

ANNUAL REPORT 2019

BYGGMAX GROUP



BYGGMAX®

TABLE OF CONTENTS

Business description

About the Bygghmax Group	3
Comments from the CEO	4
Our stores	6
Vision, mission, targets and strategy	7
The history of Bygghmax	9
Bygghmax's values provide a strong corporate culture	10
Value drivers	11
This is Bygghmax	12
An upgraded Bygghmax	18
Skånska Byggvaror	19
Buildor	21
Responsibilities and Sustainability report	22
Employees	27
Environmental report	29
The Share	33
Chairman's comments	35

Financial statements

Administration report	37
Corporate governance	42
Long term overview	47
Definitions and key performance indicators	48
Consolidated statement of comprehensive income	50
Consolidated balance sheet	51
Consolidated statement of changes in shareholders' equity	53
Consolidated statement of cash flows	54
Parent Company income statement	55
Parent Company balance sheet	56
Changes in Parent Company's shareholders' equity	58
Parent Company cash-flow statement	59
Accounting policies and notes	60
Auditors' report	94
Bygghmax Group management	99
Bygghmax Board of Directors	101
Distribution of Annual Report	103

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.

5.2

BILLION KRONOR
IN SALES

1,103

EMPLOYEES

3

MARKETS

172

PHYSICAL STORES

11

NEW STORES IN 2019

-41%

CO₂ EMISSIONS SINCE 2009
(PER KRONA OF SALES)

Our companies

BYGGMAX

SkånskaByggvaror.se

Buildor.se
-Mycket byggvaror för pengarna

COMMENTS FROM THE CEO



2019 – a year in the right direction

In 2019, the customer offering and the financial performance both developed in the right direction.

The Byggmax segment strengthened an already favorable position over the year. Customer satisfaction continued to climb from already high levels, our price positioning strengthened further and we continued to become more efficient. The transformation of Skånska Byggvaror was completed and all of our growth initiatives performed well. Following a period of restructuring, we have now posted six consecutive quarters with improved profitability and, in the autumn, the growth initiative also started to deliver in the form of increased sales.

Even though market conditions remained difficult over the year, the financial performance posted a positive trend. For the Group, sales rose 3.3 percent and operating profit measured as EBITA increased SEK 42 M to SEK 270 M. The gross margin was the highest ever and the EBITA margin increased 0.6 percentage points to 5.1 percent (4.5).

CHANGES IN THE MARKET

The Nordic consumer market for construction materials decreased during 2019. Weather conditions during the spring and summer were normal, but autumn came early. Sweden's downturn in housing transactions, which started

when the new amortization rules were introduced in 2016, has clearly impacted demand for renovation projects. This trend may now have ceased, since the number of transactions stabilized in the first six months of 2019 before increasing in the last six months of the year.

STRATEGIC BUSINESS DECISIONS

Through 2019, the Byggmax segment continued to build for profitable growth and opened 11 new stores during the year, nine in Sweden and two in Norway. We are pleased to note that all our growth initiatives developed positively: the Byggmax garden sections and the smaller communities format both continued to develop well; the Store 3.0 initiative has proven its sales impact; our e-commerce operations trended positively and the new stores were well received.

The Store 3.0 initiative was tested in two stores in autumn 2018. The concept entails us upgrading the offering in the form of a larger range and an enhanced store experience. We are mainly adding products in the electrical, plumbing and garden segments. The initiative continues to meet expectations of sales growth of around 3 percent per store.

We continued our investment in developing our e-commerce operations over the year and expanded the range, launched a new technical platform and widened the delivery options in 2019. Our customers can now choose to have their goods delivered by standard or express delivery, choose the delivery date, or even the increasingly popular alternative of collecting the goods from a Byggmax store.

At the same time, we have continued to streamline and trimmed our costs in line with Byggmax's cost-conscious culture.

For Skånska Byggvaror, 2019 entailed continued transformation toward becoming a more focused leader in "Garden Living." The initiative was implemented at a high pace and with good results. We can now look back at six consecutive quarters with improved profitability, where the last two quarters also posted increased sales. The transformation has now been completed and we are building further on the efficiency and growth initiatives in the core range as well as digital sales and marketing.





SUSTAINABILITY AT BYGGMAX

Sustainability is important for us at Bygghmax, and it impacts our decisions. Since 2009, an annual environmental report has been produced regarding Bygghmax's environmental impact. During 2019 we continued these efforts.

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 2019, we continued to reduce 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 installed as the light source, and all new forklifts, except for 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.

At the end of 2019, the Bygghmax Group's Board adopted a new sustainability strategy. Our goal is to continue to contribute to a more sustainable society through initiatives primarily within five focus areas: Supply chain, Circular economy, Climate, Social commitment and Sustainable construction.

OUTLOOK

We took substantial steps in the right direction in 2019 in the form of a stronger Bygghmax and the completed transformation of Skånska Byggvaror. In 2020, we want to continue our journey toward becoming the best supplier for more customers' DIY projects. We have planned to continue investing in tried and true initiatives, with continued focus on upgrading existing stores and e-commerce.

In March 2020, COVID-19 (the coronavirus) started to spread rapidly across the Nordic region. This has created considerable uncertainty about future economic growth both worldwide and in the Nordic region. At the time of writing, the Bygghmax Group has not noted any material negative impact on its operations, but the Group has implemented measures to protect our staff and customers, and will adapt operations on an ongoing basis to meet developments in our operating environment.

Finally, in these exceptional times, I would also like to give my heartfelt thanks to all of our employees who make Bygghmax a company to be proud of!

Stockholm, March 7, 2020

Mattias Ankarberg
President and CEO

* For stores where indirect use is possible to affect indirect usage. See the Sustainability Report section for more information

OUR STORES

✱ Stores opened in 2019

● Byggmax

● Skånska Byggvaror



NEW STORES OPENED IN 2019

In Sweden

Gislaved
Ljungby
Lycksele
Simrishamn
Skara
Strängnäs
Älmhult
Lund
Kumla

In Norway

Kongsberg
Slemmestad

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 mission and business concept

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 established truths.



STRONG CORPORATE CULTURE AND COST

FOCUS: The foundation of Bygghmax's corporate culture is a genuine entrepreneurial spirit. As part of this, employees are able to take responsibility, which leads to good results through control of costs and other key performance indicators.



CUSTOMER-CENTRIC 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 EBITA margin should be 7 to 8 percent per year.
- Distribute at least 50 percent of net profit.

Follow-up of targets

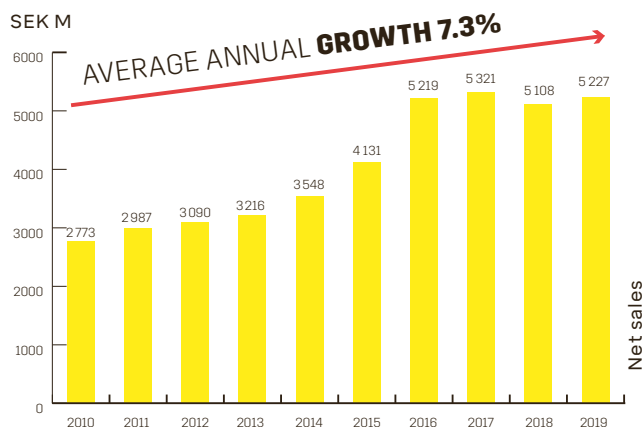
Sales for the Group decreased 4 percent, and profitability measured as EBITDA excluding non-recurring items was reduced to 6.8 percent (8.9). Sales have been affected by a weak consumer market and the choice to reduce unprofitable sales at Skånska Bygghvaror.

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
- Strong culture of cost awareness and entrepreneurship.

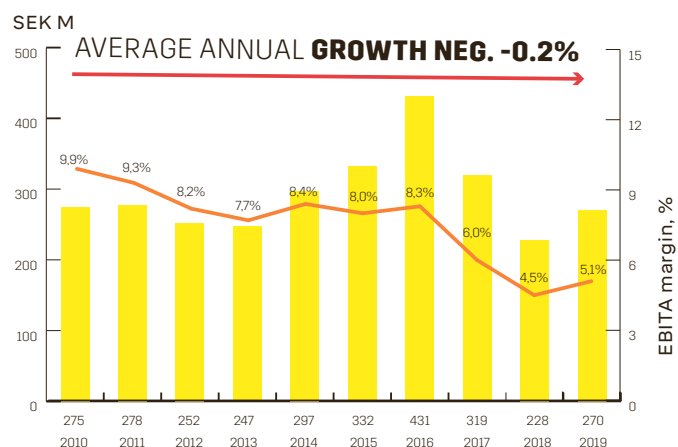
The future strategic orientation is based on two cornerstones: a simple and efficient model, and focused growth based on our strengths in developing the customer offering, online shopping and store expansion.



Byggmax has posted average annual net sales growth of 7.3 percent during the 2010–2019 period.

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.



Byggmax has posted an average annual decline in EBITA of -0.2 percent during the 2010–2019 period. Builder was acquired in late 2015, and Skånska Byggvaror Group AB was acquired in early 2016, two operations with lower EBITA margins than the Byggmax segment. During 2019, the EBITA margin increased 0.8 percentage points, from 4.5 percent to 5.1 percent.

FOCUSED ORGANIC GROWTH

The Byggmax Group has an ambition to deliver focused growth in three main areas:

- **Development of the customer offering:** Byggmax has potential to continue developing the product range and the customer offering, to become the best supplier for more customers DIY projects. Over the last few years we have prepared a Byggmax concept for garden 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 and 2019 we tested and verified Byggmax 3.0, a new store format with a honed product range, clearer store fittings and integrated garden sections. Quite simply, a better Byggmax.
- **Online store:** Byggmax launched online shopping back in 2008 and currently holds a strong position with continued growth potential moving forward. Byggmax has a strong 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.
- **New stores:** Grow to an identified potential of 210 stores in current markets (Sweden, Norway and Finland), and in addition expand with the latest format, a smaller Byggmax format for smaller communities. The smaller format is now available in 13 communities.



THE HISTORY OF BYGGMAX

Bygghmax Group now has net sales of SEK 5.2 billion and operations in three countries. A lot has happened on the way.



BYGGMAX'S VALUES PROVIDE A STRONG CORPORATE CULTURE

At Bygghem, we are proud of our strong corporate culture and see ourselves as a values-driven company. Our values describe how we should act on a daily basis.

Bygghem's strong corporate culture and values are pre-requisites 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 entrepreneurial spirit. The corporate culture is maintained by means of robust and integrated business methods, continuous internal communication and through the presence of corporate culture bearers with extensive experience in various areas of operations. At Bygghem, 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 Bygghem.

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!



VALUE DRIVERS

Short-term factors:

- **Trends in purchasing prices** — Purchasing prices affect Bygghmax's gross margins. Historically, the market has passed on adjustments in purchasing prices to the customer.
- **Competitors' pricing** — Bygghmax's pricing strategy is impacted by the behavior of the competition. The objective is to always be the cheapest. Therefore the competition's pricing affects margins.
- **Housing market** — The volume of transactions in the house and holiday home segment impacts the market in which Bygghmax operates. High transaction volumes are good for business.
- **Weather** — Bygghmax 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 Bygghmax'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 Bygghmax 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 mission** — maintaining stringency throughout the range and pricing, as well as continuously tuning the organization through constant improvement, are a few of the keys to success.
- **Ability to renew concepts and strategies when needed** — the Bygghmax business model 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** — Bygghmax 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** — Bygghmax operates in the low-price segment and trends in the long-term development of this sector are therefore important.
- **Strategies of the competition and their implementation thereof** — Bygghmax operates in a competitive market and the actions of the competition affect the company.
- **Trend in demand for sun rooms** — Sun rooms represent an important product group for Skånska Bygghvaror, one of the companies in the Bygghmax Group.
- **E-commerce trend in building supplies** — E-commerce comprises a significant portion of Bygghmax's sales and is an area in which the Bygghmax Group is investing.
- **Sustainable development** — Sustainability is important for Bygghmax, and it impacts the Group's decisions.



THIS IS BYGGMAX

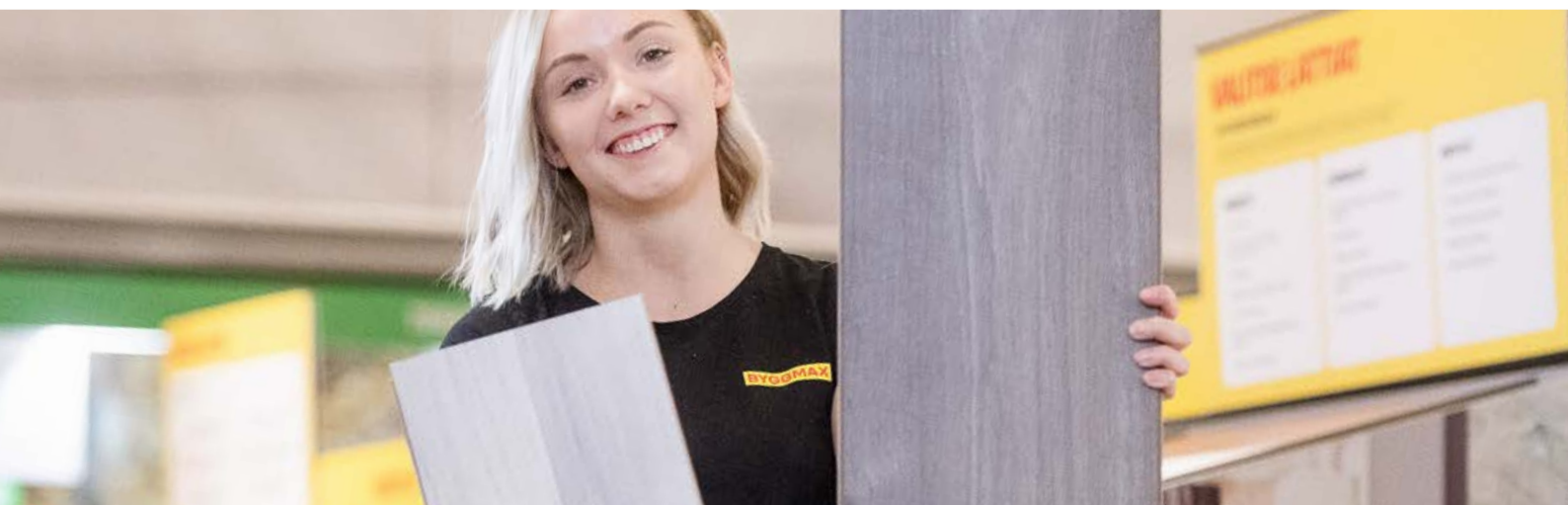
In the 26 years since Byggmax was founded, our concept has always been essential for developing our operations. A focused product range, a resource-efficient organization, a strong corporate culture and a consistent pricing strategy are all equally important aspects.

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 Byggmax 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 low prices, 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.

The business model is scalable to generate continued organic growth through both the expansion of the store network and increased comparable sales per store. Byggmax 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.



HOW CAN WE OFFER SUCH LOW PRICES



Pick directly from the store and load the goods yourself in our drive-in.



A carefully selected in-store range for DIY enthusiasts and tradesmen.



We purchase large volumes direct from the factory — so you avoid expensive intermediaries.



You can find more than 45,000 online products and hundreds of building instructions at byggmax.se



■ ■ Bygghmax'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

Bygghmax 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 2 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.

COMPETITION

Bygghmax'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 chains and, above all, Bygghmax 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 Bygghmakker as the market leader. These chains sell to private consumers and the trade. 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.



A customer-centric offering – simplicity and low prices

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.

TAILORED IN-STORE RANGE

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. This work is conducted systematically and the range is adjusted each year. Moreover, we are developing our new store format and upgrading stores to the new format.

COMPLEMENTARY RANGE ONLINE

2008 saw the launch of Byggmax Online, which is now an important and natural part of the operations. Here you will find an online-exclusive product range comprising more than 45,000 products for building and for home and garden. In 2019, we launched a new site to match our new identity.

Our online store allows us to offer the same product range as our larger competitors, but without the major fixed costs and tied-up capital. To reach customers who want to carry out building projects without too much effort, in 2015, we launched the Building Planner tool. The tool allows you to design your own room and get it renovated at a fixed price. E-commerce is also an important source of information for customers who choose to visit a Byggmax store, as the website continuously updates prices and stock levels for each individual Byggmax store.

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.

A winning store concept

Since 2003, the store network has expanded from 19 stores to a total of 161 stores, of which 109 are located in Sweden, 42 in Norway and 10 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, picking at the store to either send to the customer or await collection at the store. Store personnel provide information about and sell the new range of online goods in the store.

STORES

Byggmax does not own the stores; it leases store premises from international and local landlords. The 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.

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. Byggmax also offers rewards to people who assist the company in identifying suitable plots or properties that are available. The method has proven effective and popular.

A new store reaches 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 Byggmax four to six weeks to open a store. The aim is to open new stores immediately before or in conjunction with the summer season. Over the past two years, Byggmax has opened 29 new stores. If Byggmax identifies a more attractive store location in an existing area, the store is relocated, as a method of developing operations.





A BYGGMAX WITH A GREEN THUMB

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

BYGGMAX FOR SMALLER COMMUNITIES

To ensure that as many DIY enthusiasts as possible are close to a Bygghmax store and can realize their dream projects, a format for smaller communities was launched in 2017: 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. Today, there is a total of 15 smaller Bygghmax stores.

BYGGMAX 3.0

In October 2018, we opened the doors to our very first Bygghmax 3.0 store. 3.0 is the natural development of the Bygghmax 2.0 concept and has a honed product range and an improved customer flow with even more buying guides that guide customers to the right choice for their project. Moving forward, all new openings (except smaller formats in smaller communities) will fall under the 3.0 concept, and many existing stores will be converted. In 2019, 21 stores were converted to 3.0.

BYGGMAX CONSTRUCTION SERVICES

Bygghmax offers construction services through a network of tradesmen who give offers to customers. We work together with external parties to make it possible for our customers to get help with a broader range of projects. Moreover, we can provide help to customers across the country, since we are not limited to local agreements for specific services.





Suppliers, purchasing, logistics and distribution – efficiency at every stage

PURCHASING AND PRODUCT STRATEGY

Byggmax does not own any factories and instead purchases goods from some 400 selected suppliers. Of these, around three quarters are in the Nordic region and the remainder in Europe and Asia. To minimize environmental impact, we are to an increasing extent sourcing products locally – lumber, pavers and concrete products 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 encounters delivery problems.

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

DISTRIBUTION CENTER

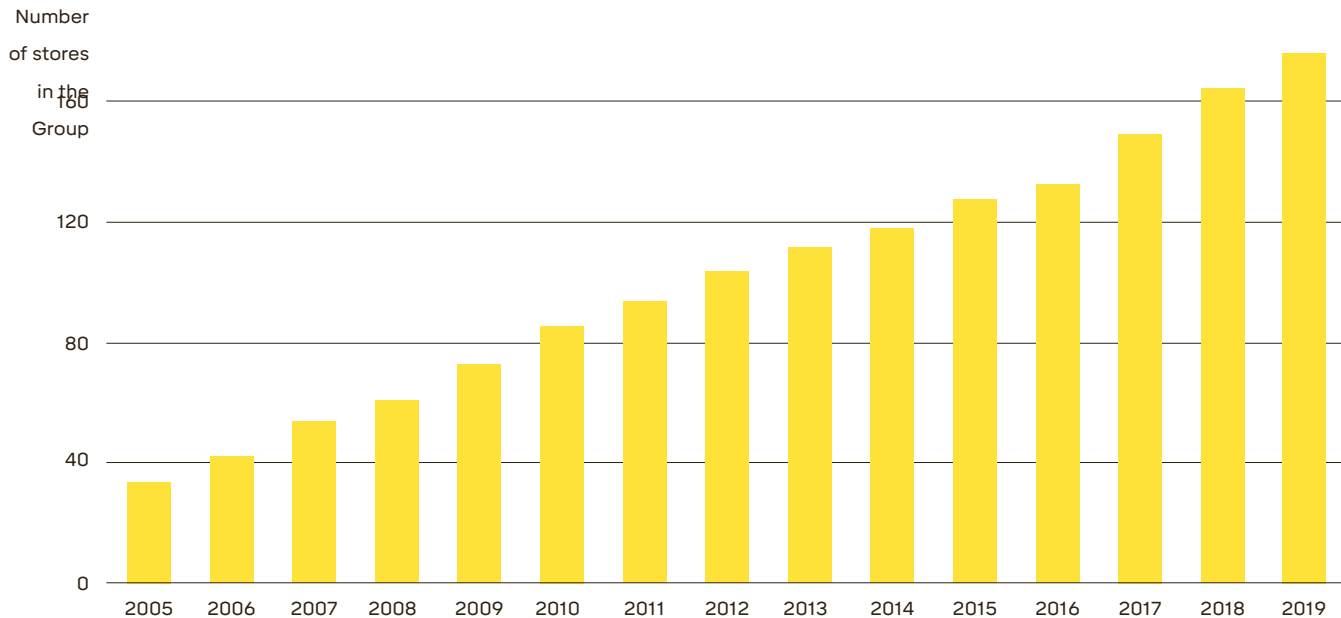
The greatest volumes are delivered by the supplier directly to the stores, in full truckloads. We have three distribution centers that handle half of all products, which has given us the preconditions to maintain lower inventory levels, decrease costs and purchase at lower prices. The proportion delivered via the distribution centers has increased in recent years. Byggmax warehouse operations are based on three distribution centers in Lysekil, Gävle and Växjö.

SUPPLIER REQUIREMENTS

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.

AUTOMATED PURCHASE ORDERS

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 automated and, moreover, the purchasing department can identify inventory shortages at any store at any 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.



AN UPGRADED BYGGMAX

In 2019, we started the initiative to modernize and upgrade Bygghmax. The catchphrase has been “More value for money” and the strategy has delivered results: Higher customer satisfaction than ever before in 2019.

Over the year, Bygghmax has completed a number of investments to modernize and to reach more customers. Quite simply — more value for money! We have updated our logo and our communication profile, raised the standard for our store operations and improved our online store in several ways.

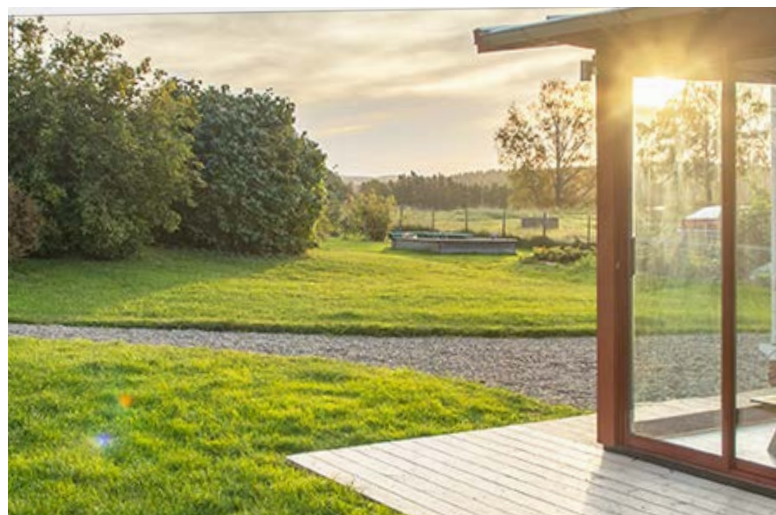
The improvements include better delivery options for on-line shopping by offering standard and express deliveries and a choice of delivery dates. In addition, our customers can collect ordered goods at all our stores in Sweden, Norway and Finland.

We have delivered a new website and rolled out our new graphical profile in our marketing. During the year, we also won several awards — including “Sweden’s cheapest deck” and “Sweden’s best wall paint” for our own brand Midun.

Bygghmax continues to open new stores: in 2019, nine stores opened in Sweden and two in Norway.

Moreover, 21 existing stores were converted to the new 3.0 store concept, with a honed range, improved customer flow and more buying guides.

Record high customer satisfaction in 2019 makes it clear: Bygghmax is both growing and advancing — toward more satisfied customers and more value for money.



SKÅNSKA BYGGVAROR



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



ATTRACTIVE PRODUCT OFFERING

Over 1 million customers have shopped with Skånska Byggvaror, and each year sees new customers tempted by an attractive range for both the external and internal home environment. Attractive products sold under proprietary brands are created through internal product development and carefully selected suppliers. The journey from idea to launch is, and has always been, a short one. This gives Skånska Byggvaror unique control over its range, for example in terms of quality, design and pricing.

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 11 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.

TREND

Following the transition year in 2018, where focus was on raising profitability on sales and lowering the cost base, Skånska Byggvaror has maintained sales in 2019 and further trimmed its cost structure. The increased profitability of the business means it is now well-placed for 2020.

FOCUS AREAS IN 2020

The focus for 2020 is to achieve growth through an expanded product range and initiatives in geographic markets outside Sweden as well as to continue efficiency enhancing initiatives within the existing operations.

THE GROWTH INITIATIVES WILL PRIMARILY TAKE PLACE IN THE FOLLOWING AREAS

- Investments in developing products and the range to renew and expand the range.
- Continued focus on growth in the other Nordic markets.
- Addition of new sales channels aimed at reaching more potential customers.
- Streamlining the customer journey through improved marketing and customer communication precision.
- Optimization of the store channel with an enhanced customer experience.
- Continued streamlining of distribution and manufacturing.



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 in 2013 and became a part of the Bygghmax Group in autumn 2015.

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 in the first few years 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 Bygghmax. Furthermore, the two companies complement each other both in terms of product range and purchasing channels.

Buildor's profile differs slightly to that of Bygghmax, as we have a greater focus on selling furnishings as well as home and garden products. Today, Buildor collaborates closely with Bygghmax and both parties gain valuable know-how and competence. Bygghmax can leverage Buildor's technical expertise and solutions, while Buildor can benefit from Bygghmax's structure and organization.

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.





SUSTAINABILITY EFFORTS AND THE SUSTAINABILITY REPORT – AN IMPORTANT RESPONSIBILITY

BYGGMAX RESPONSIBILITIES

The Bygghmax 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 Bygghmax's website.



Because the Bygghmax 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. Our risk analysis demonstrates that, from a sustainability perspective, the environmental impact is the most material topic, which is reflected in the report.

Through our collaborations in Europe, such as our Brico Alliance purchasing collaboration, we can take responsibility for our relatively low level of purchasing outside Europe. We are also involved in EDRA, the European collaborative organization for DIY retailers. Through this organization we participate in the dialogue with politicians at EU level, 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. We have now set a new environmental goal for carbon dioxide emissions as part of continuing our efforts to reduce our environmental impact. This is aligned with Sweden's climate domestic freight and entails us reducing 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 land-based traffic system.

During 2017, Bygghmax 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

Bygghmax'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 Bygghmax'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 less than five percent from Asia. Buildor purchases completed products from a large number of producers and wholesalers, the majority of which are in Sweden, 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. Byggmax is spread geographically across the countries in which it operates. By creating employment in regions that lack jobs, we contribute to positive development.

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. Byggmax helps people maintain their homes, which contributes to longstanding healthy homes.

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 (outside the organization)
Procurement practices (within the organization)

ENVIRONMENT:

Energy (within 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)
Equal pay for men and women (within the organization)

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:** Byggmax 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 employment at 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 locate products with high quality at low prices 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.

Agreements are signed with suppliers wherein they agree to comply with our Code of Conduct. Less than 5 percent of purchases are made from high-risk countries outside the EU/EFTA. In 2018, a process was designed for conducting checks at suppliers in cases where we have assessed there to be a considerable risk linked with the supplier. In 2019, we conducted in-depth inspections at two suppliers in India.

ETHICAL GUIDELINES

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

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

ENVIRONMENTAL POLICY

Byggmax promotes sustainable social development using active environmental programs. Byggmax primarily impacts the environment through product transport, the environmentally hazardous content of packaging and products, printing and distribution of brochures, and through the energy consumption of business activities.

The company takes environmental considerations into account in all decisions and at all levels of operations and endeavors to comply with applicable legislation and other environmental requirements.

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, developed its environmentally profiled product range, prepared a sustainability strategy and developed a communication concept

covering how environmental products are to be communicated on site in stores. The quantity of environmentally profiled products increased over the year and currently amounts to 128 environmentally labeled articles.

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 President 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.



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 some cases they engage sub-contractors. 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.

EMPLOYEES

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

ORGANIZATION – FUNCTION-CONTROLLED MANAGEMENT

Byggmax has a resource-efficient organization with the majority of business activities centrally managed. Aside from the sales force, which is based primarily in stores, most business processes including online shopping are managed by the service offices in Solna and customer service in Lund. The above is conducted cross-functionally across all stores, which contributes to the efficiency and economies of scale that characterize Byggmax. Store operations in the Byggmax 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 2019, there were 13 regional managers in Sweden, Norway and Finland, and three country managers who support the regional managers and work strategically on development issues. Skånska Byggvaror's store operations are organized by eight store managers, who take care of day-to-day operations, and a customer center manager responsible for management, operations and results.

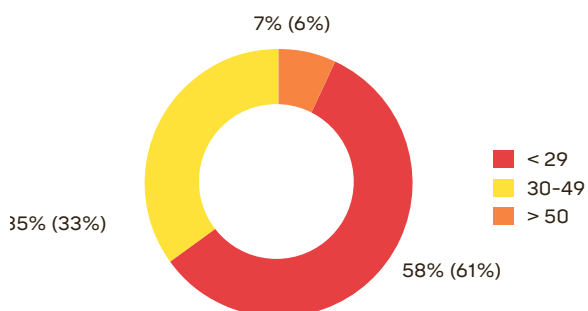
EMPLOYEES — 1,103 IN THE BYGGMAX GROUP

During 2019, the Byggmax Group had an average of 1,103 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 as shown by the high commitment index score of 80 (80). Work attendance vis-à-vis normal working hours was 96 percent (96) during the year for Byggmax and 97 percent (98) for Skånska Byggvaror.

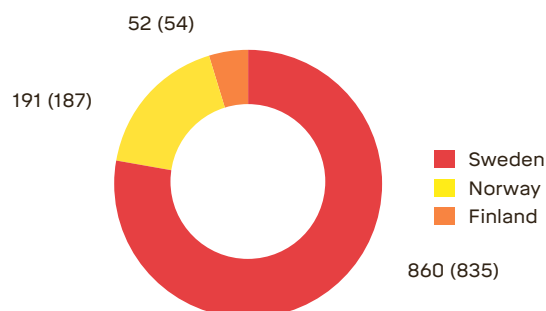


No written rules are in place as regards employing locally. However, established practice and the nature of business activities with operations in many smaller communities means the store staff, including the manager, are recruited locally. Of the Group management, 80 percent (8 of 10) reside in Sweden. 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 Byggmax Group receives subsidies for the employment of certain members of staff who are participating in various state-funded employment measures to promote employment. The total amount received for such subsidies totaled SEK 8.8 M in 2019 and SEK 8.5 M in 2018.

WORKFORCE, AGE DISTRIBUTION



WORKFORCE, EMPLOYEES BY COUNTRY





SYSTEMATIC WORK ENVIRONMENT PROGRAM

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

In the 2019 fiscal year, the distribution of reported work accidents was as follows: Out of 39 personal injuries, 12 were to women and 27 were to men at the Byggmax Group.

Work-related injuries	2019	2018
Number of personal injuries, employees	39	16
Women	12	4
Men	27	12
Fatalities	—	—
No. of lost time injuries (LTIs)	4	4
Total number of days absent (calendar days) due to work-related injuries	76	10
Accident ratio	4.14	1.59
Working days lost	8.07	0.99

TRAINING

Investments in store personnel are made on an ongoing basis through regular internal training courses in product knowledge, sales and customer service. The following table specifies the estimated number of hours training for each personnel category per employee per year. The variation in the number of hours is attributable to the individual levels of previous experience and knowledge. The lower number of hours is specified for individuals with substantial previous experience, for example of the company and similar positions.

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

Portion of external training between 25–35 percent

EQUAL TREATMENT

Byggmax strongly distances itself from any form of discrimination. Written policies and procedures, in the form of an equality policy, personnel policy, ethical guidelines and an action plans for follow-up purposes are all contained in the Byggmax and Skånska Byggvaror personnel manuals, which are available to all employees. The diversity and equality policy is also published on the Byggmax website. No known incidents of discrimination occurred in 2019. 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.”

	2019	2018
Women's salaries as a percentage of men's	102.5%	100.7%

Gender	Staff turnover	
Men	31%	35%
Women	40%	49%

Age	Staff turnover	
<30	45%	47%
30–40	27%	34%
40–50	23%	30%
50+	21%	33%
Total	34%	39%

The above table illustrates staff turnover by age group and gender for permanent employees.

BYGGMAX 2019 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 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 2019, CO₂ emissions per ton of goods transported has increased. This was mainly due to our increase in sales within transportation-intensive categories.

We can also see that the quantity of goods transported continued to decrease at the same time as sales for the Byggmax Group increased overall. This was due to mix effects from a variety of factors but was mainly attributable to active inventory level optimization efforts in parallel with slightly lower market demand in terms of volumes, which was compensated by higher market prices for lumber.

	2019	2018 ¹⁾	2017	Trend 2018–2019	Trend 2009–2019 ²⁾
Transported goods [thousand tons]	607.7	624.6	676.1	-3%	53%
Transport work [million ton-kilometers]	371.0	371.8	402.4	0%	36%
Of which marine [million ton-kilometers]	90.3	93.7	105.26	-4%	92%
Share marine	24%	25%	26%	-3%	41%
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]	280.7	278.1	297.2	1%	25%
Share road	76%	75%	74%	1%	-9%
Transport work per ton [ton-kilometers/ton]	610.6	595.3	595	3%	-11%
CO ₂ emissions per ton of goods transported [kg]	26.7	25.8	25.2	3%	-23%
CO ₂ per krona of sales [kg/SEK 000]	3.4	3.5	3.6	-4%	-41%
Absolute carbon emissions CO ₂ [ton]	17,065	16,949	18,196	1%	24%

Table 1, compilation of key freight ratios for the Byggmax Group. Emissions per ton-kilometer are based on emission data from ntmcalc.se. //End Table// ¹⁾We have chosen to restate the data for 2018 after noting a deviation in our previous calculation model.

²⁾The basis for comparison for 2009 is not pro forma for Skånska Byggvaror; rather it only includes data from Byggmax.

	2019	2018 ⁽¹⁾	2017	Trend 2018–2019	Trend 2009–2019 ⁽²⁾
NO _x [g/ton transported]	245	238	225	3%	-17%
CO [g/ton transported]	62.2	60.1	57.0	4%	-18%
HC [g/ton transported]	10.7	10.4	9.9	3%	-16%
Particles [g/ton transported]	6.1	6.0	5.7	3%	-13%
NO _x total [ton]	141.9	141.5	152.1	0%	21%
CO total [ton]	36.4	36.1	38.4	1%	21%
HC total [ton]	6.2	6.2	6.7	0%	23%
Particles total [ton]	3.6	3.6	3.9	0%	28%

Table 2, emissions of greenhouse gases and environmentally hazardous substances per ton of goods transported and in absolute measures for the Byggmax Group. Emissions per ton-kilometer are based on emission data from ntmcalc.se. //End Table// ¹⁾We have chosen to restate the data for 2018 after noting a deviation in our previous calculation model. ²⁾The basis for comparison for 2009 is not pro forma for Skånska Byggvaror; rather it only includes data from Byggmax.

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_x), 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 increased share road freight, which has a higher emissions amount per ton. The reason for the above was that the sales mix led to increased purchases from suppliers where road freight was the only alternative. Skånska Byggvaror has also been acquired since the first calculations were carried out, which also resulted in an increase in total emissions.

Material	Weight (tons)	Proportion of recycled/ reused material
Glass	1998	0%
Aluminum	560	60%
Rubber	71	0%
Wood	160	0%
Other material	159	n/a

Table 3, input material used in Skånska Byggvaror's production in 2019, with the percentage of material that comes from renewable sources.

Packaging material	Weight (tons)	Proportion of recycled/ reused material
Corrugated board	100	66%
Plastic	5.0	0%

Table 4, packaging material used in Skånska Byggvaror's production in 2019, with the percentage of material that comes from renewable sources.

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.

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 and Norway, 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 category	2019	2018	2017	Trend 2017–2019	Trend 2009–2019
Mixed waste	15.3%	12.22%	10.39%	3%	7.1%
Landfill, unsorted	5.8%	6.74%	6.05%	-0.94%	0.5%
Sorted	78.9%	81.04%	83.56%	-2.14%	-6.7%

Table 5, division of waste by category 2017–2019 for Byggmax stores in Sweden.

waste that goes to landfill and achieve zero mixed waste. Total waste volumes per store decreased over the year as a result of a reduction in the quantities of wood waste and landfill. The average store produced 54.2 tons of waste in 2011, compared with 45 tons today. The amount to sort also decreased somewhat.

PRODUCT LABELING

Environmental labeling and other similar labeling are important for our customers to be able to make informed choices in terms of environmental impact, for example. Work started in 2019 on the launch of Nordic Ecolabel chemical products. 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.

Of the lumber purchased in 2019, 49 percent was environmentally-labeled and was sourced from sustainably managed forests. 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.



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.

PRINTED MATTER

The printed matter produced and distributed by the Group is an important part of its environmental impact. Over the 2009 to 2019 period, Byggmax has reduced the volume of printed materials by about 87 percent per store and around 65 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.

The printing firms are certified, 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 source	2019	2018	2017	Trend 2018–2019	Trend 2009–2019
Fuel, Diesel (GJ)	9948	10,147	10,380	-2.0%	-0.8%
Total (GJ)	9948	11,706	10,380	-4.2%	9.6%
Energy/store (GJ)	61	67.2	75	-8.6%	-62.6%
Energy/received order (GJ)	0.085	0.093	0.091	-9.1%	-63.0%

Table 7, direct energy consumption per non-renewable energy source, 2017–2019 for Byggmax stores

Printed matter Total, Group	2019	2018	2017	Trend 2018–2019*	Trend 2009–2019*
Printed matter	386	678	564	-43.1%	-64.9%
Printer matter per store (tons)	2.35	4.49	4.24	-47.6%	-86.9%

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

	Of which, renewable energy	Of which, nuclear power	Of which, fossil fuel
Sweden	100%	0%	0%
Norway	100%	0%	0%
Finland*	8.49%	46.7%	45.44%

Table 8, indirect energy consumption per primary energy source in 2019, for stores where indirect use is possible to influence.

*Residual mix data for Finland is for 2018.

Energy consumption (TJ)	2019	2018	2017	Trend 2018– 2019	Trend 2012– 2019
Sweden	31.3	29.8	30	5.0%	39.4%
Norway	22.7	22.5	21.74	0.9%	11.3%
Finland	2.69	2.77	3.9	-2.9%	-28.2%
Per store SE	0.29	0.30	0.34	-3.7%	-21.3%
Per store NO	0.54	0.56	0.6	-3.6%	-32.3%
Per store FI	0.27	0.25	0.3	6.7%	-7.2%

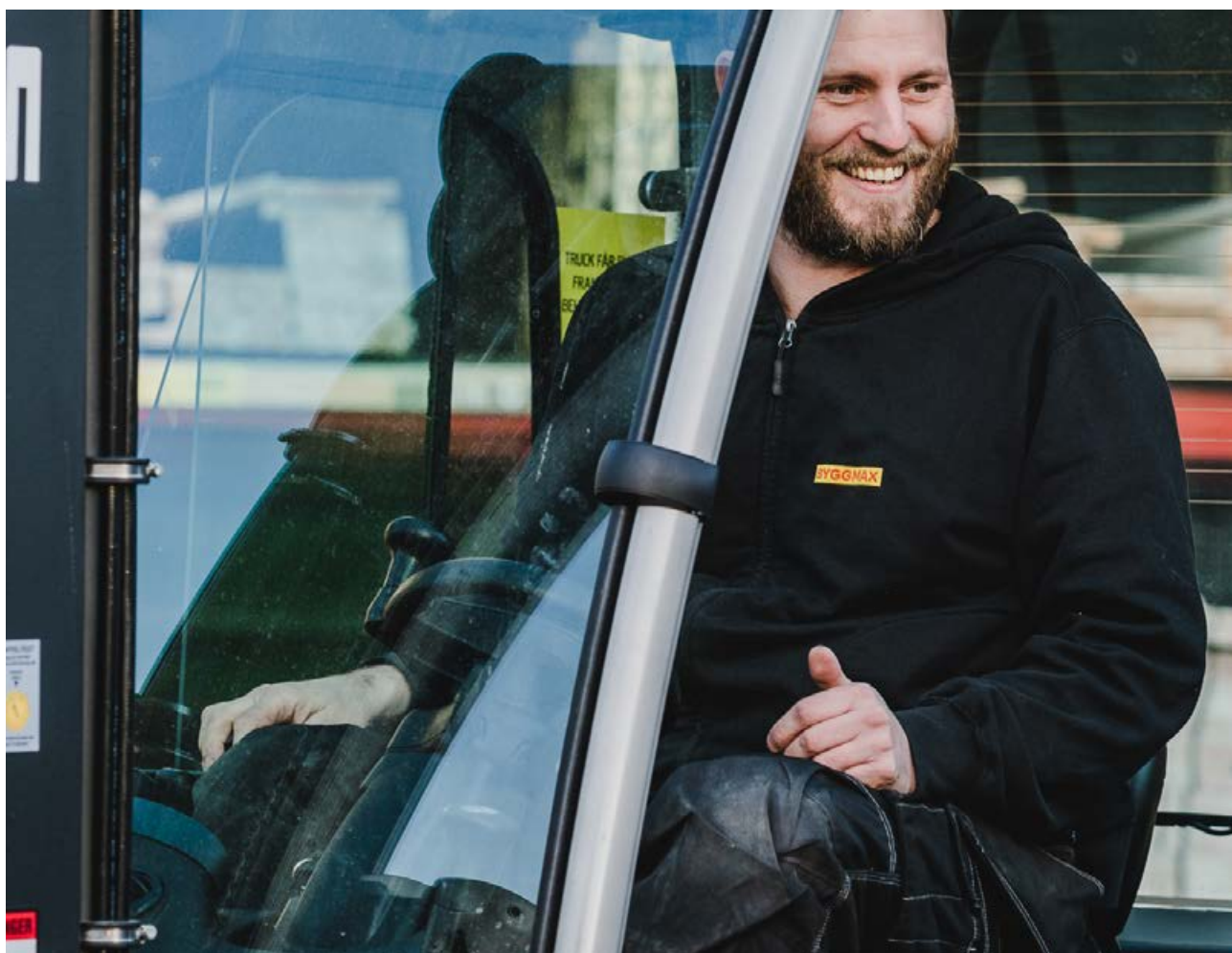
Table 9, indirect energy, 2017–2019, for stores where indirect use is possible to influence. *Finland is compared for 2014–2019 as data up to 2013 was incomplete.

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. We purchase guarantee-of-origin hydroelectricity for the Byggmax stores in Sweden that do not have electricity included in their lease agreements. 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 2019

The last price paid on December 31, 2019 was SEK 26, corresponding to a market capitalization for Byggmax of SEK 1,613 million. The highest price noted for the share during the fiscal year was SEK 42 and the lowest notation was SEK 25. In 2019, approximately 64 percent of trading in the Byggmax share took place on Nasdaq OMX Stockholm. 22 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 2019 period, the standard deviation for the share price was 2.2 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, 2019, the number of shareholders in Byggmax was 16,019 (16,734) according to Euroclear. The ten largest shareholders owned shares amounting to 55 percent of the votes and capital in the company. The percentage of non-Swedish ownership amounted to 39 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 PROGRAM

The 2017 and 2019 AGMs 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.

	2019	2017
Total number	920,000	954,000
Price	3.45	4.37
Exercise price	47.4	67.5
Term	5.5	3.5
Number of participants	9	26

The 2017 warrant program expires on December 7, 2020 and can be exercised from June 8, 2020. The 2019 warrant program expires on December 9, 2024 and can be exercised from June 10, 2024.

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

Given the prevailing operating climate and the uncertainty pertaining to any forthcoming economic effects arising from the spread of COVID-19 (the coronavirus), the Board of Directors proposes that no dividend be distributed (last year SEK 0 per share).

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 172 to just over 200. 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 garden sections, developing our e-commerce, and upgrading our existing stores.

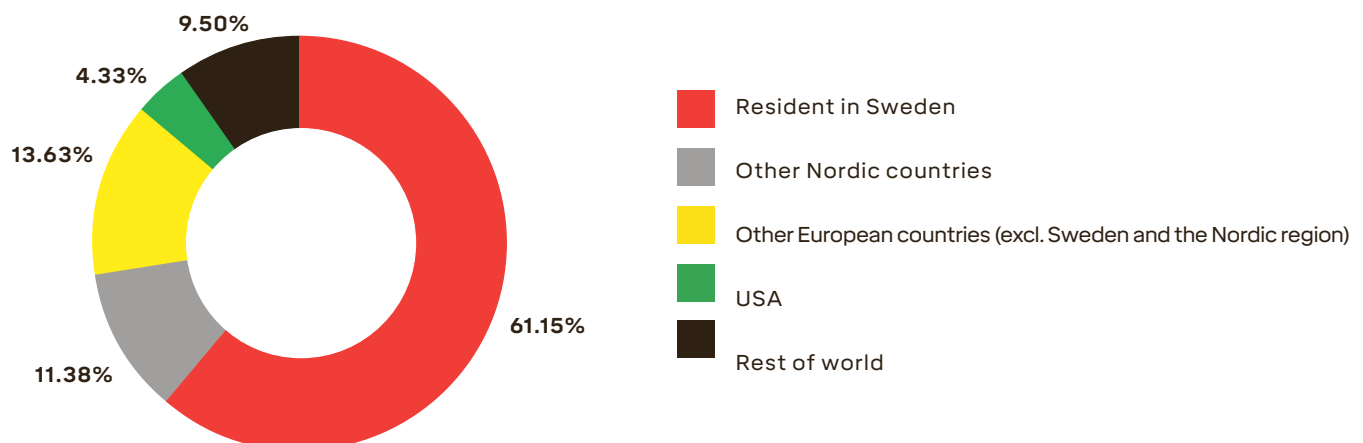
SHARE PERFORMANCE

	2019	2018
Earnings per share, SEK	2.32	2.26
Equity per share, SEK	24.60	22.07
Dividend per share, SEK	1.16 ¹	-
Cash flow from operating activities per share, SEK	4.87	6.40
Number of shares outstanding, thousand	60,999	60,999
Average number of shares, thousand	60,999	60,999
Dividend as a percentage of profit after tax	50 ¹	-
Number of shareholders	16,019	16,734
Share price at December 31, SEK	26.44	32.00
Dividend yield, %	4.4 ¹	0.0

TEN LARGEST SHAREHOLDERS

Name	Number of shares	Holding (%)
Verdipapirfonde Odin Sverige	5,934,476	9.73%
RBC Investor Services Trust	5,742,913	9.41%
AFA Försäkring	5,202,442	8.53%
Försäkringsaktiebolaget, Avanza Pension	4,987,604	8.18%
Brown Brothers Harriman/Lux	3,363,914	5.51%
Unionen	2,400,000	3.93%
Försäkringsbolaget Pri	2,342,040	3.84%
Usb Switzerland Ag, W81my	1,195,635	1.96%
Nordnet Pensionsförsäkring Ab	1,087,351	1.78%
Penser Yield	1,075,000	1.76%
Total of the ten major shareholders	33,331,375	54.64%
Total other shareholders	27,667,670	45.36%
Total at December 31, 2019	60,999,045	100.00%

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

SHAREHOLDER CATEGORIES

¹The dividend for 2019 is the proposed dividend by the Board to the AGM.

CHAIRMAN'S COMMENTS



It has been an intense year for the Bygghmax Group. We have strengthened Bygghmax's position through opening new and upgrading existing stores while concurrently developing e-commerce. At the same time, we have completed the realignment of Skånska Bygghvaror. All together, we have implemented numerous measures to strengthen future growth and profitability.

THE BOARD'S WORK

Bygghmax 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
- Establishing a new sustainability strategy
- Continued enhancement of operating activities
- Revision and adoption of the company's guidelines
- Establishing dividends

The evaluation of the Board's work concluded that it is effective and goal-oriented. As stated in the Corporate Governance Report, Bygghmax 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 2019, Bygghmax held a strong position and had posted a positive trend in terms of financial performance for 2019. Net profit amounted to SEK 142 M (138). Shareholders' equity increased to SEK 1,501 M (1,346) per December 31, 2019.

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 Bygghmax Group given the continued growth potential in both segments.

Finally, I would like to thank all our employees for a job well done in 2019.

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, 2019 to December 31, 2019. Unless otherwise specified, all information applies to the Group. Information in brackets refers to the preceding year. All amounts are stated in SEK million (SEK M) unless otherwise specified.

Operations in general

The Byggmax Group conducts sales of building materials in stores and through e-commerce. The mission is to retail building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Byggmax should be affordable, quick and simple! Business activities are conducted in Sweden, Norway and Finland. At the end of the period, there were 172 stores: 109 in Sweden, 42 in Norway, 10 in Finland and 11 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. There is also one service office for Skånska Byggvaror Group AB in Solna.

THE SHARE AND OWNERSHIP STRUCTURE

Byggmax Group AB's (publ) share is listed on Nasdaq OMX Stockholm. At December 31, 2019, the largest shareholder was Verdipapperfonde Odin Sverige with 9.73 percent of the shares. A list of the ten largest shareholders is available on page 34.

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 Board of Directors is responsible for the Sustainability Report. The reader is referred to the Group's Sustainability Report on pages 22–32.

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

- 11 (18) stores were opened, of which nine Byggmax stores in Sweden, and two Byggmax stores in Norway.

Group sales and earnings

Net sales for the business amounted to SEK 5,277.4 M (5,107.8), up 3.3 percent. Operating income totaled SEK 5,286.9 M (5,123.4), up 3.2 percent. Operating income for 2018 was impacted positively by a capital gain from the sale of Skånska Byggvaror's Danish subsidiary Pavillon totaling SEK 3.7 M. Net sales for comparable stores declined 2.3 percent in local currency. Currency effects on sales were +0.1 percent (+1.1). The gross profit margin amounted to 32.1 percent, compared with 30.8 percent for the preceding year. The gross profit margin was impacted positively by mix effects.

Personnel and other external expenses rose a total of SEK 77.9 M. Expenses linked to new stores opened after the fourth quarter of 2018 totaled SEK 64.6 M (80.3). Personnel and other external expenses for 2018 were impacted positively by the add-back of discontinuation expenses for four Byggmax stores in Finland totaling SEK 4.8 M.

EBITA amounted to SEK 269.7 M (227.7), corresponding to an EBITA margin of 5.1 percent (4.5). EBITA for 2018 was impacted positively by the add-back of discontinuation expenses for four Byggmax stores in Finland totaling SEK 6.2 M, and by a capital gain from the sale of Skånska Byggvaror's subsidiary Pavillon totaling SEK 3.7 M. EBITA excluding non-recurring items (see Note 41) totaled SEK 269.7 M (217.8), equivalent to a margin of 5.1 percent (4.3). IFRS 16 had a positive effect of SEK 17.7 M on EBITA in 2019.

Profit before tax amounted to SEK 174.9 M (162.2). Net financial items amounted to an expense of SEK 55.1 M (expense: 25.9). IFRS 16 had a negative effect of SEK 31.6 M on net financial items in 2019. Net financial items for the quarter were impacted by exchange-rate effects of negative SEK 7.3 M (neg: 8.4).

The tax expense for the year amounted to SEK 33.1 M (expense: 24.6). The 2018 tax was impacted 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. The effects of IFRS 16 for 2019 amounted to SEK 3.0 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, Byggmax AB Finland, Buildor and Svea Distribution AB. Net sales increased 3.6 percent to SEK 4,763.3 M (4,597.9). EBITA amounted to SEK 250.1 M (244.5) for the full year. Earnings were impacted by costs for stores opened after the fourth quarter of 2018 totaling SEK 64.6 M (80.3). Earnings for 2018 were impacted positively by the reversal of discontinuation expenses for four Byggmax stores in Finland totaling SEK 6.2 M. The EBITA margin was 4.3 percent (4.4) for the full year.

Net sales for the Skånska Byggvaror segment increased 0.8 percent to SEK 514.1 M (509.9). EBITA amounted to SEK 9.2 M (neg: 7.8). Operating income for 2018 was impacted positively by a capital gain from the sale of Skånska Byggvaror's Danish subsidiary Pavillon totaling SEK 3.7 M. The EBITA margin was 1.7 percent (neg: 1.5).

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities amounted to SEK 299.7 M (390.3), down SEK 90.6 M year-on-year.

At the end of the fiscal year, inventory totaled SEK 928.8 M (871.2), which was an increase of SEK 57.6 M year-on-year. At the end of the period, Skånska Byggvaror's inventory totaled SEK 51.9 M (63.7). Compared with the end of the year-earlier period, 11 (18) new Byggmax stores were added and the inventory associated with new stores amounted to SEK 50.9 M (79.6). Inventory turnover was a multiple of 4.0 (4.0) during the fiscal year. Investments during the year totaled SEK 145.4 M (176.5). Of these investments, SEK 51.3 M (91.9) pertained to investments in stores opened during 2019 and SEK 15.9 M (22.1) to IT investments.

Consolidated shareholders' equity amounted to SEK 1,500.8 M (1,346.4) at December 31, 2019. Consolidated net debt was SEK 2,585.1 M (1,098.4), and increased SEK 1,486.8 M compared to the preceding year due to an impact on net debt of SEK 1,375.0 M from IFRS 16. The equity/assets ratio amounted to 29.8 percent (36.7). IFRS 16 had an effect of 11.3 percentage points on the equity/assets ratio. Unutilized credits totaled SEK 77.9 M (275.2).

RISK FACTORS AND RISK MANAGEMENT

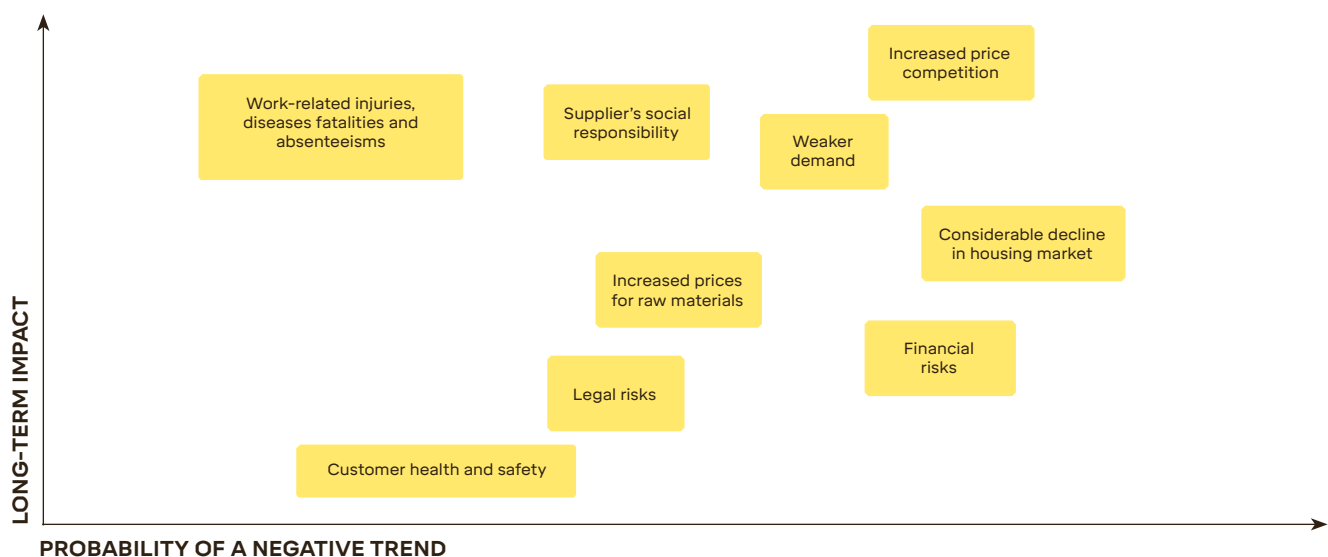
Just as in any other business, the Byggmax Group's business activities are associated with risks. The management of risks is of fundamental significance for the Group's success. Some of the risk factors and significant relationships that are assessed as being of significance for the Byggmax Group's business activities, financial position and performance are shown below. More information about risk management is in the corporate governance report on pages 42–46.

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 leases for stores
 - The ability to identify and develop relations with qualified suppliers
 - The ability to renew and develop the concept
- Sensitivity analysis operating risks



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



	Change (percentage), all other factors unchanged	Effect on profit (SEK M) after tax 2019
Cost price	+1%	-28.0
Personnel costs	+1%	-5.1

FINANCIAL RISKS

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

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

SEASONAL VARIATIONS

The Byggmax Group's business activities are strongly affected by seasonal variations steered by consumer demand for standard building materials. Due to the weather's effect on demand, Byggmax's sales and cash flow are normally higher during the second and third quarters when approximately two-thirds of Byggmax's sales are generated and subsequently decline in the fourth and first quarters. Although seasonal variations do not normally 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

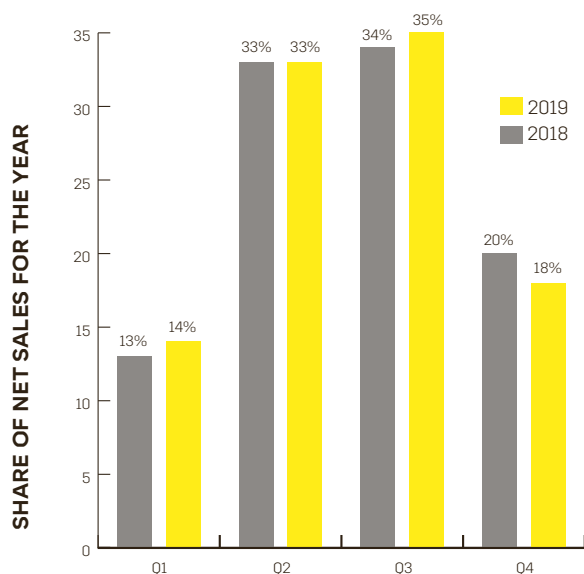
The average number of employees (full-time employees) totaled 1,103 (1,077). Further information about employees can be found in Note 9.

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. The 3.0 store concept will continue to be rolled out and all new stores will open under this concept, which entails us upgrading the offering in the form of a larger range and an enhanced store experience. We have mainly added products in the electrical, plumbing and garden segments.

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.

In March 2020, COVID-19 (the coronavirus) started to spread rapidly across the Nordic region. This has created considerable uncertainty about future economic growth both worldwide and in the Nordic region. At the time of writing, the Byggmax Group has not noted any material negative impact on its operations, but the Group has implemented measures to protect our staff and customers, and will adapt operations on an ongoing basis to meet developments in our operating environment.



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 29).

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

To a large extent, the guidelines proposed for the 2020 AGM correspond to those resolved at the 2019 AGM, though revised and adapted according to the new rules in the Companies Act (ABL) and the Swedish Corporate Governance Code.

Pursuant to a motion to the 2020 Annual General Meeting (AGM), the following guidelines apply until the 2021 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. Refer to Note 9 for guidelines for 2019. The Byggmax business strategy and management of the company's long-term interests and sustainability requires Byggmax, based on country of employment, to have remuneration that is competitive and compatible with market rates, and employment terms to retain and, as needed, attract individuals with the necessary skills and experience for Group management. 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 and 2019 annual general meetings resolved to introduce warrants-based incentive programs. The incentive programs are 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. At present, the longest notice period in the Byggmax Group is 12 months and no severance pay agreement exists in any employment contract. The Board has the right to deviate from the aforementioned guidelines if the Board deems that it is motivated in specific cases.

GUIDELINES FOR THE REMUNERATION AND OTHER TERMS OF EMPLOYMENT FOR THE CEO AND SENIOR EXECUTIVES FOR 2019

The Board evaluated the applications of the guidelines for the remuneration and terms of employment for the CEO and other members of company management (Group management) resolved at the AGM. The Board declared that remuneration and other terms of employment to the CEO and other senior executives were applied in accordance with said guidelines in 2019. The Board deviated from the guidelines in one case due to specific reasons, which is permitted by the guidelines. Refer to Note 9 for further information on remuneration to the CEO and senior executives.

DEVIATION FROM GUIDELINES

The Board has the right to deviate from the guidelines, partially or entirely, if it is motivated in specific cases. Departures are only permitted if they are deemed necessary to ensure the company's long-term interests and sustainability or to ensure the company's financial strength. If the Board deviates from the guidelines for remuneration to Group management, this is reported at the next AGM.

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 42–46.

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

The management and Board are monitoring general developments in terms of the COVID-19 virus and its impact on the company's operations, and have implemented a number of actions and measures. At present, it is not possible to assess the scope or any impact on the Group's sales nor on its earnings and financial position in 2020.

The Board of Byggmax Group has decided to withdraw the previously announced proposed dividend of SEK 1.16 per share, corresponding to a total of about SEK 71 M.

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 (70.0) for the full fiscal year. Earnings were impacted by an anticipated dividend of SEK 70.0 M (70.0).

PROPOSED DISTRIBUTION OF EARNINGS

Byggmax's dividend policy is presented in greater detail under the "Byggmax share" on page 33. The following earnings in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	152,831,638
Profit for the year	70,006,756
TOTAL	222,838,394
The Board of Directors and the President propose that these earnings be distributed such that:	
To be carried forward	222,838,394
TOTAL	222,838,394

CORPORATE GOVERNANCE

Byggmax Group AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm. Byggmax applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the fiscal year January 1, 2019 to December 31, 2019. Byggmax has prepared the Corporate Governance Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Corporate Governance Code. The guidelines for the Swedish Corporate Governance Code are available from the website of the Swedish Corporate Governance Board (www.corporategovernanceboard.se). The Corporate Governance Report is included as part of the Administration Report.

Corporate governance means the rules and regulations as well as the existing structure for managing and leading business activities in a limited company with an efficient and controlled approach. Ultimately, corporate governance aims to meet shareholder requirements in respect of return and to provide all stakeholders with adequate and correct information about the company and its development. The Byggmax Group AB (publ), hereinafter called Byggmax 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. Byggmax has not made any deviations from the Code in 2019.

SHAREHOLDERS

At year-end, the share capital in Byggmax 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, 2019 was 16,019. At December 31, 2019, the largest shareholder was Verdpapperfonde Odin Sverige with 9.7 percent of the shares. Non-Swedish owners accounted for ownership of approximately 38.9 percent of the total number of shares. For further information regarding the share and shareholders please see pages 33–34 and the Byggmax website.

ANNUAL GENERAL MEETING

Shareholders exercise their influence over the company at the Annual General Meeting (AGM), which constitutes the company's highest decision making body. Byggmax's Articles of Association are available in their entirety at byggmax.com.

2019 ANNUAL GENERAL MEETING

The 2019 AGM was held on May 9 in Stockholm, Sweden. Anders Moberg was elected Chairman of the AGM.

The main resolutions passed were as follows:

- Re-election of Board members Anders Moberg, Per Strömberg, Daniel Mühlbach, Hannele Kemppainen, and Ullrika Eliasson; election of new members Kjersti Hobøl, Anders Berg and Gunilla Spongh. Lottie Svedenstedt and Mikael Norman declined re-election.
- Adoption of the 2019 income statement and balance sheet.
- The fees for Board members and policies governing remuneration for the CEO and senior executives.
- Policies for the appointment of the Nomination Committee.

PROPOSALS FOR THE 2020 AGM

The next AGM for shareholders in Byggmax will be held on Wednesday, May 6, 2020, at Lindhagen Konferens, Lindhagensgatan 126, Stockholm, in the Horn conference room at 10:00 a.m. For further information regarding the AGM, please visit the Byggmax website.

NOMINATION COMMITTEE

The AGM on May 9, 2019, resolved that a Nomination Committee would be appointed for the 2020 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

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 98 and the Board's composition and attendance at Board meetings is presented on page 45.

THE BOARD'S WORK IN 2019

The Board held 14 meetings in 2019. Important issues addressed by the Board in 2019, 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

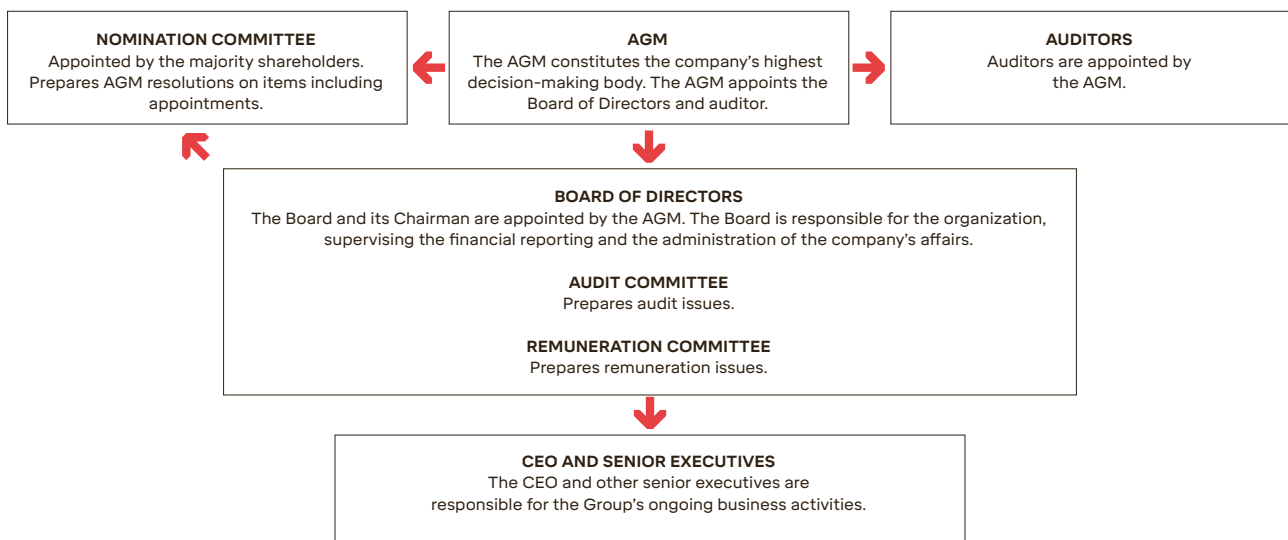
The Group's President, Mattias Ankarberg, and CFO, Helena Nathhorst, participate at Board meetings. Other employees may also participate at Board meetings to present specific issues. Auditors are present at Board meetings as necessary, but at least once per year. During at least one of these meetings with the company's auditors, the Board is given the opportunity to meet without the presence of the CEO.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS IN 2019

The Chairman of the Board is responsible for evaluating the work of the Board including the input of the individual Board members. Among other items, 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.

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

The Committee consists of Gunilla Spongh (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 Byggmax since November 14, 2016. He has no shareholding or partnership in any company with which the company has a significant relationship. The Byggmax Group management comprises eleven members including the CEO. A description of the management is available under the heading "Byggmax Group Management" (pages 96–97).

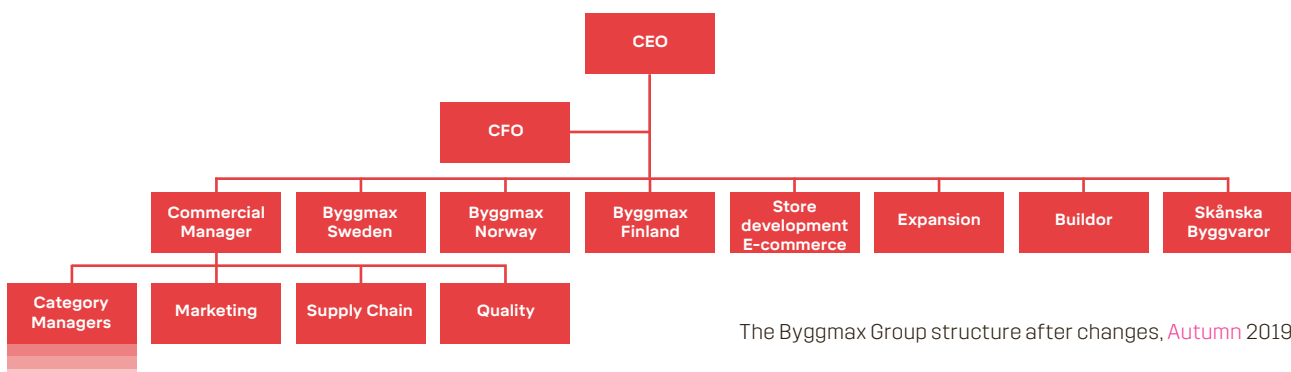
REMUNERATION GUIDELINES

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

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, near Stockholm. 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.

Skånska Byggvaror has a resource-efficient organization in which many business activities are managed either centrally, or very close to operating activities. Apart from sales personnel in the local stores – direct operating 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.



The Byggmax Group structure after changes, Autumn 2019

AUDITORS

The AGM appoints the company's auditors every year. Öhrlings PricewaterhouseCoopers, referred to below as PwC, has been the company's auditor since the 2010 AGM. In autumn 2013, Ann-Christine Hägglund was appointed the new Auditor in Charge for the audit. In addition to the audit assignment, Byggmax has consulted PwC on taxes and other accounting issues. PwC is obligated to test its independence prior to accepting independent advisory assignments in addition to its auditing assignments for Byggmax. Information in respect of the fees paid to the auditing company is provided in Note 8. According to the Code, the company's Board should ensure that the interim

report in respect of the second or third quarter is reviewed by the auditors. Byggmax's auditors conducted a review of the company's nine-month interim report.

INTERNAL AUDIT

The company has a simple legal and operative structure and a comprehensive management and internal control system. The Board (and Audit Committee) 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' fees Note 9	Dependent on the company's management and major shareholders
Anders Moberg	Chairman of the Board	2006	14/14	SEK 620,349	No
Hannele Kemppainen	Board member	2015	14/14	SEK 295,151	No
Kjersti Hobøl ³	Board member	2019	9/10	SEK 193,904	No
Lottie Svedenstedt ²	Board member	2010	4/14	SEK 102,027	No
Gunilla Spongh ³	Board member	2019	9/10	SEK 258,539	No
Daniel Mühlbach	Board member	2015	14/14	SEK 335,215	No
Anders Berg ³	Board member	2019	10/10	SEK 193,904	No
Mikael Norman ²	Board member	2016	4/4	SEK 137,826	No
Ullrika Eliasson	Board member	2016	14/14	SEK 335,214	No
Per Strömberg	Board member	2018	14/14	SEK 295,151	No

²Board member until May 2019.

³Board member from May 2019.

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 envi-

ronment, 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 to streamline and improve 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.

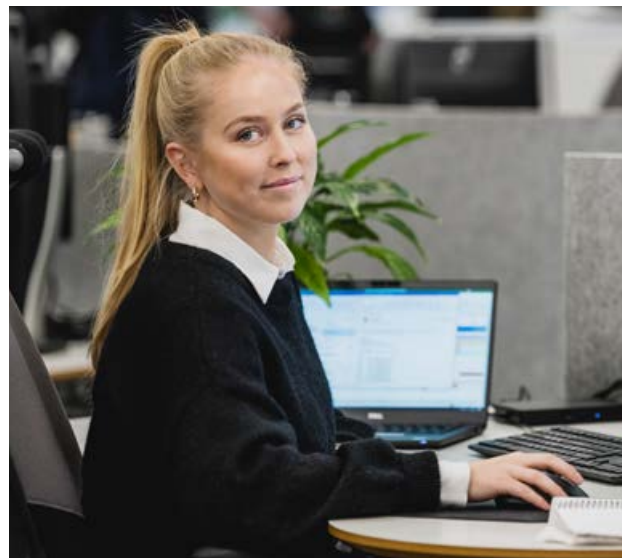
Furthermore, the Board has ensured that the organizational structure provides clear roles, responsibilities and processes that promote efficient management of operating risks and enable targets to be achieved. The responsibility structure includes, as one element, evaluation by the Board of the performance 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 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.

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.

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

LONG-TERM OVERVIEW

	2019	2018	2017	2016 ¹	2015	2014	2013	2012	2011
Results, SEK M									
Net sales	5,277.4	5,107.8	5,321.4	5,219.3	4,131.1	3,547.2	3,216.4	3,090.4	2,987.1
EBITDA	694.5	356.1	444.9	581.3	415.8	366.4	304.1	305.6	323.0
EBITA	269.7	227.7	318.7	436.6	331.7	296.8	246.7	252.2	277.5
EBIT	230.0	188.1	271.9	391.8	331.7	296.8	246.7	252.2	277.5
Profit before tax	174.9	162.2	258.2	350.3	334.1	283.2	237.9	231.5	251.6
Income tax	-33.1	-24.6	-63.6	-65.7	-74.3	-65.2	-53.9	-51.7	-69.5
Profit for the year	141.8	137.6	194.6	284.6	259.8	217.9	184.0	179.8	182.2
Key ratios:									
Net sales growth, %	3.3	-4.0	2.0	26.3	16.5	10.3	4.1	3.5	7.7
Like-for-like (LFL) sales growth, %	-2.3	-10.8	-0.1	0.8	12.8	3.8	-0.7	-2.7	-1.9
Gross margin, %	32.1	30.8	31.0	30.6	30.6	31.1	30.7	30.2	30.1
EBITDA margin, %	13.2	7.0	8.4	11.1	10.1	10.3	9.5	9.9	10.8
EBITA margin, %	5.1	4.5	6.0	8.4	8.0	8.4	7.7	8.2	9.3
Operating (EBIT) margin, %	4.4	3.7	5.1	7.5	8.0	8.4	7.7	8.2	9.3
Interest coverage ratio, %	23.2	24.5	34.0	28.3	57.9	40.6	21.0	18.9	19.7
Balance sheet SEK M									
Assets									
Fixed assets	3,916.2	2,575.7	2,574.9	2,619.0	1,527.2	1,375.5	1,299.6	1,266.5	1,218.2
Inventories	928.8	871.2	879.6	818.5	666.1	612.7	583.3	465.8	424.9
Other current assets	167.6	167.0	153.7	151.0	109.3	100.4	73.8	87.3	99.8
Cash and cash equivalents	32.0	52.5	40.1	41.9	31.7	30.9	33.1	33.9	22.8
Total assets	5,044.5	3,666.4	3,648.3	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8
Shareholders' equity and liabilities									
Shareholders' equity	1,500.8	1,346.4	1,358.8	1,302.2	1,142.0	1,047.6	970.0	914.2	844.4
Long-term interest-bearing liabilities	1,240.0	304.9	406.2	572.4	42.9	0.0	0.0	0.0	130.0
Long-term non-interest-bearing liabilities	180.2	192.1	201.0	201.3	105.8	97.4	84.1	82.4	100.8
Current interest-bearing liabilities	1,377.1	846.0	811.6	699.6	350.9	480.5	504.3	483.5	344.0
Accounts payable	511.6	748.4	591.3	630.7	520.3	370.4	284.7	278.7	268.9
Other current liabilities	234.8	228.6	279.3	224.4	172.5	123.6	101.7	94.7	77.7
Total liabilities and shareholders' equity	5,044.5	3,666.4	3,648.3	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8
Key performance indicators:									
Capital employed	4,085.9	2,444.7	2,536.5	2,532.3	1,504.0	1,499.0	1,447.0	1,381.0	1,332.0
Capital employed less goodwill, customer relationships and brands	2,040.0	359.2	411.3	360.2	289.0	448.0	396.0	330.0	281.0
Net debt	2,585.1	1,098.4	1,177.6	1,230.1	362.0	451.0	477.0	467.0	488.0
Return on capital employed, %	8.3	9.1	11.0	21.9	22.4	20.1	17.4	18.6	22.0
Return on capital employed less goodwill, customer relationships and brands, %	22.5	59.1	74.2	146.8	90.1	70.3	68.0	82.6	131.0
Return on equity, %	10.0	10.2	14.6	23.3	23.7	21.6	19.5	20.4	22.9
Net debt/EBITDA	3.7	3.1	2.7	2.1	0.9	1.2	1.6	1.5	1.5
Average working capital, % of net sales ²	0.7	0.5	-0.8	-3.6	-2.1	2.2	1.4	0.5	-1.5
Equity ratio/risk-bearing capital, %	29.8	36.7	37.3	35.9	48.9	49.4	49.9	49.3	47.8
Per share data									
Equity per share, SEK	24.6	22.1	22.3	18.8	18.8	18.2	16.0	15.1	13.9
Earnings per share, SEK	2.3	2.3	3.2	4.3	4.3	3.6	3.0	3.0	3.0
Dividend per share, SEK	1.16	0.0	2.5	2.14	2.14	2.60	2.30	2.00	1.80
Cash flow from operations per share, SEK	4.9	6.4	5.0	8.1	8.1	5.1	3.2	3.6	1.5

¹ Skånska Byggsvaror Group AB has been consolidated as of January 1, 2016. ² A reconciliation table is available on the IR website under "financial statistics."

DEFINITIONS AND KEY PERFORMANCE INDICATORS

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 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 excluding IFRS 16: EBITDA excluding IFRS 16 is a ratio that the Group considers to be relevant for investors seeking to understand earnings generation before the effects of IFRS 16 on fixed assets. The Group defines earnings before interest, tax, depreciation and amortization (EBITDA) excluding IFRS 16 as operating profit from

continuing operations excluding depreciation/amortization and impairment of tangible and intangible fixed assets and leases according to IFRS 16.

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 operating profit after depreciation/amortization and impairment of intangible and tangible fixed assets, but before deduction for impairment of goodwill, customer relationships and brands.

EBITA excluding IFRS 16: EBITA excluding IFRS 16 is a ratio that the Group considers to be relevant for investors seeking to understand earnings generation before investments in goodwill. The Group defines earnings before interest, tax and amortization (EBITA) excluding IFRS 16 as operating profit excluding the effects of lease costs according to IFRS 16 from continuing operations, excluding amortization and impairment of goodwill, customer relationships and brands.

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 shares outstanding.

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	2019	2018
Operating income			
Net sales		5,277.4	5,107.8
Other operating income	6, 13, 20	9.5	15.7
Total operating income	5	5,286.9	5,123.4
Operating expenses			
Goods for resale		-3,585.7	-3,534.4
Other expenses*	7, 8, 13	-354.4	-632.3
Personnel costs	9, 31	-652.4	-600.6
Depreciation, amortization and impairment of tangible and intangible fixed assets*	14, 15, 16	-464.4	-168.0
Total operating expenses		-5,056.9	-4,935.3
EBIT		230.0	188.1
Profit from participations in Group companies		0.0	-0.1
Financial income	10	14.3	18.7
Financial expenses*	10	-69.4	-44.5
Profit/loss from financial items	10	-55.1	-25.9
Profit before tax		174.9	162.2
Income tax	11	-33.1	-24.6
Profit for the year		141.8	137.6
Other comprehensive income for the period			
Items that will not be reclassified to profit or loss		0.0	0.0
		0.0	0.0
Items that may be reclassified to profit or loss			
Translation differences		9.4	2.5
Other comprehensive income for the period		9.4	2.5
Comprehensive income for the period		151.2	140.1
Earnings per share before dilution, SEK	12	2.3	2.3
Earnings per share after dilution, SEK	12	2.3	2.3

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

*For 2019, IFRS 16 had a positive impact of SEK 304.0 M on other expenses, a negative impact of SEK 286.4 M on depreciation and a negative impact of SEK 31.6 M on financial expenses.

CONSOLIDATED BALANCE SHEET

Amounts in SEK M	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Fixed assets			
Capitalized expenses for development work	5, 14	65.8	68.8
Goodwill, customer relationships and brands	5, 14	2,045.9	2,085.6
Buildings and land	5, 15	3.5	3.9
Right-of-use assets	5, 16	1,379.2	0.0
Leasehold improvements	5, 15	19.0	20.9
Equipment, tools, fixtures and fittings	5, 15	387.2	378.2
Deferred tax assets	29	7.3	5.4
Other long-term receivables	19	8.3	13.0
Total fixed assets		3,916.2	2,575.5
Current assets			
Inventories	22	928.8	871.2
Prepayments to suppliers		12.1	11.9
Accounts receivable	21	11.0	13.0
Derivatives	20	0.0	0.0
Current tax assets		38.9	20.4
Other receivables	23	71.7	64.5
Prepaid expenses and accrued income	24	33.8	57.2
Cash and cash equivalents	25	32.0	52.5
Total current assets		1,128.3	1,090.7
TOTAL ASSETS		5,044.5	3,666.4

CONSOLIDATED BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec 31, 2019	Dec 31, 2018
SHAREHOLDERS' EQUITY			
Capital and reserves that can be attributed to the Parent Company's owners			
Share capital	26	20.3	20.3
Other capital contributions	26	441.0	441.0
Reserves	27	-6.7	-13.6
Earnings brought forward including profit for the year		1,046.1	898.6
Total shareholders' equity		1,500.8	1,346.4
LIABILITIES			
Long-term liabilities			
Borrowing from credit institutions	28	200.0	304.9
Lease liabilities	28	1,040.0	0.0
Deferred tax liabilities	29	179.3	191.2
Long-term liabilities	30	0.9	0.9
Total long-term liabilities		1,420.2	467.0
Current liabilities			
Borrowing from credit institutions	28	1,042.1	846.0
Lease liabilities, IFRS 16	28	335.1	0.0
Provisions	34	1.7	8.5
Accounts payable		511.6	748.4
Current income tax liabilities	11	0.0	0.0
Derivatives	20	0.9	1.9
Other liabilities	32	57.9	65.3
Accrued expenses and deferred income	33	174.2	153.0
Total current liabilities		2,123.5	1,823.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,044.5	3,666.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK M	Attributable to shareholders in Parent Company					Total share- holders' equity
	Notes 12, 26, 27	Share capital	Other capi- tal contri- butions	Reserves	Earnings brought forward incl. profit for the year	
Opening balance at January 1, 2018		20.3	441.0	-16.1	913.6	1,358.8
Profit for the year					137.6	137.6
Other comprehensive income for the year						
Translation differences				2.5		2.5
Total comprehensive income				2.5	137.6	140.1
Issues of warrants					-0.1	-0.1
Dividends					-152.5*	-152.5
Total transactions with shareholders		0.0	0.0	0.0	-152.6	-152.6
Closing balance at December 31, 2018		20.3	441.0	-13.6	898.6	1,346.4
Opening balance at January 1, 2019		20.3	441.0	-13.6	898.6	1,346.4
Profit for the year					141.8	141.8
Other comprehensive income for the year						
Translation differences				9.4		9.4
Total comprehensive income				9.4	141.8	151.2
Issues of warrants					3.2	3.2
Dividends					—	—
Total transactions with shareholders		0.0	0.0	0.0	3.2	3.2
Closing balance at December 31, 2019		20.3	441.0	-4.2	1,043.6	1,500.8

*Dividend of SEK 2.50 per share.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK M	Note	2019	2018
Cash flow from operations			
EBIT*		230.0	188.1
Non-cash items			
– Depreciation/amortization of tangible and intangible fixed assets*		464.4	168.0
– Other non-cash items		20.8	-10.5
Interest received		8.8	13.3
Interest paid*		-65.7	-36.2
Tax paid		-64.8	-61.5
Cash flow from operations before changes in working capital		593.6	261.2
Changes in working capital			
Increase/decrease in inventories and work in progress		-57.8	9.5
Increase/decrease in other current receivables		0.1	2.0
Increase/decrease in other current liabilities	32	-236.1	117.5
Cash flow from operations		299.7	390.3
Cash flow from investing activities			
Investment in intangible fixed assets	14	-22.2	-25.2
Divestment of intangible fixed assets	14	0.5	0.0
Investment in tangible fixed assets	15	-121.0	-151.2
Divestment of tangible fixed assets	15	0.4	0.0
Divestment of subsidiaries		0.0	2.4
Cash flow from investing activities		-142.3	-174.1
Cash flow from financing activities			
Change in overdraft facility		107.3	75.0
Issue/redemption of warrants		3.2	-0.1
New borrowing		88.8	0.0
Dividend to Parent Company's shareholders		0.0	-152.5
Repayment of lease liabilities*		-272.3	0.0
Amortization of loans		-104.9	-126.2
Cash flow from financing activities	35	-177.9	-203.8
Cash flow for the period		-20.6	12.4
Cash and cash equivalents at the beginning of the period	25	52.5	40.1
Cash and cash equivalents at the end of the period	25	32.0	52.5

* IFRS 16 had a positive effect of SEK 17.7 M on EBIT, a positive effect of SEK 286.4 M on depreciation/amortization, a negative effect of SEK 31.6 M on interest paid and a negative effect of SEK 272.3 M on repayment of lease liabilities.

PARENT COMPANY INCOME STATEMENT

Amounts in SEK M	Note	2019	2018
Operating income			
Net sales		0.0	0.0
Other operating income		0.3	0.3
Total operating income		0.3	0.3
Operating expenses			
Other external expenses	8, 9	-7.0	-8.5
Personnel costs	9	-0.8	-0.7
Total operating expenses		-7.8	-9.1
EBIT		-7.5	-8.8
Dividends from Group companies		70.0	70.0
Interest income and similar items		34.8	33.1
Interest expenses and similar items		-27.2	-24.3
Profit/loss from financial items	10	77.5	78.8
Profit before tax		70.0	70.0
Tax on profit for the year	11	0.0	0.0
Profit for the year		70.0	70.0

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, 2019	Dec 31, 2018
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	17	1,219.3	1,219.3
Receivables from Group companies		354.0	354.0
Total fixed assets		1,573.3	1,573.3
Current assets			
Current receivables			
Receivables from Group companies		22.4	19.7
Other receivables	23	70.0	70.0
Prepaid expenses and accrued income		1.2	3.2
Total current receivables		93.6	92.9
Cash and bank balances		0.0	0.0
Total current assets		93.6	92.9
TOTAL ASSETS		1,666.9	1,666.2

PARENT COMPANY BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec 31, 2019	Dec 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	26	20.3	20.3
Total restricted equity		20.3	20.3
Unrestricted equity			
Share premium reserve		429.8	429.8
Retained earnings		-277.0	-347.0
Profit for the year		70.0	70.0
Total unrestricted equity		222.8	152.8
Total shareholders' equity		243.2	173.2
Long-term liabilities			
Liabilities to credit institutions	28	200.0	304.9
Total long-term liabilities		200.0	304.9
Current liabilities			
Borrowing from credit institutions	28	1,220.5	1,184.3
Accounts payable		0.2	0.2
Liabilities to Group companies		0.1	—
Accrued expenses and deferred income	33	2.9	3.6
Total current liabilities		1,223.7	1,493.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,666.9	1,666.2

CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

Amounts in SEK M	Note 12, 26, 27	Restrict- ed equity	Unrestricted equity			Total share- holders' equity
		Share capital	Share premium reserve	Retained earnings	Profit for the year	
Shareholders' equity on January 1, 2018		20.3	429.8	-344.4	149.9	255.7
Carried forward				149.9	-149.9	0.0
Profit for the year					70.0	70.0
Other comprehensive income						0.0
Total comprehensive income					70.0	70.0
Dividends				-152.5*		-152.5
Total transactions with shareholders		0.0	0.0	-152.5	0.0	-152.5
Shareholders' equity on December 31, 2018		20.3	429.8	-347.0	70.0	173.2
Shareholders' equity on January 1, 2019		20.3	429.8	-347.0	70.0	173.2
Carried forward				70.0	-70.0	0.0
Profit for the year					70.0	70.0
Other comprehensive income						0.0
Total comprehensive income					70.0	70.0
Dividends				—		0.0
Total transactions with shareholders		0.0	0.0	0.0	0.0	0.0
Shareholders' equity on December 31, 2019		20.3	429.8	-277.0	70.0	243.2

*Dividend of SEK 2.50 per share.

PARENT COMPANY CASH-FLOW STATEMENT

Amounts in SEK M	Note	2019	2018
Cash flow from operations			
EBIT		-7.5	-8.8
Adjustment for non-cash items			
– Group contributions received		22.4	19.7
– Other non-cash items ¹		70.0	70.0
Interest received		12.3	13.4
Interest paid		-27.9	-24.6
Tax paid		0.0	0.0
Cash flow from operations before changes in working capital		69.3	69.6
Changes in working capital			
Operating receivables		-0.7	80.9
Operating liabilities		-0.4	1.3
Cash flow from operations		68.2	151.8
Cash flow from financing activities			
Repayment of debt		-104.9	-125.6
Dividends		0.0	-152.5
New share issues		0.0	0.0
Changes in current financial liabilities		36.7	126.2
Cash flow from financing activities		-68.2	-151.8
Cash flow for the period		0.0	0.0
Cash and cash equivalents at the beginning of the period		0.0	0.0
Cash and cash equivalents at the end of the period		0.0	0.0

ACCOUNTING POLICIES AND NOTES

1 GENERAL INFORMATION

The Bygghmax Group conducts sales of building materials. Business activities are conducted in Sweden, Norway and Finland. At the end of the period, there were 172 stores, of which 109 were in Sweden, 42 in Norway, 10 in Finland and 11 showrooms styled in line with Skånska Bygghvaror's concept. Bygghmax's mission is to retail high-quality building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Bygghmax 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 10, 2020, the Board of Directors approved these consolidated financial statements for publication. The annual accounts will be presented to the Annual General Meeting on May 6, 2020.

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

2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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

2.1 BASIS FOR PREPARING THE ANNUAL ACCOUNTS

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

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

The financial statements of the Group and the Parent Company refer to the fiscal year ended December 31, 2019.

Bygghmax applies the acquisition method when measuring assets and liabilities, with the exception of derivatives, which are recognized at fair value in profit or loss.

2.1.1 NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

The IFRS 16 Leases accounting standard applies retroactively from January 1, 2019, without restating comparison figures. As a result, the opening balance has been restated in accordance with the new standard. The comparison figures for 2018 were prepared in accordance with the previous lease standard IAS 17, which applied until December 31, 2018. The new accounting policies are described in Note 16.

After the transition to IFRS 16, the Group recognized lease liabilities pertaining to leases that were previously classified as operating leases according to IAS 17 Leases. These liabilities were valued at the current value of the future lease payments and calculated using the interest rate given in the lease or, where that was not available, the lessee's incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate that applied for these lease liabilities at January 1, 2019 was 2.5 percent.

Practical expedients applied

- The same discount rate was used for lease portfolios with similar attributes.
- A lessee can rely on their judgment of whether a lease is onerous as an alternative to testing for impairment. At January 1, 2019 there were no onerous leases.
- Operating leases with a remaining lease term of 12 months at January 1, 2019 are recognized as short-term leases.
- Initial direct costs for the measurement of right-of-use assets were excluded on the transition.
- Hindsight was used to determine the lease term where the contract contains options to extend or terminate the lease.

Valuation of lease liabilities

<i>Operating lease commitments at December 31, 2018</i>	1,696.0
<i>Discounted using the lessee's incremental borrowing rate at the date of transition</i>	1,653.6
<i>Less: short-term leases not recognized as liabilities</i>	-212.1
<i>Lease liability recognized at January 1, 2019</i>	1,441.5
<i>Of which:</i>	
<i>Current liabilities</i>	309.2
<i>Long-term liabilities</i>	1,132.3

Low-value leases were directly expensed and are therefore not included in the transition.

Valuation of right-of-use assets

The Group used the modified retrospective approach, meaning that comparison figures are not restated and did not have any effect on opening equity.

Changes to accounting policies affected the following items in the balance sheet at January 1, 2019:

	1,477.6
Prepayments – down	36.1
Long-term borrowing – up	1,132.3
Short-term borrowing – up	309.2

The Group also elected not to reassess a contract if it was, or contained, a lease at the time of transition. Instead the Group relied on the assessment made under IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease for contracts entered into before the transition.

The Group's leases consist of property, such as stores, offices and warehouses. The terms and conditions are negotiated separately for each lease and include a number of different contractual terms.

Leases are recognized as right-of-use assets with a corresponding liability on the date the leased asset becomes available for use by the Group. Each lease payment breaks down into a debt repayment and a financial expense. The financial expense portion is allocated so that an amount is recognized that corresponds to a fixed interest rate for the liability recognized in each period. Straight-line depreciation is applied to the right-of-use asset over the shorter of the asset's useful life and the term of the lease.

The lease period is defined as the date on which the lease starts until the first possible exit period. Stated options periods or extensions that arise when a lease is not terminated are only included if an extension is highly likely.

Assets and liabilities that arise from leases are initially recognized at present value. Since this is the first report under IFRS 16, all right-of-use assets have been measured at the amount of the lease liability, with adjustment for prepaid lease payments attributable to the lease as of January 1, 2019.

The lease liability includes the present value of the following lease payments:

- Fixed payments
- Variable index-related lease payments
- Fees for possible exit

Lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost and include the following:

- The initial valuation of the lease liability
- Payments made at or prior to when the leased asset became available to the lessee.

Low-value leases are expensed straight line in profit or loss.

EFFECT ON OPENING BALANCE 2019

	CB Dec 31, 2018	Effects of IFRS 16 Jan 1, 2019	OB Jan 1, 2019
SEK M			
ASSETS			
Fixed assets			
Intangible assets	2,154.3		2,154.3
Tangible assets	403.0	1,477.6	1,880.6
Financial assets	18.4		18.4
Total fixed assets	2,575.8	1,477.6	4,053.3
Current assets			
Inventories	871.2		871.2
Current receivables	167.0	-36.1	130.9
Cash and cash equivalents	52.5		52.5
Total current assets	1,090.7	-36.1	1,054.6
TOTAL ASSETS	3,666.4	1,441.5	5,107.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	1,346.4		1,346.4
LIABILITIES			
Borrowing from credit institutions	304.9	1,132.3	1,437.2
Deferred tax liabilities	191.2		191.2
Other long-term liabilities	0.9		0.9
Total long-term liabilities	497.0	1,132.3	1,629.3
Borrowing from credit institutions	846.0	309.2	1,155.2
Provisions	8.5		8.5
Other liabilities	968.5		968.5
Total current liabilities	1,823.1	309.2	2,132.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	3,666.4	1,441.5	5,107.9

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

None of the 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 subsid-

iary 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. Since 2016, after the acquisitions of Buildor and Skånska Byggvaror, the Byggmax Group has reported three segments: Byggmax, Skånska Byggvaror and Other. In addition to the Parent Company Byggmax Group AB (publ) and the Group's property company, Buildor, the Other segment included the wholly-owned distribution company Svea Distribution.

As of the fourth quarter of 2019, the Byggmax Group has changed its reporting and Buildor and Svea Distribution are recognized in the Byggmax segment. The change applies retroactively from January 1, 2018. The new division between the Byggmax and Other segments reflects how Byggmax governs and follows its operations. Buildor AB was acquired in 2015. Synergies and an increasingly shared development of the e-commerce platform means that Buildor's results are monitored and analyzed as a part of the Byggmax segment. Svea Distribution is a wholly-owned subsidiary that primarily delivers to Byggmax, so monitoring and governance as of the fourth quarter of 2019 is followed up under the framework for the Byggmax segment.

No individual part of the Other segment represents such a material part that it forms a reportable segment.

Skånska Byggvaror Group AB was acquired in January 2016 and remains its own segment. However, changes in internal management and monitoring of the segments also entails that EBITDA and EBITA for the segments exclude the effects of IFRS 16. The effects of IFRS 16 continue to be reviewed and recognized on the Group level. 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 the statement of 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 below are satisfied.

- It is likely that the expected financial advantages will accrue to the reporting unit.
- Expenses for assets cannot be measured reliably.

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 Skånska Byggvaror Group AB, the CGU is considered to comprise Skånska Byggvaror 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 Byggvaror. 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 the statement of 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 2019, the Group did not capitalize borrowing costs, since there were no assets during the period that required a substantial period of time for completion for use or for sale.

2.8 IMPAIRMENT OF NON-FINANCIAL FIXED ASSETS

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

2.9 FINANCIAL INSTRUMENTS

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

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

Bonus plans

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

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 Byggvaror. Sales recognized are net of intra-Group sales.

Income includes the fair value of what has been received or will be received for goods sold and services in the Group's ongoing operations. Income is recognized in net amounts with deductions for VAT, returns and discounts. The Group recognizes income when its amount can be measured in a reliable manner and it is probable that future economic benefits will accrue to the company. This date coincides with 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 provisions are calculated for expected returns based on past performance. As of March 2019, the right of return for goods purchased in store is 365 days. In 2018 it was 30 days. Right of return for online goods is 14 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 Leases 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 LEASES 2018

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor is classified as operating leases. Payments made during the lease period are expensed in the statement of comprehensive income linearly over the lease 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 leases.

At the beginning of the lease period, finance leases are recognized in the balance sheet at the lower of the lease object's fair value and the current value of the minimum lease payments. 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 the statement of 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 Byggmax builds a property, it is sold after completion to an external party, whereby the property is leased back to Byggmax for its operations. In assessing the terms of the sales transaction and the 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 lease payment 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 the statement of 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) 2019	Effect on EBIT (SEK M) 2018
NOK	+10/- 10%	+/- 2.6	+/- 2.4
EUR	+10/-10%	+/-0.4	+/- 0.4

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	3.6	1.5	0.0	0.0	0.0	0.0
Accounts payable	5.4	71.3	0.3	0.2	17.3	1.5	0.0

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

Parts of the Group hedge 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. At times, the Group's hedging level has been somewhat lower.

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 2019 impacted the Group's comprehensive income by SEK 9.4 M (2.5). Assuming the invoicing and net earnings for 2019, a five percent change in the SEK rate against NOK and EUR would impact net sales by SEK 69.3 M (68.1) and net earnings by approximately SEK 2.5 M (1.4).

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 250.2 M (215.2). 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 12.7 M (10.8).

(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 2019, with all other variables constant, the consolidated profit after tax for the fiscal year would have been SEK 7.6 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) 2019	Effect on EBIT (SEK M) 2018
Interest rate	+1%/-1%	7.6	8.7

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, 2021. 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, 2019, the Group had cash and cash equivalents totaling SEK 32.0 M (52.5) and an unutilized credit facility of SEK 77.9 M (275.2). 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 contract-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
At December 31, 2019				
Borrowing	1,042.1	200.0	0.0	0.0
Lease liabilities	335.1	797.8	108.8	133.4
Derivatives settled gross (currency forwards)				
Accounts payable	511.6			
Total	1,888.8	997.8	108.8	133.4
At December 31, 2018				
Borrowing	846.0	299.8	4.8	0.3
Derivatives settled gross (currency forwards)				
Accounts payable	748.4			
Total	1,594.4	299.8	4.8	0.3
Parent Company (SEK M)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2019				
Borrowing	1,042.1	200.0	0.0	0.0
Total	1,042.1	200.0	0.0	0.0
At December 31, 2018				
Borrowing	846.0	299.8	4.8	0.3
Total	846.0	299.8	4.8	0.3

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, 2019, are not considered to be able to significantly affect the Group's EBIT and financial position for the coming fiscal year.

Leases

The Group's leases pertain to premises. The terms and conditions are negotiated separately for each lease and include a number of different contractual terms.

Leases are recognized as right-of-use assets with a corresponding liability on the date the leased asset becomes available for use by the Group. Each lease payment breaks down into a debt repayment and a financial expense. The financial expense portion is allocated so that an amount is recognized that corresponds to a fixed interest rate for the liability recognized in each period. Straight-line depreciation is applied to the right-of-use asset over the shorter of the asset's useful life and the term of the lease.

The lease period is defined as the date on which the lease starts until the first possible exit period.

These lease liabilities were valued at the current value of the lease payments outstanding and calculated using the interest rate given in the lease or, where that was not available, the lessee's incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate that applied for these lease liabilities at January 1, 2019 was 2.5 percent.

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 34.

5 Segment information

Segment information by brand, SEK M	Byggmax		Skånska Byggvaror		Other		IFRS 16		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income										
Total net sales by segment	5,763.5	5,606.6	530.2	525.7	1.1	1.0			6,294.9	6,133.2
Internal net sales	1,000.2	1,008.7	16.2	15.9	1.1	1.0			1,017.5	1,025.5
External net sales	4,763.3	4,597.9	514.1	509.9	0.0	0.0			5,277.4	5,107.8
Other operating income									9.5	15.7
EBIT before amortization of customer relationships and brands (EBITA)	250.1	244.5	9.2	-7.8	-7.3	-9.0	17.7	0.0	269.7	227.7
EBITA margin, %	4.3	4.4	1.7	-1.5					5.1	4.5
Amortization of customer relationships and brands									-39.6	-39.6
Financial income									12.8	18.7
Financial expenses*									-67.9	-44.6
Profit before tax									174.9	162.2

Geographic area/country	Net sales		Fixed assets		Investments	
	2019	2018	2019	2018	2019	2018
Norway	1,080.9	1,037.1	652.8	116.8	22.5	34.2
Sweden	4,037.0	3,907.7	3,207.1	2,441.8	118.7	133.9
Other countries	159.5	162.9	56.4	17.2	1.9	8.3
Group	5,277.4	5,107.8	3,916.2	2,575.8	143.2	176.5

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.

* Interest rates for leases had a negative impact of SEK 31.6 M on financial expenses for 2019, see Note 10.

Assets per segment	Byggmax		Skånska Byggvaror		Other		IFRS 16		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total assets per segment	2,665.7	2,657.5	813.0	1,024.5	201.6	-15.5	1,364.2	—	5,044.5	3,666.4
Of which, fixed assets	1,278.9	1,275.2	897.6	942.6	357.5	357.9	1,382.2	—	3,916.2	2,575.8

Liabilities and shareholders' equity per segment	Byggmax		Skånska Byggvaror		Other		IFRS 16		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total liabilities per segment	2,665.7	2,657.5	813.0	1,024.5	201.6	-15.5	1,364.2	—	5,044.5	3,666.4

5 Segment information, cont.

The restated comparative figures for quarters 1–4 2018 and quarters 1–3 2019 due to changes in segment reporting and the effects of IFRS 16 in the segments for quarters 1–3 2019.

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Net sales from external customers							
Byggmax according to previous segment reporting	579.7	1,488.6	579.7	882.9	641.3	1,571.7	1,622.6
Added from Other	18.2	41.3	18.2	25.9	18.3	25.2	25.8
Byggmax according to new segment reporting	597.9	1,530.0	597.9	908.8	659.6	1,596.9	1,648.4
Skånska Byggvaror	67.3	201.3	67.3	89.8	55.7	202.1	164.8
Other according to previous	18.2	41.3	18.2	25.9	18.3	25.2	25.8
Moved to Byggmax	-18.2	-41.3	-18.2	-25.9	-18.3	-25.2	-25.8
Other according to new segment reporting	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total net sales from external customers	665.2	1,731.2	665.2	998.6	715.4	1,799.0	1,831.1
EBIT before amortization and depreciation (EBITDA), excluding non-recurring items							
Byggmax according to previous segment reporting	-33.4	150.6	204.5	26.5	-24.6	140.1	236.4
Added from Other	-4.4	7.7	-3.5	7.1	0.4	1.6	-5.0
Byggmax according to new segment reporting	-37.9	158.4	201.0	33.6	-24.2	141.8	231.4
Skånska Byggvaror	-24.5	10.4	18.5	-4.6	-23.0	22.9	21.4
Other according to previous	-8.3	5.8	-4.9	5.7	-1.0	-0.3	-6.8
Moved to Byggmax	4.4	-7.7	3.5	-7.1	-0.4	-1.6	5.0
Other according to new segment reporting	-3.8	-2.0	-1.4	-1.4	-1.4	-1.9	-1.8
Total EBIT before amortization and depreciation, excluding non-recurring items (EBITDA)	-66.2	166.8	218.1	27.5	-48.5	162.7	250.9
EBIT before amortization of customer relationships and brands (EBITA), excluding non-recurring items							
Byggmax according to previous segment reporting	-61.0	122.5	175.3	-3.4	-50.9	113.3	208.9
Added from Other	-4.9	7.3	-4.0	6.6	-0.1	1.0	-5.6
Less, IFRS 16					-3.9	-4.4	-4.5
Byggmax according to new segment reporting	-65.8	129.7	171.3	3.1	-54.9	109.9	198.7
Skånska Byggvaror	-27.1	7.7	15.9	-8.0	-25.4	20.5	19.0
Less, IFRS 16					-0.1	-0.1	-0.1
Skånska Byggvaror according to new segment reporting	-27.1	7.7	15.9	-8.0	-25.5	20.4	18.8
Other according to previous	-8.8	5.2	-5.5	5.1	-1.6	-1.0	-7.5
Moved to Byggmax	4.9	-7.3	4.0	-6.6	0.1	-1.0	5.6
Other according to new segment reporting	-3.9	-2.1	-1.5	-1.5	-1.5	-2.0	-1.9
Total EBIT before amortization of customer relationships and brands (EBITA), excluding non-recurring items	-96.8	135.3	185.7	-6.4	-81.9	128.3	215.7
Added, IFRS 16					4.1	4.5	4.7
Total EBIT before amortization of customer relationships and brands (EBITA), excluding non-recurring items, including IFRS 16	-96.8	135.3	185.7	-6.4	-77.8	132.9	220.3

5 Segment information, cont.

	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Assets per segment incl. IFRS 16							
Byggmax according to previous segment reporting	2,153.6	2,670.9	2,571.2	2,316.6	3,975.6	4,642.8	4,353.9
Added from Other	428.5	479.4	431.2	340.9	72.6	182.6	39.5
Less, IFRS					-1,350.5	-1,384.0	-1,358.8
Byggmax according to new segment reporting	2,582.1	3,150.3	3,002.4	2,657.5	2,697.7	3,441.3	3,034.5
Skånska Byggvaror	1,113.8	1,104.4	1,064.4	1,053.9	908.3	977.5	940.0
Added from Other	-1.2	-2.6	-0.9	-29.4			
Less, IFRS					-49.9	-45.2	-40.0
Skånska according to new segment reporting	1,112.6	1,101.8	1,063.5	1,024.5	858.4	932.3	900.1
Other according to previous	495.8	148.7	152.8	296.0	276.1	-173.0	-120.5
Moved to Byggmax and Skånska Byggvaror	-427.3	-476.7	-430.3	-311.5	-72.6	-182.6	-39.5
Other according to new segment reporting 1	68.5	-328.0	-277.5	-15.5	203.4	-355.6	-160.0
Added, IFRS					1,400.4	1,429.2	1,398.7
Total assets incl. IFRS 16	3,763.2	3,924.0	3,788.5	3,666.4	5,160.0	5,447.2	5,173.4
Fixed assets per segment incl. IFRS 16							
Byggmax according to previous segment reporting	1,443.6	1,480.7	1,489.2	1,476.9	2,895.6	2,925.3	2,886.8
Added from Other	-219.7	-219.7	-219.8	-219.9	-208.0	-211.0	-212.1
Less, IFRS					-1,391.7	-1,411.5	-1,372.0
Byggmax according to new segment reporting	1,223.9	1,260.9	1,269.4	1,257.0	1,295.8	1,302.8	1,302.7
Skånska Byggvaror	974.3	964.8	954.6	942.4	986.7	972.0	955.7
Less, IFRS					-54.8	-50.0	-44.7
Skånska Byggvaror according to new segment reporting	974.3	964.8	954.6	942.4	931.9	922.0	910.9
Other according to previous	138.5	138.4	138.2	138.0	150.3	147.1	145.5
Moved to Byggmax	219.7	219.7	219.8	219.9	208.0	211.0	212.1
Other according to new segment reporting	358.2	358.1	358.0	357.9	358.3	358.0	357.6
Added, IFRS					1,446.5	1,461.5	1,416.8
Total fixed assets	2,556.4	2,583.9	2,582.1	2,557.3	4,032.5	4,044.4	3,987.9
Assets per segment excl. IFRS 16							
Byggmax according to previous segment reporting	2,153.6	2,670.9	2,571.2	2,316.6	2,625.1	3,258.7	2,995.1
Added from Other	428.5	479.4	431.2	340.9	72.6	182.7	39.5
Byggmax according to new segment reporting	2,582.1	3,150.3	3,002.4	2,657.5	2,697.8	3,441.3	3,034.5
Skånska Byggvaror	1,113.8	1,104.4	1,064.4	1,053.9	858.4	932.3	900.1
Added from Other	-1.2	-2.6	-0.9	-29.4			
Skånska according to new segment reporting	1,112.6	1,101.8	1,063.5	1,024.5	858.4	932.3	900.1
Other according to previous	495.8	148.7	152.8	296.0	276.1	-173.0	-120.5
Moved to Byggmax and Skånska Byggvaror	-427.3	-476.7	-430.3	-311.5	-72.6	-182.6	-39.5
Other according to new segment reporting 1	68.5	-328.0	-277.5	-15.5	203.5	-355.6	-160.0
Total assets excl. IFRS 16	3,763.2	3,924.0	3,788.5	3,666.4	3,759.6	4,018.0	3,774.7
Fixed assets per segment excl. IFRS 16							
Byggmax according to previous segment reporting	1,443.6	1,480.7	1,489.2	1,476.9	1,503.8	1,513.8	1,514.8
Added from Other	-219.7	-219.7	-219.8	-219.9	-208.0	-211.0	-212.1
Byggmax according to new segment reporting	1,223.9	1,260.9	1,269.4	1,257.0	1,295.8	1,302.8	1,302.7
Skånska Byggvaror	974.3	964.8	954.6	942.4	931.9	922.0	910.9
Other according to previous	138.5	138.4	138.2	138.0	150.3	147.1	150.3
Moved to Byggmax and Skånska Byggvaror	219.7	219.7	219.8	219.9	208.0	211.0	212.1
Other according to new segment reporting	358.2	358.1	358.0	357.9	358.3	358.0	362.4
Total fixed assets per segment excl. IFRS 16	2,556.4	2,583.9	2,582.1	2,557.3	2,586.0	2,582.9	2,575.9

6 Other operating income

Group	2019	2018
Exchange-rate differences	4.9	7.2
Gain from divestment of equipment	1.2	0.7
Profit from participations in Group companies	0.0	3.7
Other	3.4	4.0
Total other operating income	9.5	15.7

7 Other expenses

Group	2019	2018
Exchange-rate differences	-12.2	-13.5
Loss from divestment of equipment	-1.3	-0.7
Other	0.1	-1.4
Total other operating expenses	-13.5	-15.5

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	2019	2018
Öhrlings PricewaterhouseCoopers		
Auditing assignments	1.7	1.6
Other assignments	0.0	0.0
Tax consultancy	0.8	0.2
Other services	0.0	0.0
Total auditors' fees	2.4	1.7

Parent Company	2019	2018
Öhrlings PricewaterhouseCoopers		
Auditing assignments	0.4	0.4
Other assignments	0.0	0.0
Tax consultancy	0.4	0.0
Other services	0.0	0.0
Total auditors' fees	0.8	0.4

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

	2019	2018
Auditing assignments	1.4	1.3
Tax consultancy	0.8	0.2
Other services	0.0	0.0
Total compensation	2.2	1.5

9 Employee benefits

Group	2019	2018
Salaries and other remuneration	468.2	430.8
Social costs	130.6	121.4
Pension costs	32.0	27.6
Other personnel costs	13.4	10.5
Total employee benefits	644.2	590.4

The guidelines for determining compensation to senior executives that were adopted by the 2019 AGM correspond, in all material respects, with the guidelines that are being proposed to the 2020 AGM. To a large extent, the guidelines proposed for the 2020 AGM correspond to those resolved at the 2019 AGM, though revised and adapted according to the new rules in the Companies Act (ABL) and the Swedish Corporate Governance Code. 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).

* Capitalized development costs for intangible assets regarding development of business systems and website consist largely of personnel costs. Personnel costs of SEK 2.0 M (1.3) were capitalized as an intangible asset.

Salaries and other remuneration plus social costs (SEK M)	2019			2018		
	Salaries and other remuneration	Social costs (of which pension costs)	Number	Salaries and other remuneration	Social costs (of which pension costs)	Number
Group						
Board members, President and other senior executives	11.7	6.5 (2.3)	11	10.9	5.9 (2.1)	9
Other employees	459.2	156.9 (29.7)	1,100	422.4	143.7 (25.5)	1,074
Total	470.9	163.4 (32.0)	1,111	433.3	149.6 (27.6)	1,083
Parent Company						
Board members	2.8	0.9 (0.0)	8	2.5	0.7 (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
Total	2.8	0.9 (0.0)	9	2.5	0.7 (0.0)	8

No separate remuneration was payable to the President of Byggmax Group AB (publ) in 2019.

	2019		2018	
	Average number of employees	Of whom men	Average number of employees	Of whom men
Subsidiaries				
Sweden	860	70%	835	71%
Norway	191	84%	187	84%
Finland	52	68%	54	67%
Denmark	0	0%	1	30%
Total in subsidiaries	1,103	72%	1,077	63%

9 Employee benefits, continued

	2019		2018	
	Number on balance-sheet date	Of whom men	Number on balance-sheet date	Of whom men
Group (including subsidiaries)				
Board members	8	50%	7	57%
President and other senior executives	12	75%	12	75%
Group total	20	63%	19	66%
Parent Company				
Board members	8	50%	7	43%
President and other senior executives	1	100%	1	100%
Parent Company total	9	75%	8	72%

Remuneration to senior executives (SEK M)	Basic salary/ Directors' fees	Variable remuneration	Other benefits	Pension costs	**Other remuneration	Total
2019						
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 – Kjersti Hobøl	0.2					0.2
Board member – Lottie Svedenstedt	0.1					0.1
Board member – Mikael Norman	0.1					0.1
Board member – Ullrika Eliasson	0.3					0.3
Board member – Gunilla Spongh	0.3					0.3
Board member – Anders Berg	0.2					0.2
Board member – Per Strömberg	0.3					0.3
President – Mattias Ankarberg	5.0	0.5	0.0	1.5	1.0	8.0
Other senior executives (eleven individuals, of whom three women)*	15.5	5.1	0.0	4.3	2.1	27.1
Total	23.2	5.6	0.0	5.8	3.1	37.8

*A senior executive invoiced parts of the year and this was reported under variable remuneration.

**The Board has taken the opportunity, permitted by the guidelines, to deviate from the guidelines in special cases as the Board deems necessary. During the year a fixed bonus amounting to SEK 1.3 M was paid to one senior executive and a pensionable stay on bonus of SEK 1.3 M was paid to a member of Group management in conjunction with the end of their employment. Other compensation also includes SEK 4.0 M for compensation received by the CEO and other senior executives when subscribing for new warrants.

Remuneration to senior executives (SEK M)	Basic salary/ Directors' fees	Variable remuneration	Other bene- fits	Pension costs	Other remuneration	Total
2018						
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 Hygrel-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)**	12.2	1.3	0.0	3.2	0.0	16.7
Total	19.7	1.5	0.0	4.6	0.0	25.8

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

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

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 remuneration pertains to remuneration for bonus earned in 2019 that is payable in 2020.

Warrant program

The 2017 and 2019 AGMs 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 2017 warrant program expires on December 7, 2020 and can be exercised from June 8, 2020. The 2019 warrant program expires on December 9, 2024 and can be exercised from June 10, 2024.

Warrant program	2019	2017
Total number of warrants	920,000	954,000
Price	3.45	4.37
Exercise price	47.4	67.5
Term	5.5	3.5
Number of participants	9	26

10 Profit/loss from financial items

Group	2019	2018
Financial income		
Exchange-rate gains	8.2	13.1
Changes in fair value – interest swaps and currency derivatives	6.0	6.1
Interest income	0.0	0.0
Other financial income	0.2	0.0
Total	14.3	19.2
Financial expenses		
Exchange-rate losses	-13.8	-18.5
Changes in fair value – interest swaps and currency derivatives	-4.8	-9.2
– interest expenses, bank loans	-16.1	-14.6
– interest expense, leases	-31.6	0.0
Other financial expenses	-3.2	-2.8
Total	-69.4	-45.0
Profit/loss from financial items	-55.1	-25.8
Parent Company	2019	2018
Earnings from shares in Group companies		
Dividends from Group companies	70.0	70.0
Total	70.0	70.0
Interest income and similar items		
Exchange-rate gains	0.7	1.2
Group contributions	22.4	19.7
Interest income	11.6	12.2
Total	34.8	33.1

10 Profit/loss from financial items, continued

Interest expenses and similar items

Exchange-rate losses	-0.5	-0.9
Interest expenses	-26.7	-23.3
Total	-27.2	-24.3
Profit/loss from financial items	77.5	78.8

11 Income tax

Group	2019	2018
Current tax for the year	-39.2	-39.9
Current tax attributable to previous years	-0.3	5.7
Remeasured deferred tax due to changed tax rate in Sweden	0.0	3.2
Deferred tax expense relating to temporary differences	-6.7	-5.9
Deferred tax income relating to temporary differences	13.0	12.2
Total	-33.1	-24.6
Parent Company	2019	2018
Current tax for the year	0.0	0.0
Total	0.0	0.0

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

Group	2019	2018
Profit before tax	174.9	162.2
Income tax calculated according to the Group's prevailing tax rate	-37.4	-35.7
Non-taxable income	0.0	1.0
Non-deductible costs	-1.3	-1.1
Tax effect of interest on the tax allocation reserve	-0.5	-1.6
Reversal of earnout, non-taxable income	0.0	0.0
Remeasured deferred tax due to changed tax rate in Sweden	0.0	3.2
Deficits for tax purposes for which no deferred tax asset is recognized	0.0	0.0
Blocked amounts on foreign taxes for tax purposes	-0.3	0.2
Effect of foreign tax rates	0.0	0.0
Adjustment of current tax relating to previous years	-0.3	5.7
Other	6.7	2.3
Tax expense	-33.1	-24.6
Parent Company	2019	2018
Profit before tax	70.0	70.0
Income tax calculated according to prevailing tax rate	15.0	15.4
Non-taxable income	-15.0	-15.4
Non-deductible costs	0.0	0.0
Tax expense	0.0	0.0
Weighted average tax rate within the Group:	20.8%	15.2%

The prevailing tax rate for income tax within the Group and the Parent Company is 21.4 percent (21.4).

12 Earnings per share

Before dilution	2019	2018
Profit for the year attributable to the Parent Company's shareholders	141.8	137.6
Weighted average number of shares before dilution (thousand)	60,999	60,999
Earnings per share before dilution (SEK)	2.32	2.26
After dilution		
Profit for the year attributable to the Parent Company's shareholders	141.8	137.6
Weighted average number of shares before dilution (thousand)	60,999	60,999
Dilution effect regarding warrants	0	0
Weighted average number of shares after dilution (thousand)	60,999	60,999
Earnings per share after dilution (SEK)	2.32	2.26
Number of shares outstanding at end of period (thousand)	60,999	60,999
Dividend per share (SEK)	1.16	0.00

13 Exchange-rate differences

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

Group	2019	2018
Other operating income	4.9	7.2
Other expenses	-10.9	-12.7
Financial income	8.3	10.2
Financial expenses	-13.6	-16.6
Total exchange-rate differences	-11.2	-11.9

14 Intangible assets

Capitalized expenses for development work

Group	2019	2018
Opening cost	159.7	149.7
New acquisitions	22.7	28.4
Sales and scrapping	-0.2	-14.3
Reclassifications	0.8	-4.1
Exchange-rate differences	-0.5	0.1
Closing accumulated cost	182.5	159.7
Opening amortization	-90.9	-86.2
Sales and scrapping	0.1	14.2
Amortization for the year	-24.1	-21.5
Impairment	0.0	0.0
Reclassifications	-1.7	2.7
Exchange-rate differences	-0.1	-0.1
Closing accumulated amortization	-116.7	-90.9
Closing carrying amount	65.8	68.8

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening cost	1,808.3	1,808.3	105.7	120.8	171.6	196.1	2,085.6	2,125.2
Amortization	0.0	0.0	-15.1	-15.1	-24.5	-24.5	-39.6	-39.6
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Closing carrying amount	1,808.3	1,808.3	90.6	105.7	147.1	171.6	2,045.9	2,085.6

Of recognized goodwill, SEK 1,172.7 M relates to the Swedish operations in Byggmax and SEK 635.6 M to Skånska Byggvaror.

During the fourth quarter, Byggmax introduced changes in its segment divisions. This entailed, inter alia, that Buildor and Svea Distribution AB now belong to the Byggmax segment (refer to page 71, Segment information). As a part of changes to internal management, SEK 121.7 M of Buildor's goodwill was reallocated to Byggmax's goodwill, which then totaled SEK 1,172.7 M.

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. A plan was developed in 2018 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. In 2019, Skånska Byggvaror focused on building for profitable growth in the core business. Profitability has increased over six consecutive quarters.

The focus for 2020 is to achieve growth through an expanded product range and initiatives in geographic markets outside Sweden as well as to continue efficiency enhancing initiatives within the existing operations. This includes different growth initiatives in the core offering, digital 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 two cash-generating units (CGUs). 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 and the CGU comprising Skånska Byggvaror were all determined on the basis of calculations of value in use.

In both cases, the calculation is based on estimated future cash flows based on the 2020 business plan for each CGU and forecasts for the period from 2021 to 2024 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 2024, 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 7.3 percent (5.0) for Byggmax AB. As regards an assessment of possible impairment needs 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 in Byggmax exceeds the carrying amount, while in Skånska Byggvaror it is in line with the carrying amount. However, the outcome pertaining to Skånska Byggvaror is sensitive to changes in key assumptions. The calculated recoverable amount for Skånska Byggvaror leaves no scope for changes in key assumptions. The intangible assets customer relationships and brand are written down according to plan.

14 Intangible assets, continued

Sensitivity analysis

EBIT margin and future growth: If the EBITA margin were one percentage point lower than management's assumption, or an estimated growth rate for extrapolating cash flow beyond the forecast period had been lower than the basic assumption, the aggregate recoverable amount for Skånska Byggarb would decrease by 9.4 percent and 9.3 percent, respectively, which would lead to a need for impairment. The equivalent sensitivity analysis for Byggmax reduces the aggregate recoverable amount by 13.5 and 13.7 percent, respectively, which does not lead to any need for impairment.

The primary assumption for average growth over the five-year period from 2020–2024 is 11 percent and 6.2 percent for the average margin for Skånska Byggarb. A reduction in either of these parameters would mean that the recoverable amount would be lower than the cost.

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 7.3 percent, that would still not lead to an impairment need for Byggmax. For Skånska Byggarb, a WACC higher than 10.7 would entail a need for impairment.

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

15 Tangible fixed assets

Equipment, tools, fixtures and fittings

Group	2019	2018
Opening cost	1,003.8	874.9
Purchases	121.4	148.4
Sales and scrapping	-17.6	-20.5
Reclassifications	0.0	-3.9
Exchange-rate differences	7.7	5.0
Closing accumulated cost	1,115.4	1,003.8
Opening depreciation	-625.6	-538.5
Sales and scrapping	13.0	13.6
Depreciation for the year	-111.8	-104.7
Reclassifications	0.0	6.2
Exchange-rate differences	0.0	-2.2
Closing accumulated depreciation	-724.4	-625.6
Closing carrying amount	387.2	378.2

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

Buildings and land

Group	2019	2018
Opening cost	7.9	7.9
Closing accumulated cost	7.9	7.9
Opening depreciation	-4.0	-3.6
Depreciation for the year	-0.4	-0.4
Closing accumulated depreciation	-4.4	-4.0
Closing carrying amount	3.5	3.9

15 Tangible fixed assets, continued

Leasehold improvements

Group	2019	2018
Opening cost	30.6	25.5
Purchases	0.1	4.9
Sales and scrapping	-0.5	0.0
Exchange-rate differences	0.3	0.2
Closing accumulated cost	30.5	30.6
Opening depreciation	-9.6	-7.7
Sales and scrapping	0.2	0.0
Depreciation for the year	-1.9	-1.8
Exchange-rate differences	-0.2	-0.1
Closing accumulated depreciation	-11.5	-9.6
Closing carrying amount	19.0	20.9

16 Right-of-use assets

Group	Dec 31, 2019	Jan 1, 2019
Opening cost	1,477.6	1,477.6
Purchases	182.7	—
Exchange-rate differences	0.0	—
Closing cost	1,660.3	1,477.6
Opening accumulated depreciation	0.0	0.0
Depreciation for the year	-286.4	—
Exchange-rate differences	5.3	—
Closing accumulated depreciation	-281.1	0.0
Closing carrying amount	1,379.2	1,477.6

Amounts expensed for short-term leases amounted to SEK 1.1 M (2.1). Amounts expensed for low-value leases amounted to SEK 12.8 M (11.3). Total cash flow for leases amounted to an outflow of SEK 286.3 M

For more information see Notes 3.1, 10 and 35.

17 Participations in Group companies

Parent Company	2019	2018
Opening cost	1,219.3	1,219.3
Closing carrying amount	1,219.3	1,219.3

17 Participations in Group companies, continued

The Parent Company has participations in the following Group companies:

Carrying amount

Name	Corporate registration number	Registered office	Share of capital	Number of shares	2019	2018
Companies owned by Byggmax Group AB (publ)						
Byggmax AB	556645-6215	Halmstad	100%	100,000	476.5	345.0
Svea Distribution AB	556602-5895	Eslöv	100%	200	0.0	13.0
Byggmax Fastighetsutveckling AB	556726-8593	Stockholm	100%	1,000	0.1	0.1
Buildor AB	556867-2405	Stockholm	100%	1,558	0.0	118.5
Skånska Byggvaror Group AB	556987-6849	Helsingborg	100%	1,579,710	742.7	742.7
					1,219.3	1,219.3
Holdings in other Group companies						
Byggmax International Purchasing AB	556757-2473	Stockholm	100%			
Byggmax Fastighets Holding AB	556726-8601	Stockholm	100%			
Byggmax Fastighetsutveckling 7 AB	556757-3133	Stockholm	100%			
Byggmax Finland Fastighetsholding 1 Oy	2186417-4	Helsinki	100%			
Byggmax Finland Fastighet 1 Oy	2186407-8	Helsinki	100%			
Byggmax Finland Fastighetsholding 2 Oy	2186507-0	Helsinki	100%			
Buildor AS	918,104,925	Oslo	100%			
Skånska Byggvaror AB	556100-1891	Helsingborg	100%			
Grönt Fokus AS	976,461,428	Kristiansand	100%			

Participations in Group companies in 2019 were reclassified between Buildor AB and Byggmax AB as well as between Svea Distribution and Byggmax AB since these reflect segment reporting based on how Byggmax governs and monitors its operations. Synergies and an increasingly shared development of the e-commerce platform means that Buildor's earnings are monitored and analyzed as a part of the Byggmax segment. Svea Distribution is a wholly-owned subsidiary that primarily delivers to Byggmax, so monitoring and governance as of 2019 is followed up under the framework for the Byggmax segment.

18 Financial instruments by category

The Group's financial assets and liabilities are measured at amortized cost with the exception of derivatives, which are measured at fair value in profit or loss. Derivatives are recognized separately on a separate line in the balance sheet. For a more detailed description of the Group's derivatives, refer to Note 20.

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 derivatives measured at fair value in its financial statements. These instruments are measured at fair value in profit or loss. The value of the derivatives 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.

Assets in the balance sheet at Dec. 31, 2019	Assets carried at amortized cost	Assets measured at fair value in profit or loss	Total
Derivatives			
Accounts receivable and other receivables excluding prepaid expenses and accrued income	91.1		91.1
Cash and cash equivalents	32.0		32.0
Other long-term receivables			
Total	123.1	0.0	123.1

Liabilities in the balance sheet at Dec. 31, 2019	Liabilities carried at amortized cost	Liabilities measured at fair value in profit or loss	Total
Borrowings	1,242.1		1,242.1
Lease liabilities	1,375.0		1,375.0
Derivatives		0.9	0.9
Accounts payable and other liabilities excluding accrued expenses and deferred income	570.4		570.4
Total	3,138.6	0.9	3,188.5

Assets in the balance sheet at Dec. 31, 2018	Assets carried at amortized cost	Assets measured at fair value in profit or loss	Total
Derivatives		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
Total	156.0	0.0	156.0

Liabilities in the balance sheet at Dec. 31, 2018	Liabilities carried at amortized cost	Liabilities measured at fair value in profit or loss	Total
Borrowings (excluding liabilities related to finance leases)	1,150.9		1,150.9
Derivatives		1.9	1.9
Accounts payable and other liabilities excluding accrued expenses and deferred income	814.6		814.6
Total	1,965.5	1.9	1,967.4

19 Other long-term receivables

Group	2019	2018
Blocked bank funds	0.0	0.0
Other	8.3	13.0
Total other long-term receivables	8.3	13.0

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

20 Derivatives

Group Dec. 31, 2019	ASSETS	LIABILITIES
Derivatives		
Currency forwards – held for sale	0.0	0.9
Total derivatives	0.0	0.9

Group Dec. 31, 2018	Assets	Liabilities
Derivatives		
Currency forwards – held for sale	0.0	1.9
Total derivatives	0.0	1.9

Derivatives 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 6.0 M (76.8). The maximum exposure to credit risks on the balance-sheet date was the fair value of the derivatives recognized as assets in the balance sheet.

21 Accounts receivable

Group	2019	2018
Accounts receivable	14.1,	15.5
Provisions for doubtful receivables	-3.1	-2.5
Total accounts receivable	11.0	13.0

Of the total reserve for doubtful accounts receivable of SEK 3.1 M (2.5), SEK 2.2 M (1.6) pertains to Skånska Byggvaror. Ninety-five percent of the provision in Skånska Byggvaror consists of a large number of private individuals. Byggmax's provision amounted to SEK 0.9 M (0.9).

Age distribution of impaired accounts receivable 2019

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

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%

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

22 Inventories

Group	2019	2018
Completed goods and goods for resale	924.1	867.1
Work in progress	4.7	4.1
Total inventories	928.8	871.2

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

23 Other receivables

Group	2019	2018
Bonus receivables from suppliers	59.7	52.0
Other receivables	12.0	12.5
Total other receivables	71.7	64.5
Parent Company		
Dividends from Group companies	70.0	70.0
Total other receivables	70.0	70.0

Most bonus receivables are in SEK. As of the balance-sheet date, December 31, 2019, 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.

24 Prepaid expenses and accrued income

Group	2019	2018
Prepaid rent	0.0	34.7
Prepaid lease payments	0.9	1.1
Prepaid fixed assets	8.5	0.0
Accrued interest income	1.0	3.2
Other items	23.3	18.1
Total prepaid expenses and accrued income	33.8	57.2

25 Cash and cash equivalents

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

Group	2019	2018
Balance sheet		
Cash and bank balances	32.0	52.5
Total cash and cash equivalents	32.0	52.5
Cash-flow statement		
Cash and bank balances	32.0	52.5
Total cash and cash equivalents	32.0	52.5

26 Share capital and other capital contributions

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

Group	Dec 31, 2019	Dec 31, 2018
No. of shares (000)	61.0	61.0
Share capital	20.3	20.3
Other capital contributions	1,480.4	1,326.0
Total	1,500.8	1,346.4

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.

27 Reserves

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

28 Borrowing

Group	2019	2018
Long-term		
Liabilities to credit institutions	200.0	304.9
Long-term liabilities attributable to IFRS 16	1,040.0	0.0
Total	1,240.0	304.9
Short-term	2019	2018
Liabilities to credit institutions	490.0	401.2
Overdraft facilities	552.1	444.8
Current liabilities attributable to IFRS 16	335.1	0.0
Total	1,377.1	846.0
Total borrowing	2,617.1	1,150.9
Parent Company	2019	2018
Long-term		
Liabilities to credit institutions	200.0	304.9
Total	200.0	304.9
	2019	2018
Short-term		
Liabilities to credit institutions	490.0	401.2
Overdraft facilities*	730.5	783.2
Total	1,220.5	1,184.4
Total borrowing	1,420.5	1,489.3

* Of the overdraft facilities, SEK 178.4 M (338.4) pertained to intra-Group balances. The total overdraft facilities utilized by the Group amounted to SEK 552.1 M (444.8).

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

28 Borrowing, continued

The Group has the following unutilized credit facilities:

Group	2019	2018
Overdraft facility	47.9	155.2
Unutilized credit facilities	30.0	0.0
Total	77.9	155.2

29 Deferred tax

Group	2019	2018
Deferred tax liabilities		
Untaxed reserves	130.0	130.9
Intangible fixed assets	49.2	60.3
Total deferred tax liabilities	179.3	191.2

	Untaxed reserves	Intangible assets	Total
Gross changes			
At January 1, 2019	130.9	60.3	191.3
Recognized:			
In profit or loss	-0.9	-10.7	-11.6
Directly in shareholders' equity		-0.4	-0.4
At December 31, 2019	130.0	49.2	179.3

	Untaxed reserves	Intangible assets	Acquired deferred tax liabilities	Total
Gross changes				
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

Deferred tax assets	2019	2018
Derivatives	0.0	0.4
Valuation of loss carry-forwards	4.3	5.0
Total deferred tax assets	4.3	5.4

29 Deferred Tax, continued

Gross changes	Derivatives	Loss carry-forwards for tax purposes	Total
At January 1, 2019	0.4	5.0	5.4
Recognized:			
In profit or loss	-0.4	-0.8	-1.1
Directly in shareholders' equity			
At December 31, 2019	0.0	4.2	4.3
Gross changes	Derivatives	Loss carry-forwards 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
Deferred tax liabilities, net		2019	2018
Total deferred tax liabilities, net		175.1	185.9

Net changes relating to deferred taxes are as follows:

Group	2019	2018
On the opening date	185.9	195.0
Recognition in profit or loss	-10.3	-8.1
Other	-0.4	-0.9
On the balance-sheet date	175.1	185.9

Deferred tax assets are recognized as loss carry-forwards for tax purposes insofar as it is probable that they can be offset by future taxable profits. The Group recognized deferred tax assets of SEK 4.3 M (5.4). Of these, SEK 1.8 M (1.8) pertained to losses amounting to SEK 8.4 M (8.2) that can be offset against future taxable profits. SEK 0.9 M (1.6) pertained to taxes on internal gains of SEK 4.1 M (7.5), SEK 0.0 M (0.4) to derivatives and SEK 1.6 M (1.6) to blocked amounts for foreign tax.

30 long-term liabilities

Group	2019	2018
Guarantee commitments	0.9	0.9
Total long-term liabilities	0.9	0.9

31 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 2019 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 11.2 M (9.3), of which ITP2 SEK 3.4 M. Byggmax's level of participation in the ITP2 plan was 0.016 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 3.2 M. Alecta's surplus can be distributed to policy holders and/or insured persons. At the end of 2019, Alecta's surplus in the form of the collective consolidation level amounted preliminarily to 148 percent (142). 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.

32 Other liabilities

Group	2019	2018
VAT liabilities	27.8	34.9
Personnel-related liabilities	11.5	11.4
Other	18.6	19.0
Total other liabilities	57.9	65.3

Provisions also consist of restructuring costs for Skånska Byggvaror in order to focus on the Garden Living core operation as well as to reduce operating costs.

The total amount is SEK 1.7 M (8.5), which impacted personnel costs and other external expenses.

33 Accrued expenses and deferred income

Group	2019	2018
Accrued salaries	37.8	35.0
Accrued vacation pay	59.7	54.6
Accrued social fees	18.5	17.3
Other	60.0	54.5
Total accrued expenses and deferred income	175.9	161.5

Parent Company	2019	2018
Other	3.0	3.6
Total accrued expenses and deferred income	3.0	3.6

34 Other provisions

Group	2019	2018
Restructuring costs, Skånska Byggvaror	1.7	8.5
Total other provisions	1.7	8.5

35 Changes to cash flow in indebtedness recognized in financing activities

Group	OB 2019	Cash flow	Reclassifications and other non- cash items	CB 2019
Loans	706.1	-16.1		690.0
Warrant program	—	—	—	—
Long-term liabilities, IFRS 16	1,132.3	—	-92.3	1,040.0
Current liabilities, IFRS 16	309.2	-272.3	298.2	335.1
Dividend				
	2,147.6	-288.4	205.8	2,065.0
Utilized credit	444.8	107.3		552.1
Cash flow changes in financing operations	2,592.4	-181.1	205.8	2,617.1

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
Cash flow changes in financing operations	1,217.8	-253.1	33.7	1,150.9

36 Pledged assets, contingent liabilities and contingent assets

Pledged assets

Group	2019	2018
For own debts and provisions:		
Blocked bank funds	0.0	0.0
Total pledged assets, contingent liabilities and contingent assets	0.0	0.0

Contingent liabilities

Group	2019	2018
Capital adequacy guarantee on behalf of Group companies	None	None

37 Obligations

Lease obligations

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

Future lease payments for non-terminable leases fall due for payment according to the following:

Group	2019
Within one year	308.4
Later than one year but within five years	882.0
Later than five years	389.7
Total	1,580.1

Obligations relating to operating leases, 2018

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

Lease expenses in 2018 amounted to SEK 265.3 M.

Future lease payments for non-terminable operating leases fall due for payment according to the following:

Group	2018
Within one year	300.0
Later than one year but within five years	931.5
Later than five years	464.4
Total	1,696.0

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

The management and Board are monitoring general developments in terms of the COVID-19 virus and its impact on the company's operations, and have implemented a number of actions and measures. At present, it is not possible to assess the scope or any impact on the Group's sales nor on its earnings and financial position in 2020. The Board of Byggmax Group has decided to withdraw the previously announced proposed dividend of SEK 1.16 per share, corresponding to a total of SEK 71 M.

40 Appropriation of earnings

Retained earnings	152,831,638
Profit for the year	70,000,000
TOTAL	222,831,638

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

To be carried forward	222,831,638
TOTAL	222,831,638

41 Effect of non-recurring items

	2019	2018
Capital gain on divestment of Pavillon	0.0	3.7
Closure costs for one (4) stores in Finland	0.0	6.2
Total EBITDA effect	0.0	9.9
Total EBIT effect	0.0	9.9

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 6, 2020 for adoption.

Stockholm, March 19, 2020

ANDERS MOBERG
Chairman of the Board

ANDERS BERG
Board member

DANIEL MÜHLBACH
Board member

GUNILLA SPONGH
Board member

HANNELE KEMPPAINEN
Board member

KJERSTI HOBØL
Board member

PER STRÖMBERG
Board member

ULLRIKA ELIASSON
Board member

MATTIAS ANKARBERG
President and CEO

Our auditors' report was submitted on March 20, 2020
Öhrlings PricewaterhouseCoopers AB

ANN-CHRISTINE HÄGGLUND
Authorized Public Accountant
Auditor in Charge

AUDITORS' 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 2019 except for the corporate governance statement on pages 42–46. The annual accounts and consolidated accounts of the company are included on pages 37–93 of 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 December 31, 2019 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 December 31, 2019 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 42–46. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the consolidated statement of comprehensive income and balance sheet, as well as the parent company income statement and balance sheet.

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. In accordance with the rules of professional ethics for auditors in Sweden, we are independent of the Parent Company and the Group and, otherwise, have discharged our professional duties in line 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 judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As with all audits, we have also taken into consideration the risk of management override of internal controls and, inter alia, considered if there is evidence of systematic deviations that give rise to the risk of material misstatement due to irregularities.

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. We audited the majority of all companies, representing approximately 99% of consolidated sales to determine the group's and parent company's results and financial position. Our audit procedures 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 approximately 68% 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 financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. With the help of these and qualitative considerations, we defined the aim and scope of the audit, and the nature, timing and extent of our audit procedures and assessed 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 actual 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

Accuracy, completeness and allocation of revenues

We refer to Note 2.13 Income recognition, Note 5 (segment) and Note 21 – Accounts receivable.

The Group's sales for 2019 were SEK 5,277 M. One key audit matter as regards the Byggmax 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 revenue.

The sales take place in the Nordic countries both through direct sales in the stores and through sales via the web (e-commerce). A large portion of the sales are sold to private customers but also to corporate clients. The revenue transactions for Byggmax 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 separate contracts with clients where a variety of prices and delivery terms are applied. Revenue is recognized when the delivery to the customer takes place according to the applicable delivery terms. Provisions are calculated for expected returns based on past performance.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We 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 in stores, we have also executed control testing of the inventory 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 analyzed 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 2.10 – Inventory, Note 22 – Inventory.

Byggmax Group's inventories are found, physically, at a number of locations, in stores in the Nordic region and at three distribution centers in Sweden. As at December 31, 2019, the total value of the inventories was SEK 929 M and is comprised primarily by finished goods for sale.

Inventories comprised a key audit matter in our audit, since valuation of the inventory is affected by management's assessments and since 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 the management also makes assessments involving subjective components, for example, the assessment of obsolescence and assessment 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 Byggmax group's business process for the purchase of goods and in its own manufacturing of goods. 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 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 and through analyzing the coverage based on the transaction analysis performed.

In addition to this, we have also undertaken a transaction analysis (equivalent to what was described above as regards revenue) 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 reviewed certain selected controls in the inventory process. We have participated in a number of stock takes, which have taken place on an ongoing basis in the stores and we have followed up the inventory executed by a third party as regards the distribution centers. We have also, on a 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 and Note 14 – Intangible fixed assets.

Acquired goodwill and other acquisition-related intangible assets including customer relationships comprise a significant portion of the Byggmax group's balance sheet of SEK 2,046 M at December 31, 2019. Byggmax group's goodwill as at December 31, 2019 amounted to SEK 1,808 M and is allocated to two cash-generating units: Byggmax and Skånska Byggvaror.

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. These are based on the group's budget and strategy plans. 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 a key audit matter.

As described in Note 14 of the Annual Report, Skånska Byggvaror is being reorganized through several profitability-enhancing measures in the core business. Note 14 also describes the Byggmax Group's assumptions, assessments and decisions regarding the above assets at December 31, 2019.

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 three-to-five-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 described in Note 14, testing the cash-generating unit Skånska Byggvaror indicated a sensitivity to changes in material parameters and the calculated recoverable amount leaves no scope for changes in key assumptions.

We have discussed the methods, estimates and assumptions on which the Byggmax group's assessments are based with management and the audit committee.

Finally, we have assessed the information provided in Note 14 (Goodwill, Customer 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 1–36 and pages 99–101. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

Without affecting the Board's responsibilities or overall tasks, the audit committee is to monitor the company's financial reporting.

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 auditors' 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. This description is part of the auditors' report.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Byggmax Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss. We recommend to the general Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing 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. In accordance with the rules of professional ethics for auditors in Sweden, we are independent of the Parent Company and the Group and, otherwise, have discharged our professional duties in line with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 42-46 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 Bygghmax Group AB (publ) by the general meeting of the shareholders on 6 May 2019 and has been the company's auditor since May 2006.

Stockholm, March 20, 2020

Öhrlings PricewaterhouseCoopers AB

Ann-Christine Hägglund
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.



HELENA NATHHORST

CFO since December 2019. Born 1967. M.Sc. Business and Administration from Uppsala University. Previously CFO of Addnode Group and Teracom Boxer Group, company acquisitions advisor at KPMG. 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.



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.



MIKAEL BENGTSSON

Country Manager and Head of Expansion at Byggmax Norway since September 2019. Born: 1966. Education: B.A., Social psychology, Jönköping University. Background: Previously Business Manager at Byggmax Nordic, leadership coach. Other assignments: No other assignments. Shareholding: 20,000 shares.



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.



OSKAR RÖÖS

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.



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.

BYGGMAX GROUP MANAGEMENT, CONTINUED



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.



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

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 Futtain 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.



ANDERS BERG

Board member since 2019. Born 1972. Master of Science in Industrial Engineering and Management, Luleå University of Technology. Background: Executive Vice President Americas and Senior Advisor, DIAB Group, USA, and various assignments for Backgatan Industri AB.

Previously President and CEO of Lindab, External Advisor Odin Fonder, Vice President at SSAB for the Asia Pacific region and President and CEO of Plannja. Other assignments: Chairman of Cimco Marine AB (publ) and Runway Safe Sweden AB. Director of Symbrio AB, Senior Advisor for the Scandsib Group in Russia, Africa and Europe and Director of Svenska Brottningsförbundet. Shareholding in Byggmax: 0 shares in the company.



KJERSTI HOBØL

Board member since 2019. Born 1961. BI Norwegian Business School. Background: Chief Executive Officer for Nille AS. Previously, Chief Executive Officer for Kid ASA, Board member of Expert AS and Kid Interiør AS and Senior Vice President for DNB. Other assignments:

Board member of Møbelringen AS, Cosmetic Group and Mestergull AS. Shareholding: 0 shares.



PER STRÖMBERG

Board member since 2018. Born 1963. Education: MSc Business and Economics. Background: CEO of ICA Gruppen AB since 2012. Previously President and CEO of Lantmännen (2007–2012), Sardus AB (2006–2007) and Kraft Foods Sweden (2003–2006). Other

assignments: Board member of Consumer Goods Forum, EuroCommerce and ICC Sweden. Shareholding: 13,000 shares in Byggmax.



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: 6,000 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: Currently CPO for Pierce AB and previously Vice President Category & Sourcing at OneMed Group.

Previously been engaged as Director, Head of Category Management at Staples Europe, Assortment and Purchasing Director at Kronans Droghandel and Supply Chain Manager at Apoteket AB. Other assignments: Unchanged. Shareholding: 2,000 shares.



GUNILLA SPONGH

Board member since 2019. Born 1966. M.Sc. in Engineering and Industrial Economics from the Institute of Technology, Linköping University. Background: Previously, CFO of Preem AB (publ), Board member of B&B Tools AB (publ), and International Business

Director and CFO of Mekonomen Group. Other assignments: Board member of Pierce Holding AB, Swedish Stirling AB (publ), Momentum Group AB (publ), AQ Group AB (publ), Lernia AB, Systemair AB (publ) and Infranord AB. Shareholding: 1,400 shares.

AUDITOR'S STATEMENT ON THE SUSTAINABILITY REPORT

To the Annual General Meeting of Byggmax Group AB
(publ), corporate registration number 556656-3541

ASSIGNMENT AND DISTRIBUTION OF RESPONSIBILITIES

It is the Board of Directors who is responsible for the Sustainability Report for 2019 on pages 22–32 and that it has been prepared in accordance with the Annual Accounts Act.

AUDIT SCOPE

Our examination of the sustainability report is conducted in accordance with FAR's auditing standard RevU 12 The auditor's examination of the corporate governance statement. This means that our examination of the sustainability report 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 opinion.

OPINION

A sustainability report statement has been prepared.

Stockholm, March 20, 2020
Öhrlings PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant

DISTRIBUTION OF ANNUAL REPORT

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



Information about the annual general meeting

The Annual General Meeting of the shareholders of Byggmax Group AB (publ), corporate registration number 556656-3531, will be held on Wednesday, May 6, 2020, at 10:00 a.m. in the Horn conference room at Lindhagen Konferens, Lindhagensgatan 126, in 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, April 29, 2020, and notify the company of their intention to attend the AGM no later than by 4:00 p.m. on Friday, April 29, 2020.

NOTIFICATION

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

- By e-mail: 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

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, April 29, 2020. The shareholder should notify the trustee well in advance of this date. Such registration may be temporary.

Welcome to Byggmax investor pages on:

www.byggmax.se/om-byggmax/finansiell-information

BYGGMAX®

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www.byggmax.se

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