmax.



## PER STRÖMBERG

Board member since 2018. Born 1963. Education: MSc Business and Economics. Background: CEO of ICA Gruppen AB since 2012. Previously CEO of Lantmännen (2007–2012), Sardus AB (2006–2007) and Kraft Foods Sweden (2003–2006). Other assignments: Board member of Consumer Goods Forum and industrial adviser for Segulah. Shareholding: 0 shares.



## DANIEL MÜHLBACH

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



## HANNELE KEMPPAINEN

Board member since 2015. Born 1970. Education: B.Sc. in International Business and Marketing from the 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: No other assignments. 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: Until 2018 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: CEO/Owner, Comp & Lead AB. Shareholding: 0 shares in Byggmax.

# DISTRIBUTION OF ANNUAL REPORT

Byggmax'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 Thursday, 9 May 2019 at 10:00 a.m. at the Elite Palace Hotel, Sankt Eriksgatan 115, 113 43 Stockholm, Sweden.

### 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 Friday, 3 May 2019, and notify the company of their intention to attend the AGM no later than by 4:00 p.m. on Friday, 3 May 2019.

### NOTIFICATION

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

- By e-mail: [Byggmax@lindahl.se](mailto:Byggmax@lindahl.se)
- By telephone: +46 (0)40-664 66 50
- By mail: Byggmax Group AB (publ), c/o Advokatfirman Lindahl KB, Studentgatan 6, SE-211 38 Malmö, Sweden

Welcome to Byggmax investor pages on [www.byggmax.se/investor-relations](http://www.byggmax.se/investor-relations)

On notification, shareholders must provide the following information:

- Name
- Personal ID/corporate registration number
- Address and daytime telephone number
- Shareholding in Byggmax
- 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 Friday May 3, 2019. The shareholder should notify the trustee well in advance of this date. Such registration may be temporary.

**BYGGMAX®**

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