

BYGG max[®]

GROUP



ANNUAL REPORT 2017



TABLE OF CONTENTS

BUSINESS DESCRIPTION

About the Byggmax Group	3
The history of Byggmax	4
The year in summary	6
Comments from the CEO	7
Vision, mission, targets and strategy	9
Byggmax group organization	11
Byggmax	12
Skånska Byggvaror	19
Buildor	21
Employees	22
Byggmax Responsibilities and environmental report	24
Byggmax makes a difference	32
The Byggmax share	33
Chairman's comments	35

FINANCIAL REPORTS

Administration report	36
Corporate governance	42
Long term overview	46
Definitions and key performance measures	47
Consolidated statement of comprehensive income	48
Consolidated statement of changes in shareholders' equity	51
Consolidated statement of cash flows	52
Parent company income statement	53
Parent company balance sheet	54
Changes in parent company's shareholders' equity	56
Parent Company cash-flow statement	57
Accounting policies and notes	58
Auditor's report	88
Byggmax Group management	93
Byggmax Board of Directors	94
Content index including standard GRI disclosures	95
Definitions of key performance measures	
from the environmental report	99
Distribution of Annual Report	100

ABOUT THE BYGGMAX GROUP



ABOUT US

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

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

5.3

BILLION KRONOR
IN SALES

147

PHYSICAL STORES

4

MARKETS

1,061

EMPLOYEES

12

NEW STORES IN 2017

-28%

CO2 EMISSIONS
SINCE 2009

OUR COMPANIES

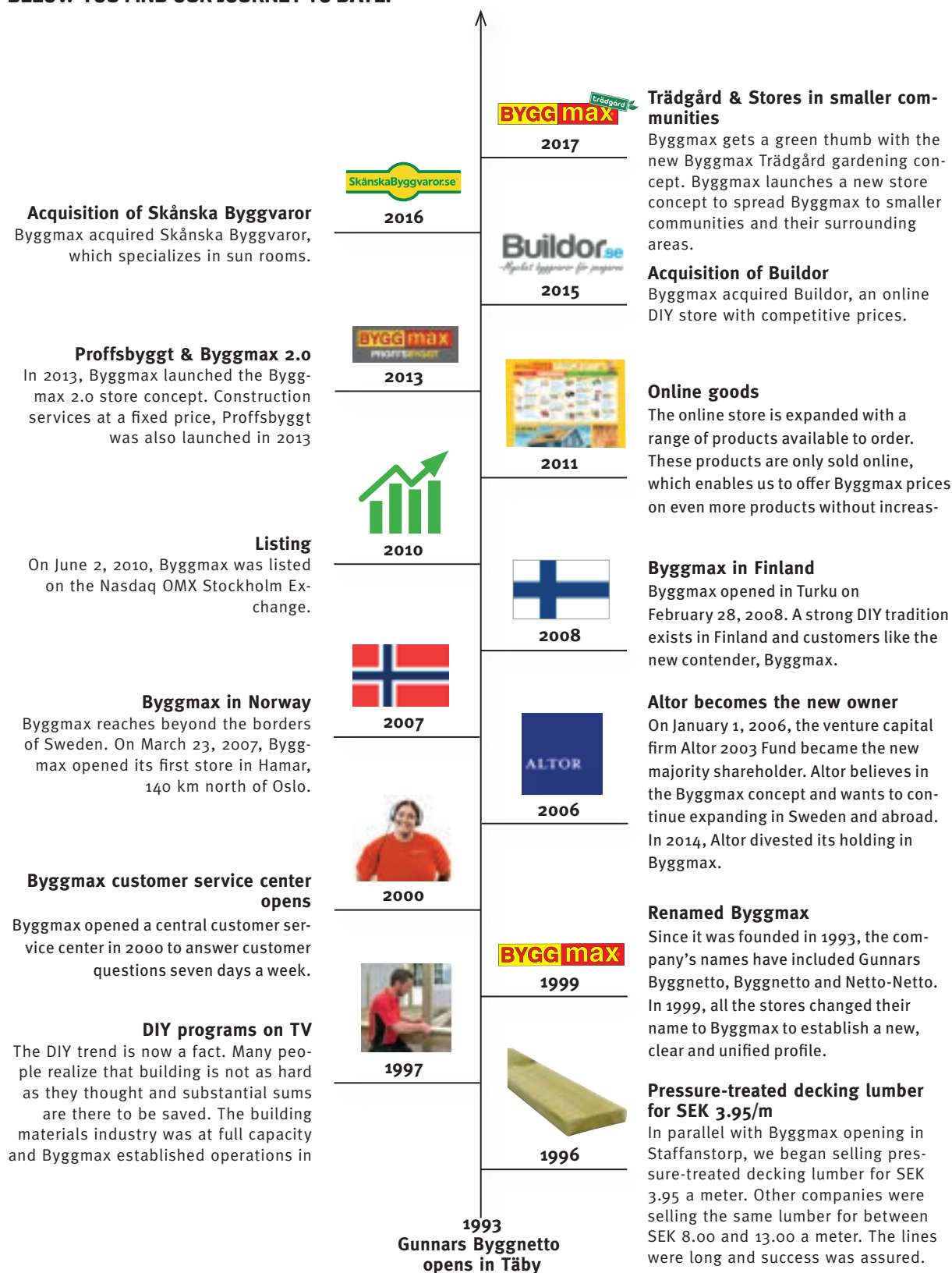
BYGGmax

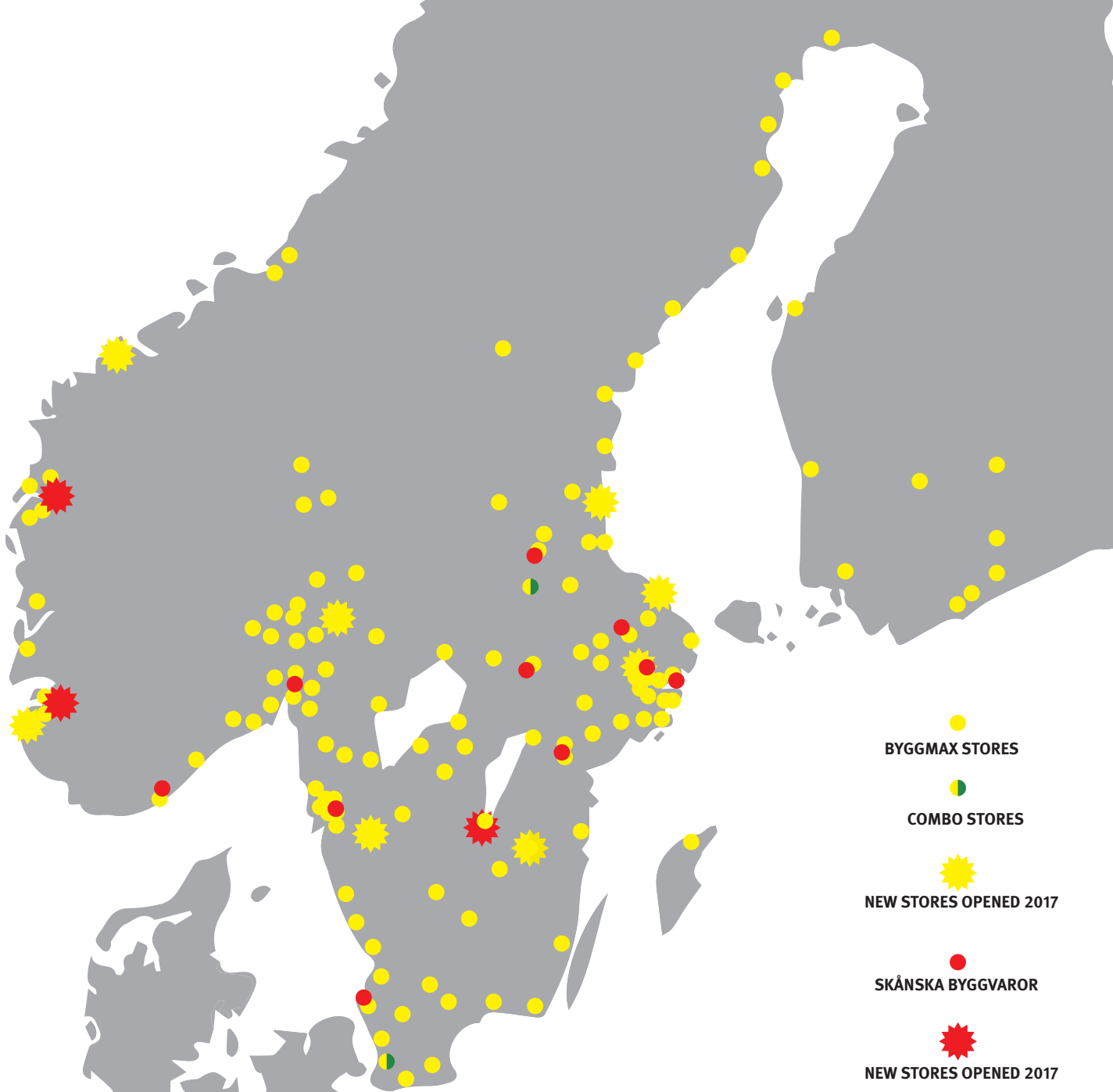
SkånskaByggvaror.se

Buildor.se
Mycket byggvaror för pengarna

THE HISTORY OF BYGGMAX

BYGGMAX HAS A NET SALES OF SEK 5.3 BILLION AND OPERATES IN FOUR COUNTRIES. BELOW YOU FIND OUR JOURNEY TO DATE.





BYGGMAX GROUP STORE OPENINGS

Byggmax 2017:
Sweden: Veddesta, Kalix, Marianelund, Söderhamn, Östhammar, Skene and the closed DYL shops.
Trädgård in existing shops: Borlänge and Vellinge. **Norway:** Eidsvoll, Ålesund and Bryne. **Finland:** closed Jyväskylä, Seinäjoki, Pirkkala and Oulu.

Skånska Byggvaror 2017: Jönköping.
Grønt Fokus 2017: Bergen and Stavanger.

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

Skånska Byggvaror 2016: Uppsala, Örebro, Falun, Malmö and Värmdö.

Skånska Byggvaror from earlier: Helsingborg, Gothenburg Tagene, Stockholm Barkarby and Norrköping.

Grønt Fokus: Oslo and Kristiansand.

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

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

2013 Sweden: Karlskoga, Torslanda, Sandviken, Härnösand and Arvika. **Norway:** Askøy, Larvik and Haugenstua. **Finland:** Espoo, Kangasala and Seinäjoki.

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

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

2010 Sweden: Ystad, Värnamo, Karlshamn, Trollhättan and Partille. **Norway:** Ski, Kristiansand, Stavanger, Fredrikstad and Hauge-sund. **Finland:** Jyväskylä.

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

2008 Sweden: Motala, Västervik, Örnsköldsvik, Hästeholm, Kungsbacka and Nyköping. **Norway:** Sarpsborg, Sandefjord, Drammen, Ullensaker and Bærum. **Finland:** Turku.

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

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

2005 Örebro and Karlskrona.

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

Uddevalla.

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

2002 Kristianstad.

2001 Borås and Löddeköpinge.

2000 Källered.

1999 Jönköping.

1998 Hisings Backa, Upplands Väsby and Umeå.

1997 Helsingborg.

1996 Staffanstorps.

1993 Täby, Halmstad and Västerås.

THE YEAR IN SUMMARY

IN 2017, BYGGMAX GROUP GENERATED SALES OF APPROXIMATELY SEK 5.3 BILLION, UP 2.0 PERCENT YEAR-ON-YEAR. THE EBITDA MARGIN EXCLUDING NON-RECURRING ITEMS AMOUNTED TO 8.9 PERCENT. THE COMPANY OPENED 12 NEW STORES AND HAD 147 STORES AT YEAR END AND AN AVERAGE OF 1,061 EMPLOYEES OVER THE YEAR.

FIRST QUARTER

- Net sales amounted to SEK 782.6 M (737.9), up 6.1 percent.
- EBIT before depreciation, amortization and impairment of tangible and intangible assets (EBITDA) amounted to negative SEK 23.5 M (neg: 24.2).
- The EBITDA margin was a negative 3.0 percent (neg: 3.3).
- Two (six) new stores were opened during the quarter: one Skånska Byggvaror store each in Sweden and in Norway.

SECOND QUARTER

- Net sales amounted to SEK 1,775.8 M (1,738.7), up 2.1 percent.
- EBITDA amounted to SEK 210.2 M (193.8).
- The EBITDA margin was 11.8 percent (11.1).
- Four (six) new stores were opened during the quarter: two Byggmax stores in Sweden, one Byggmax store in Norway, and one Skånska Byggvaror store in Norway.
- During the second quarter, a number of key individuals subscribed for warrants under the incentive program adopted by the General Meeting.
- During the second quarter, the subscription period commenced for the incentive program adopted in 2013.
- Byggmax Group completed changes to Group management in April to better support the Group's operations and priorities.
- During the second quarter, the Board of Directors set a new strategy and new financial targets. The target is organic growth of 10–15 percent per year, an EBITDA margin of 9–10 percent, and a dividend of at least 50 percent of net profit.

THIRD QUARTER

- Net sales amounted to SEK 1,812.8 M (1,767.8), up 2.5 percent.
- EBITDA amounted to SEK 260.1 M (317.5). EBITDA excluding non-recurring items amounted to SEK 266.0 M (268.5).
- The EBITDA margin was 14.3 percent (18.0). The EBITDA margin excluding non-recurring items amounted to 14.7 percent (15.2).
- Three (two) new stores were opened: three Byggmax stores in Sweden.
- Byggmax Group reached a final settlement for the earnout agreement with Buildor AB ahead of schedule, in order to enable synergies in online sales. This led to a positive earnings effect of SEK 33.4 M.
- Byggmax has begun the implementation of a new strategy to increase profitability in Finland: closing four stores in the fourth quarter of 2017 and opening a new store in the spring of 2018. Accordingly, a non-recurring cost of SEK 39.3 M was recognized in earnings. Sales in 2018 are expected to be negatively impacted by SEK 55–60 M as a result of the closings.

FOURTH QUARTER

- Net sales amounted to SEK 950.2 M (974.9), down 2.5 percent.
- EBITDA amounted to negative SEK 1.9 M (pos: 94.1). EBITDA excluding non-recurring items amounted to SEK 22.1 M (30.9).
- Three (one) stores opened during the quarter: one Byggmax store in Sweden and two Byggmax stores in Norway.
- Four (zero) Byggmax stores were closed during the quarter in Finland. This was to increase profitability in Finland, in accordance with what was previously communicated. The quarter was impacted positively by the reversal of discontinuation expenses of SEK 8.3 M.
- The fourth quarter was negatively impacted by restructuring costs of SEK 49.4 M for Skånska Byggvaror, for the purpose of focusing on the Garden Living core operation and of reducing operating costs.
- The Board of Directors proposes a dividend of SEK 2.50 (2.40) per share.

COMMENTS FROM THE CEO

POSITIVE TREND FOR THE GROUP

The Byggmax Group developed positively during 2017. Sales increased 2 percent, and profitability measured as EBITDA excluding non-recurring items was 8.9 percent. The Byggmax segment increased sales by 4 percent, captured market share and achieved its highest profitability in five years. The Group launched a new strategy in June 2017, and the initiatives executed started to generate positive results during the year.

MARKET CHANGES

The Nordic consumer market for construction materials remained largely unchanged during 2017, negatively affected by a late spring and early autumn. The Swedish market increased 3.8 percent, but remained driven by new housing production. The consumer market in which Byggmax operates was weak. During the same period, the Norwegian market decreased 0.8 percent and the Finnish market increased 2.2 percent.

STRATEGIC BUSINESS DECISIONS

The Byggmax Group continues to grow with both online sales and new stores. A total of 12 new stores were opened during the year, the goal having been to open 8–12 stores. Of the 12 new stores, nine were Byggmax and three were Skånska Byggvaror. At year end, the Byggmax Group had a total of 147 stores, of which 133 were Byggmax stores. In terms of the Byggmax segment, we see continued potential to expand with stores in Sweden, Norway and Finland.

The Group launched an updated strategy in June and implementation is proceeding according to plan.

The Byggmax segment has come furthest in implementation. Strategic initiatives contributed positively to a strong profitability development in 2017, being the highest in five years. We have closed and paused non-core activities (such as Design Your Living, B2B sales, Byggmax+ and Proffs-byggt), closed four unprofitable stores in Finland, and turned Byggmax online into a profitable business. We have positive indications for new growth initiatives: a smaller Byggmax format for smaller towns, and a garden concept. For 2018, focus for the Byggmax segment will increasingly be on growth.

Sales for Skånska Byggvaror decreased in 2017 by 11 percentage points, and the EBITDA margin excluding non-recurring costs decreased sharply. Skånska Byggvaror's financial development has been impacted by challenging comparable figures, price and mix effects, and previously reduced investments in product development.

Skånska Byggvaror is in the middle of a transformation towards a modern leader in Garden Living, building on the existing profitable business within conservatories, greenhouses etc. During the fourth quarter, we installed a new CEO in Oscar Tjärnberg, detailed the strategic plan, and restructured the cost base.

Buildor continued to grow strongly during the year, and profitability improved. The range has been greatly expanded and customer satisfaction remains very high.

SUSTAINABILITY AT BYGGMAX

Sustainability is important for us at Byggmax, and it impacts our decisions. Since 2009, an annual environmental report has been produced regarding Byggmax's environmental impact. We achieved our objective for reduced carbon dioxide emissions in 2017, ahead of schedule! Since 2009, our goal has been to reduce carbon dioxide per ton transported by 25 percent by 2020. This year's report shows that we have now reduced this by 28 percent since 2009, and that the amount of carbon dioxide released per ton of material sold decreased drastically during 2017. This was mainly achieved through more efficient handling of goods due to a larger proportion of products passing through the warehouse, as well as more transportation by boat. During 2017, the share of transportation by boat increased substantially as our new warehouse in Gävle became fully operational. As a further step in the right direction, Byggmax decided during the year that all new forklifts would be electric forklifts. A one-time investment will also be made to phase out all diesel forklifts that are older than ten years. During the period from 2009 to 2017, the amount of printed material per store decreased by 77 percent. As of 2011, Byggmax reports its sustainability initiatives in line with the Global Reporting Initiative's (GRI) framework for sustainability reporting. We report in line with the G4 Core level.



**WE MAKE IT POSSIBLE
TO QUICKLY, EASILY AND
CHEAPLY IMPLEMENT THE
LARGE OR SMALL CON-
STRUCTION PROJECT**





THE SHARE

The Board of Directors proposes a dividend of SEK 2.50 (2.40) per share. The Byggmax Group's dividend policy is to distribute at least 50 percent of net profits.

OUTLOOK

We are pleased and proud of our customers continued appreciation of our offering, and that we have a strong corporate culture with many talented employees. We are fully focused on implementing our strategic plan in 2018.

Focus for the Byggmax segment in 2018 will increasingly be on growth. The objective is to open 20 new Byggmax stores (of which ca five in the smaller format), thereby doubling the historical expansion pace. Our online business will also be focused on growth, now at good profitability, and we plan to expand the Byggmax garden concept to an additional ten stores.

For Skånska Byggvaror, 2018 will be a transformation year. We expect decreased operational costs, decreased revenues as marketing of non-core categories is reduced, and to end the year with a stronger, more profitable core business. Low-price concepts such as Byggmax stand strong also in tougher economic climates. We look forward to bring more of Byggmax to more customers through fast store expansion, profitable e-commerce growth, and a roll out of our garden concept.

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

Stockholm, March 7, 2018

Mattias Ankarberg
President and CEO

VISION, MISSION, TARGETS AND STRATEGY

THE BYGGMAX VISION IS TO BE NUMBER ONE IN THE MARKET FOR DIY ENTHUSIASTS. READ MORE ABOUT HOW WE INTEND TO ACHIEVE IT.

BUSINESS CONCEPT AND THE BYGGMAX CONCEPT

We are here for the customer. We are on your side — to make your home improvement project easier, cheaper and better!

The business concept is to retail building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Byggmax should be cheap, quick, easy, and friendly!

Below is a description of the Byggmax concept:

- **Low prices and a focused range:** Byggmax sells building supplies and other products to DIY enthusiasts. Our products have a high level of quality at the lowest possible price. All customers receive the same low price. A limited range of 3,000 products simplifies administration and procurement. In addition Byggmax offers a larger and expanding range of products, ordered from our online shop.
- **Drive-in model and self-service:** In our drive-in model, customers pack their goods directly into their vehicles, thus lowering our costs. The stores are located in suburbs, in locations with easy access for customers with vehicles.
- **Constant improvements:** We challenge every process to enhance efficiency and to improve operating profits in all our areas of operation.
- **Strong corporate culture and cost focus:** The foundation of Byggmax's corporate culture is a genuine entrepreneurial spirit. The store managers and all employees feel pride in their own areas of responsibility. This means staying on top of costs and maintaining a focus on key performance indicators to perform well. All head office personnel work at least once per year out in the stores to maintain their links to store operations.
- **Customer-oriented website:** The focused product range and the limited time for providing in-store advice, which both enable our low costs, are complemented digitally by our website. Detailed instructions are available there for most DIY projects, as is an expanded product range that currently comprises more than 30,000 items and which is continually expanding.

VISION

The Byggmax vision is to be number one in the market for DIY enthusiasts.

GOALS

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

- Organic sales growth of 10 to 15 percent per year.
- The EBITDA margin should be 9 to 10 percent per year.
- Distribute at least 50 percent of net profit.

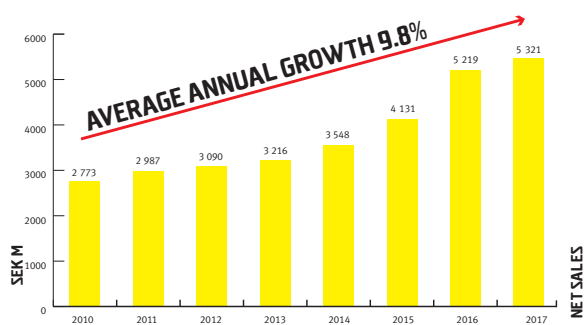
The company's long-term financial targets were updated in connection with the launch of an updated strategy in June 2017. To realize the strategy, a number of initiatives to increase efficiency and the rate of growth were implemented in 2017 and will be implemented in 2018. The ambition of the Byggmax Group is to achieve these new financial targets in 2019.

Follow-up of targets

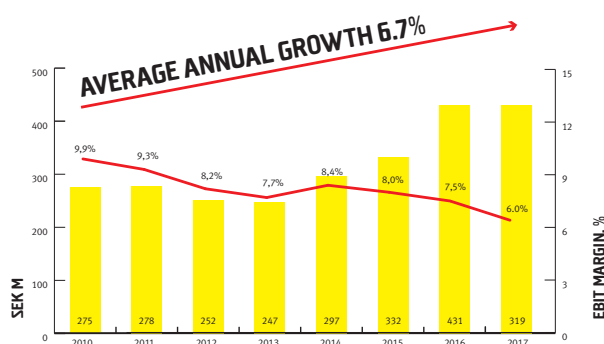
Byggmax net sales grew by 2.0 percent in 2017. The Byggmax segment has come furthest in implementing the new strategy. The Byggmax segment increased sales by 4 percent, captured market share and achieved its highest profitability in five years. Byggmax Online also turned around into profitability during the year. Skånska Byggvaror net sales decreased by 11 percentage points in 2017, and the EBITDA margin excluding non-recurring costs decreased drastically. Skånska Byggvaror's financial development has been impacted by challenging comparative figures, price and mix effects, and previously reduced investments in product development. Buildor continued to grow strongly during the year, while profitability improved. For follow-up of environmental objectives, refer to the Environmental Report.

The EBITDA margin including non-recurring items amounted to 8.4 percent. Earnings were negatively impacted by restructuring costs of SEK 32.3 M for Skånska Byggvaror, for the purpose of focusing on the Garden Living core operation and of reducing operating costs. To increase profitability in Finland, Byggmax closed four stores in 2017 and will open one store in the spring of 2018, all in accordance with the new strategy being implemented. As a consequence of closing the four stores, results were impacted by a non-recurring cost of SEK 30.9 M. In addition, earnings were positively affected by reversal of the Buildor earnout of SEK 33.4 m. Excluding non-recurring items, the EBITDA margin totaled 8.9 percent.





Byggmax posted average annual net sales growth of 9.8 percent during the 2010–2017 period.



Byggmax posted average annual EBIT growth of 6.7 percent during the 2010–2017 period. In 2010, the EBIT margin was impacted by listing costs. The EBIT margin amounted to 8.3 percent in 2015 excluding acquisition costs. Skånska Byggvaror was acquired on January 4, 2016 and consolidated into the Group from January 1, 2016. Earnings in 2016 were impacted by the revaluation of the earnout (SEK 112.3 M) linked to Skånska Byggvaror Group AB and Buildor AB. 2017 earnings were affected by non-recurring items for the closing of four Byggmax stores in Finland (SEK 30.9 M) and non-recurring items for the restructuring of Skånska Byggvaror (SEK 49.4 M).

STRATEGIES FOR ACHIEVING THE TARGETS

The Byggmax 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:

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

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

Simple and efficient operating model

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

During 2017, the Byggmax Group also implemented a number of specific measures to increase efficiency and profitability. These include terminating the Design Your Living concept and sales channels to professional purchasers, restructuring the store network in Finland and launching a transformation of Skånska Byggvaror from building materials retailer to a niche competitor in Garden Living (sun rooms, garden buildings, greenhouses, etc.).

Focused organic growth

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

- **New shops:** grow to an identified potential of 210 stores in current markets (Sweden, Norway and Finland) and in addition test a smaller Byggmax format for profitable growth in smaller localities – a segment representing 20 percent of the market that currently has a low level of Byggmax presence. The smaller format was launched in two new stores in Sweden this summer: Mariannelund (July) and Kalix (August).
- **Online store:** Byggmax launched online shopping back in 2008 and currently occupies a unique position with the possibility of gaining in online shopping moving forward. This, given the strong Byggmax brand, a strong position in the low-price segment, a broad online product range and the possibility of using the Byggmax store network to create efficiency in logistics and an omnichannel experience for customers. Byggmax aims to profitably grow faster than the online market.
- **Product range development:** In addition to continually upgrading its product range offering, Byggmax has developed a Byggmax concept for gardening products. The concept is built on Byggmax's strengths: a store format with a drive-in and ease of shopping, a focused product range with quality products and the lowest possible prices. The gardening concept was tested in two shops in Sweden this summer: Borlänge (June) and Vellinge (July).

VALUE DRIVERS

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

Short-term factors:

- **Trends in purchasing prices** – Purchasing prices affect Byggmax's gross margins. Historically, the market has passed on adjustments in purchasing prices to the customer.
- **Competitors' pricing** – Byggmax's pricing strategy is based on underpricing the competition with the aim of being the cheapest. Therefore the competition's pricing affects margins.
- **Short-term trends in the DIY market** – Byggmax operates in the DIY market and, accordingly, its trends impact the company.
- **Weather** – Byggmax sells a substantial amount of products for outdoor use, which is why sales are impacted by weather conditions.
- **Availability of attractive store locations** – the establishment of new stores forms a key element of Byggmax's strategy both in the short and long term, and therefore the availability of new store locations is important.

Long-term factors:

- **Ability to maintain a strong corporate culture** – The Byggmax culture has played an important role in the

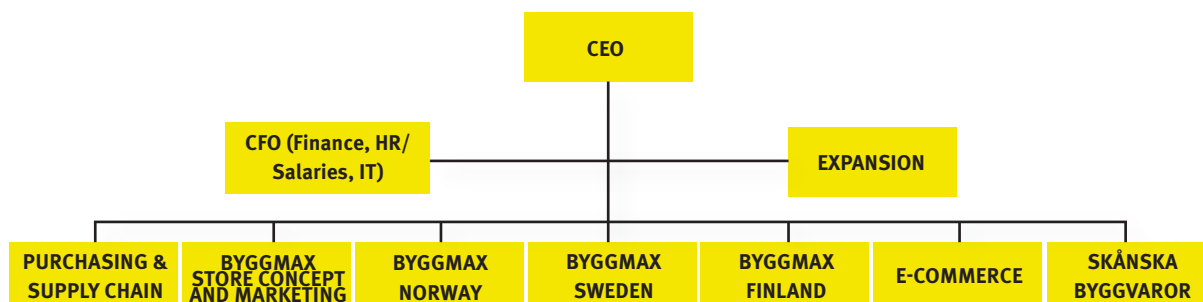
company's success, and maintaining it is a key factor.

- **Ability to implement the company's strategy and business concept** – Maintain 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 Byggmax concept has remained true to the original since the beginning. However, the concept has developed over time and new ideas have been tested and incorporated or discarded.
- **Long-term development of the DIY market** – Byggmax operates in the DIY market and is thus impacted by market trends.
- **Trends in the attractiveness of the low-price segment in the DIY market** – Byggmax's operates in the low-price segment. Trends in the long-term development of this sector are therefore important.
- **Strategies of the competition and their implementation thereof** – Byggmax operates in a competitive market and the actions of the competition affect the company.
- **Trend in demand for sun rooms** – Sun rooms represent an important product group for Skånska Byggvaror, one of the companies in the Byggmax Group.
- **E-commerce trend in building supplies** – E-commerce comprises a significant portion of Byggmax's sales and is an area in which the Byggmax Group is investing.
- **Sustainable development** – Sustainability is important for Byggmax, and it impacts the Group's decisions.

BYGGMAX GROUP ORGANIZATION

Byggmax has a resource-efficient organization with the majority of business activities centrally managed. Aside from the sales force, which is based in Byggmax stores, most business processes are managed from the service office in Solna, Sweden, function-wide across all brands and stores, which promotes efficiency and the economies of scale that characterize the Byggmax business model. Byggmax stores are organized around three main areas of responsibility: country, regional and store management. The country managers are responsible for the entirety of their section. The regional managers are responsible for a number of store managers within a region, that manages daily operations.

Skånska Byggvaror has a resource-efficient organization in which many business activities are managed either centrally, or very close to operational activities. Apart from sales personnel in the local stores – direct operational staff linked to product and order flows that are localized to core operations in Bjuv and Ängelholm respectively – most of the other business processes are handled by the support organization at the service office in Solna, near Stockholm. In 2017, Byggmax Online was merged with Buildor to create a shared online shopping organization. Creating this shared organization created synergies in which the respective strengths of Buildor and Byggmax create a stronger whole.



The Byggmax Group structure after changes, Spring 2017

BYGGMAX

SINCE THE COMPANY WAS FOUNDED IN 1993, THE BYGGMAX CONCEPT HAS BEEN ESSENTIAL TO THE DEVELOPMENT OF OPERATIONS. THE CONCEPT IS BASED ON A FOCUSED PRODUCT RANGE, A RESOURCE-EFFICIENT ORGANIZATION, A STRONG CORPORATE CULTURE AND CONSISTENT PRICING STRATEGY.

BUSINESS MODEL – POSSIBLY THE SIMPLEST IN THE WORLD

Byggmax stores in Sweden, Norway and Finland offer affordable high-quality products for the most common maintenance and DIY projects. The primary target group is consumers and the product range encompasses standard building materials, such as lumber, insulation, sheets and boards as well as paint – at the same low price regardless of whether the customer is a professional or a private consumer. With its focused range, Byggmax handles large volumes and can obtain economies of scale in purchasing and logistics.

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

Today, Byggmax has a strong market position, an extensive store network and a recognized brand.

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

Operations are managed from the service office in Solna, Sweden. The company’s business model serves as a platform to generate continued organic growth through both the expansion of the store network and increased comparable sales per store. Byggmax has a large economic impact. During the year, Byggmax had about 1,000 employees who made many people’s building dreams a reality.



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

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



MARKET — POTENTIAL FOR CONTINUED ORGANIC GROWTH

Byggmax conducts business activities in the Swedish, Norwegian and Finnish DIY markets. The European DIY market generates sales totaling approximately EUR 112.8 billion (estimated DIY market size in 2013) according to Mintel¹ and is expected to grow by about 2 percent annually over the next five years compared with average annual growth between 2009 and 2013 of 2.2 percent.

Corresponding figures for the same period for Sweden, Norway and Finland show average annual growth that has outperformed many other European markets since 2009, with Sweden at the top with 7.6 percent. Sweden, Norway and Finland jointly represent almost 5 percent of the European market, with Norway accounting for the highest DIY sales per capita in Europe.

The assessment is that growth opportunities in the Nordic region remain favorable. The building materials market is fragmented. It is relatively expensive to hire professional tradesmen, and there is a longstanding DIY tradition. Interest in home renovation and interior design has grown markedly in the Nordic region since the mid-1990s, which can be seen in the large number of DIY/home decorating television shows and the range of interior-design publications.

Competition

Byggmax's competitors are other retail chains, online stores and purchasing organizations, as well as independent stores. The Swedish market has been dominated by Beijer and local DIY retailers, but the international chains and, above all, Byggmax are the companies growing rapidly. Many international chains, for example Bauhaus and K-rauta, are expanding.

The Norwegian market is dominated by a few strong chains with Byggmakker 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.

OFFERING — SIMPLICITY AND LOW PRICES

The typical Byggmax customer is aged between 25 and 60 and the owner of a detached house, who wants to repaint the house, build a terrace or put up a fence. The majority are private consumers Byggmax's primary offering includes the materials needed for building a house or completing the most common repairs, maintenance or DIY projects. Byggmax's offering is based on simplicity and low prices — customers should focus less on their purchases and more on their DIY projects. Prices and stock availability are available from the website and stores have drive-in facilities, where customers do more themselves and the stores require fewer employees. By having a focused product range, Byggmax can maintain high volumes of sales for most of its products. In addition, the range primarily contains products that require a lower level of assistance and technical support, for example, sawn lumber, insulation and sheets and boards. Most Byggmax stores have an identical range of products, thus assisting customers in their purchase planning. The range consists of the most in-demand building materials and includes nearly 3,000 products, which is far fewer than the industry norm where large retailers may have up to 100,000 products. The roll-out of the upgraded store concept Byggmax 2.0 has meant a slight increase in the range to cover a larger proportion of customers' needs for building materials. The range in the stores normally only changes marginally from year to year since demand for products for repairs, maintenance and DIY projects is relatively stable.

Demand and customer requests for specific new products are followed up by store personnel and the purchasing department based on close and regular contact. Byggmax also offers a range of online goods that are largely sent directly from the supplier to the customer. The range of products available to order is supplemented on an ongoing basis with new items.

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.

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

AS A MAJOR PURCHASER OF CONSTRUCTION PRODUCTS, BYGGMAX CAN BE PART OF INFLUENCING PRODUCT DEVELOPMENT

PURCHASING, DISTRIBUTION AND LOGISTICS – EFFICIENCY AT EVERY STAGE

Byggmax purchases its products from around 400 carefully selected suppliers, of which three-quarters are located in the Nordic countries. To an increasing extent, Byggmax sources products locally – lumber, for example.

As regards lumber – Byggmax's largest product group – all purchasing is done within the respective countries with the exception of Norway, where there is a great deal of imports from Sweden. Byggmax avoids being dependent on a single supplier by having several suppliers per product category and ensures that stores have products in stock even if a supplier has encountered delivery problems.

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

The greatest volumes are delivered by the supplier directly to the stores, in full truckloads. Byggmax has three distribution centers that handle half of all products, which has given us the preconditions to maintain lower inventory levels, decrease costs and purchase at lower prices. The proportion delivered via the distribution centers has increased in recent years. During 2016, Byggmax opened a new distribution center in Gävle's port area.

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

The high inventory turnover places major demands on efficient distribution and logistics, which is why an advanced order merchant system is used. Most purchase orders are handled automatically. The purchasing department can identify inventory shortages in all of the stores at any one time and place an order. It can often be difficult as a retailer to get the opportunity to participate in and influence the life cycle of a product. By being a large purchaser of construction products, Byggmax can be part of influencing the development of products, manufacturing, distribution, and return systems. Our method of conducting purchases is important because everything we sell comes from others. Furthermore, thanks to our working methods we are able to influence other companies, for example by setting terms of employment for our suppliers' employees.

SALES – WINNING STORE CONCEPT AND SUCCESSFUL ONLINE SHOPPING

Since 2003, the store network has expanded from 19 stores to a total of 133 stores, of which 88 are located in Sweden, 36 in Norway and 9 in Finland. By owning and operating the individual stores itself, Byggmax can control every aspect of daily operations and ensure that the concept is fully applied throughout the store network. The performance of store managers is measured by key performance indicators (KPIs) that the managers themselves are able to directly affect to a significant degree. The store managers compare their performance with stores generating comparable sales and exchange experiences to meet their KPIs. Since 2009, part of each store's day is processing the online store orders that are sent from store to customer. Store personnel have to provide information about and sell the new range of online goods that are sent directly to the customer from the supplier.

Stores

Byggmax's stores have a standardized design for store communication, interior fittings and display of merchandise. Even if stores can vary in size and design, customers always recognize a Byggmax store. All stock is located in the area or directly adjacent to the area where sales are made. The stores are designed to enable customers to drive into and around the site, and to allow customers to quickly load goods into their vehicles. All stores have a number of trailers that customers can borrow free of charge. All products are clearly labeled with prices and this facilitates driving between open storage and storage racks used outside for displaying merchandise. Inside, in the heated area of the store, products are located according to product category. As an inventory is regularly taken of the entire stock and all stock is procured centrally by head office, the shelves and store are rarely out of stock. The stores are sparsely manned. The main task of store employees is to organize the store's inventory, receive deliveries, assist customers and manage payment transactions.

Byggmax Trädgård

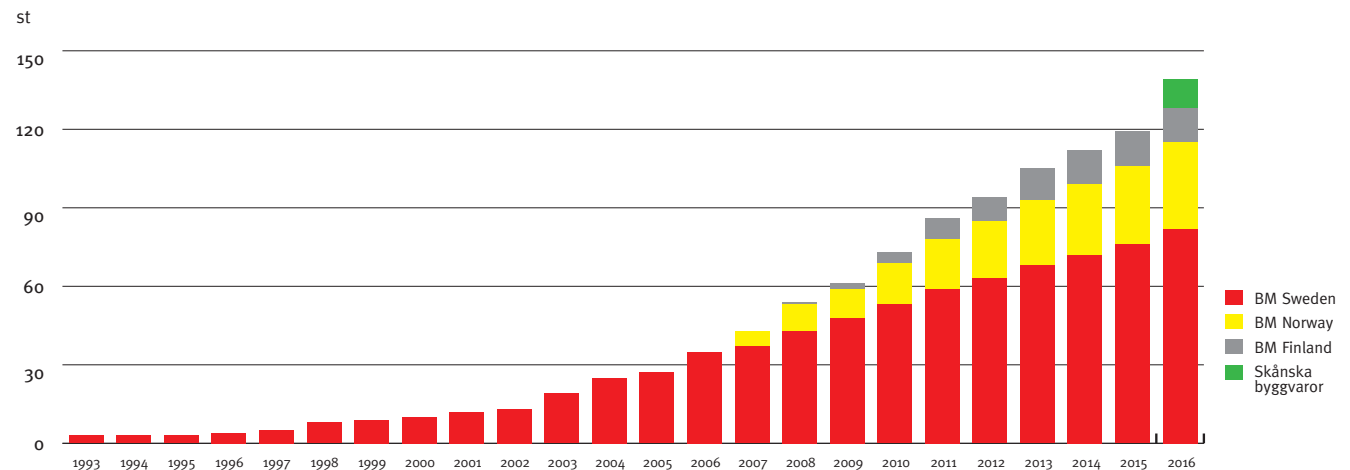
During the year, Byggmax launched the new Byggmax Trädgård concept, with pilot stores in Borlänge and Vellinge. The sale of plants, seedlings and soil has been tested at all Byggmax warehouses for several years. Demand is strong, and we are confident in the combination of low prices and the drive-in concept in gardening. During 2018, Byggmax will open several stores in which construction products and gardening will be combined.

Byggmax for smaller communities

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

The costs of opening a new store are limited and a new outlet is expected to contribute to profitability after one year, and reach full sales maturity within two to three years. After a new rental lease is signed, environmental screenings – if any – are completed and the property made ready for occupancy, it normally takes Byggmax four to six weeks to open a store. The aim is to open new stores immediately before or in conjunction with the hectic summer season. During the past four years, Byggmax has opened an average of eight new stores every year. If Byggmax identifies a more attractive store location in an existing area, the store is relocated. This is one way of developing operations.

NUMBER OF STORES



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

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.

Online store

Byggmax Online was launched in 2009 as a way of expanding the sales channels, but e-commerce is more significant than this alone today. Customers interested in building can find inspirational films and are met by a wide range of building materials and home and gardening products so they can find the exact quality and function they are looking for, at the right price. For this reason, Byggmax has extended its range extensively and now offers over 30,000 products on the Swedish website and 20,000 on the Norwegian and Finnish websites respectively. This allows us to offer the same product range as a much bigger building materials retailer, but without the major fixed costs and tied-up capital. Byggmax does not only focus on customers interested in building, but also on those who want to have their entire building project completed without being personally involved. This is why the Building

Planner was launched in 2015 – a unique and pioneering tool that customers can use to design their room according to their own taste and have the entire room renovated and completed at a fixed price, including construction services. E-commerce is also an important source of information for customers who choose to visit a Byggmax store, as the website continuously updates prices and stock levels for each individual Byggmax store. This enables customers to check from the comfort of their home if the product they are seeking is available ahead of any visit to a Byggmax store. E-commerce will continue to be an important part of our operations and we will make major investments in this area in 2018.

Retailing construction services

Proffsbyggt offers customers the chance to purchase services at a fixed price. The services can be purchased via Byggmax's

website, and at stores and over the telephone at the Byggmax customer service center. Customers can purchase flooring, painting, plumbing and electricity services as well as various construction services at fixed prices.

MARKETING — CONSISTENT BRAND STRATEGY

Between 2010 and 2017, Byggmax has consistently applied its “Sverige bygger” (Sweden builds) and “Norge bygger” (Norway builds) advertising concept, and has continuously expanded the store network over this period, which has gradually strengthened the brand. Byggmax has now managed to achieve favorable brand recognition in Sweden, Norway and Finland. The brand is strengthened by the company’s distinct business concept and the characteristic and effective store design made clear by the 2.0 concept.

Byggmax has invested substantial time and effort in developing its brand and attaining economies of scale in its marketing concept. Advertising uses a consistent form of expression, with realistic situations and real customer projects, which adds a documentary feeling to the activities, all of which is in line with the strategy of making things easy for DIY enthusiasts. Byggmax’s customers are the main characters in television commercials, advertisements, direct mail and on the website. Customers are interviewed while carrying out their building project over a summer and comment, without being directed, on Byggmax and its products. The concept demonstrates the geographical spread of Byggmax by using

customers from all over Sweden. In particular, according to independent trade publications and surveys, it has strengthened Byggmax’s price profile and brand. In the summer of 2017, the first season of Byggmax’s and Jarowski’s production *Alla Bygger* (Everyone’s Building) – which has the same concept as the advertising films – was broadcast on TV4.

This move has enabled increased sales figures and led to the Byggmax advertising department, led by Marketing Manager Emelie Gessner, winning the prize for Sweden’s Best Marketing Manager in the DIY store category at the Resumé gala in October last year.

Byggmax does not use any advertising agencies in Sweden or Norway. TV commercials are produced with the assistance of a production company and all Byggmax advertising is produced in-house. In Finland, the new concept launched in 2015 has continued to strengthen Byggmax’s profile. During the high season, Byggmax comes out on top in terms of brand awareness and DIY stores with the lowest prices. The new concept has received major acclaim and won gold at the Effie Awards, one of Finland’s top advertising prizes.



BYGGMAX'S NEW CONCEPT

BYGGMAX HAS GOTTEN A GREEN THUMB

In the summer of 2017, Byggmax launched the new Byggmax Trädgård concept, with pilot stores in Borlänge and Vellinge that were inaugurated with pomp and circumstance. Byggmax sees a great potential in this concept – as far as we know, no one else combines low prices and the drive-in concept in gardening.

The sale of plants, seedlings and soil has been tested at all Byggmax warehouses for several years, and demand has been strong. Byggmax Trädgård concentrates on a focused product range of 700 products (stock-keeping units) in everything from fertilizers to and seeds to pots and gardening equipment. We are now reviewing the possibilities of rapidly opening several gardening shops in conjunction with our existing Byggmax stores.



NEW BYGGMAX FORMAT FOR SMALLER COMMUNITIES

During the year, Byggmax also launched a format for smaller communities. We want everyone to be closer to a Byggmax, and to have the opportunity to complete the building projects they've dreamed about at a lower cost. The Byggmax format for smaller communities entails a somewhat smaller product range where goods can be easily ordered online that can then be picked up at local stores or delivered.

The first shops in the format for smaller communities were opened in Mariannelund and Kalix during the summer of 2017. Byggmax will open additional shops in this format during 2018. By establishing ourselves in smaller communities, we also create job opportunities in more locations around the country.



STRONG CORPORATE CULTURE – BYGGMAX'S VALUES

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

Byggmax's solid corporate culture — Byggmax's values — is a prerequisite for the successful application and development of the company's business model. The corporate culture highlights freedom of action (facilitating fast and correct decision-making for employees and managers), a flat and communicative organization, cost awareness, and efficiency in daily operations. Consultants are seldom used, and regional managers are normally recruited internally — primarily through the promotion of store managers. As a result, the organization is characterized by efficient decision-making processes and a distinct entrepreneurial spirit. The corpo-

rate culture is maintained by means of robust and integrated business methods, continuous internal communication and through the presence of corporate culture bearers with extensive experience in various areas of operations. All service office personnel work at least once per year out in the stores, so as to maintain their links to store operations. Byggmax applies a Lean approach at both the service office and in the stores. Application of a Lean approach means working on resource efficiency, continually improving business processes, and minimizing waste. 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 Byggmax.

POSITIVE ATTITUDE

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

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.

COMMITMENT

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

FUN

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

100%

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



BYGGMAX GATHERED ALL PERMANENT EMPLOYEES AT A MAJOR CONFERENCE ON NOVEMBER 16-17, 2013, TO DRAW UP A NEW SET OF VALUES.

SKÅNSKA BYGGVAROR

Rebuilding for continued growth in the Nordic region. Skånska Byggvaror is a leading Nordic online shopping company, with strong and profitable operations in categories related to gardening buildings such as sun rooms and greenhouses.

Growth was significantly lower in 2017 compared with the market index. Skånska Byggvaror's sales decreased 11 percent year-on-year, a loss explained primarily by challenging comparative figures, price and mix effects, and previously reduced investments in product development. The reduction in the ROT (Repairs, Conversion and Extension) deduction and stricter granting of credit also contributed to the consumer market subsiding during the year.

Earnings in 2017 decreased as a result of underlying operational costs; commercial investments and indirect costs did not decrease in proportion to decreased sales. Earnings were also negatively affected by non-recurring conversion costs (see further page 37).

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 14 new stores to increase market penetration and make it easier for customers

to "touch and feel" the products. The products are presented in stores in natural and homely environments. Store expansion has been achieved through a Shop-In-Shop concept inside Plantagen stores. Regardless of the channel, customers can contact Skånska Byggvaror physically, digitally or via telephone. Three new stores in Bergen, Stavanger and Jönköping were opened in 2017.



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. Skånska Byggvaror is also represented on the Danish market through the subsidiary Pavillon.



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.

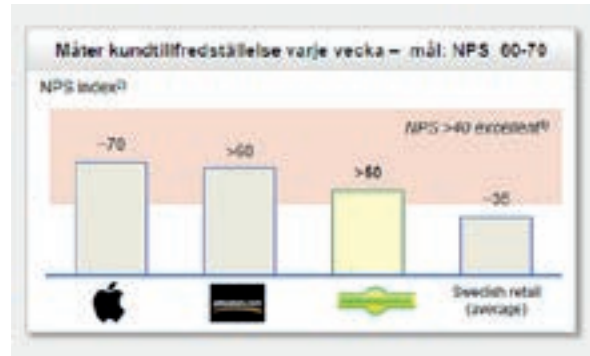


Our value chain — a unique model

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.

NPS leads to more satisfied customers

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



Focus areas in 2018

During the autumn of 2017, a new CEO of Operations was appointed, and a new business plan for 2018 was prepared.

2018 will be a year of changes for operations, as Skånska Byggvaror will be transformed into a modern leader in Garden Living – sun rooms, greenhouses, and related fixtures with solid financial earnings as early as 2019.

The initiatives for this will take place in the following areas:

- Investments to strengthen online shopping competence, and to strengthen the proprietary product portfolio in core categories such as sun rooms and greenhouses.
- Decreasing sales of less profitable products outside of core operations. This is implemented in an initial step through decreased marketing and product exposure. Categories outside core operations include doors, windows, garage doors, archive cabinets, bathroom furniture, saunas, storage, and closets.
- Restructuring the cost base to lower operating costs. This includes reorganization into a smaller head office, consolidation of logistics and office premises, and increased store efficiency through reduced product range exposure and decreased staffing.



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

BUILDOR — A LOT OF BUILDING MATERIALS FOR YOUR MONEY

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

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

That we grew so quickly is not least a result of the fact that we focused a lot on the satisfaction of our customers combined with a very wide product range. With its goal of making it easier and more pleasant to shop for building materials, much of Buildor's corporate culture is in line with that of Byggmax. Furthermore, the two companies complement each other both in terms of product range and purchasing channels.

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



and gardens. When, early on, we looked at how Buildor would benefit from becoming a part of a larger group, we saw there were a lot of synergies with Byggmax. Particularly in terms of purchasing, cross-selling and sharing skills, all of which benefit both companies.

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.

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

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 Byggmax stores, most business processes including online shopping are managed function-wide across all stores by the service offices in Solna, near Stockholm, and in Helsingborg. Thus, there are no local offices — a feature that contributes to the efficiency and economies of scale that characterize the Byggmax concept. Store operations in the Byggmax group 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 2017, there were ten 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 – 1,061 IN THE BYGGMAX GROUP

During 2017, the Byggmax Group had an average of 1,061 full-time employees, with store personnel accounting for the majority of the workforce. Due to significant seasonal variations, the operations require flexible store manning, which is achieved by having a substantial proportion of part-time employees. The relatively high degree of personal freedom of action for employees in combination with clearly defined areas of responsibility has created a highly motivated organization. Work attendance vis-à-vis normal working hours was 97 percent (96) during the year for Byggmax and 98 percent (97) for Skånska Byggvaror. Investments in store personnel are made on an ongoing basis through regular internal training courses in product knowledge, sales and customer service. 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 8.1 M in 2017 and SEK 8.7 M in 2016.

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 2017 fiscal year, the distribution of reported work accidents was as follows: Out of 32 personal injuries, six were to women and 26 were to men at the Byggmax Group.

TRAINING

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

EQUAL TREATMENT

Byggmax strongly distances itself from any form of discrimination. Written policies and procedures, in the form of an equality policy, personnel policy, ethical guidelines, HR strategy and an action plan for cases of abusive treatment are all contained in the Byggmax and Skånska Byggvaror personnel manuals, which are available to all employees. The Equality Policy is also published on the Byggmax website. No known incidents of discrimination occurred in 2017. Equal pay regardless of gender, background, etc., is a natural part of our organization and forms a part of our set of values as it is included in the value word "Respect."





WORK-RELATED INJURIES	2017	2016
NUMBER OF PERSONAL INJURIES, EMPLOYEES	32	18
FATALITIES	-	-
NO. OF LOST TIME INJURIES (LTIS)	18	7
TOTAL NUMBER OF DAYS ABSENT (CALENDAR DAYS) DUE TO WORK-RELATED INJURIES	29	170

ACCIDENT RATIO	3.67	1.8
WORKING DAYS LOST	3.33	16.8

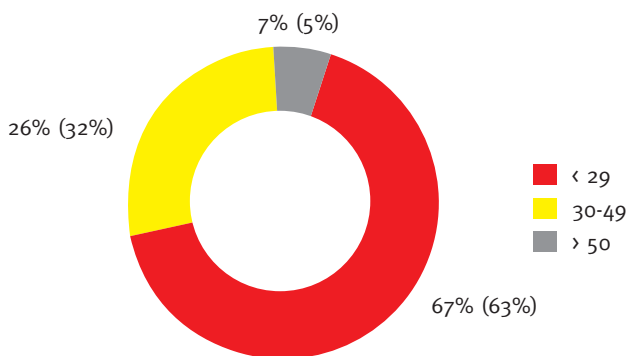
	INTRODUCTION, NUMBER OF HOURS	ANNUAL REPETITION, NUMBER OF HOURS
PICKERS	15	10
STORE EMPLOYEES	180	60
STORE MANAGERS	310	100
REGIONAL MANAGERS	80	80

	2017	2016
WOMEN'S SALARIES AS A PERCENTAGE OF MEN'S	99.7%	100.5%

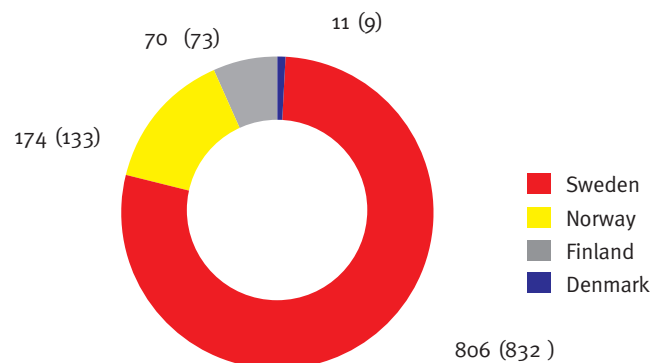
GENDER	STAFF TURNOVER	
MEN	70%	63%
WOMEN	71%	59%

AGE	STAFF TURNOVER	
30	92%	83%
30-40	45%	35%
40-50	44%	31%
50+	30%	39%
TOTAL	70%	62%

WORKFORCE, AGE DISTRIBUTION



WORKFORCE, EMPLOYEES BY COUNTRY



BYGGMAX RESPONSIBILITIES

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

The Byggmax Group is a part of society, and intends to stay that way for a long time to come, which is why it is important for us to contribute to sustainable development by ensuring that our operations meet our sustainability goals. The company's social responsibility extends over many different areas and varies in nature depending on the company's operations. Skånska Byggvaror offers production, which was previously not present in the Group. The environmental impact by that company is included in the environmental reporting, and the intention for 2018 is to develop a Group-wide sustainability initiative and reporting format based on GRI Standards.

Through our collaborations in Europe, such as our Bricoliance purchasing collaboration, we can also take responsibility for our purchasing outside Europe, despite the relatively small volumes we purchase in those geographies. Byggmax is also involved in EDRA, the European collaborative organization for DIY retailers. Through this organization we participate in the dialogue with politicians in Brussels, and we also collaborate with our suppliers.

Our reporting also contains information on Byggmax's responsibilities. We have set a goal of achieving a 25 percent reduction in carbon dioxide emissions, measured as emissions per ton transported, by 2020. We set this goal in connection with our first environmental report in 2009. In 2017, work continued on reducing the environmental impact and carbon emissions per ton of goods carried. Since the first measurements in 2009, carbon emissions have decreased by 28 percent per ton transported, and we have achieved our goal ahead of schedule.

We see effective logistics solutions as a key factor in reducing our climate impact. This is one of the reasons we are setting up 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 to consolidate deliveries out to the Byggmax stores. Purchasing viaboats instead of trucks significantly reduces carbon emissions and the burden on the traffic system.

During 2017, Byggmax decided to henceforth purchase only electric forklifts and to switch out the older diesel forklifts. The change is part of Byggmax's environmental efforts, which over time will drastically reduce the company's purchases of fossil fuels.

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



Mattias Ankarberg, President and CEO

POLICIES AND GUIDELINES

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

HUMAN RIGHTS

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

Principle 2: Businesses should make sure that they are not complicit in human rights abuses (work environment policy, diversity and equality policy).

LABOUR LAW

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

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

Principle 5: Businesses should uphold the effective abolition of child labor (Code of Conduct for suppliers). Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation (Work environment policy, diversity and equality policy, and Code of Conduct for suppliers).

ENVIRONMENT (ENVIRONMENTAL POLICY)

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

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

Principle 9: Businesses should encourage the development 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. All of these documents form part of the Byggmax work environment process, which ensures that these documents remain relevant to the organization.



BYGGMAX IMPACT

Byggmax purchases products primarily from the Nordic region and Europe, and around five percent from Asia. Buildor purchases completed products from 102 producers and wholesalers, of which 99 are in the Nordic region, three in Europe and none outside Europe. Skånska 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. The greatest opportunity for Byggmax, Buildor and Skånska Byggvaror to influence sustainable development relates primarily to the environment, specifically the transportation of goods to stores.

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

MEASURING METHODS AND REVIEW

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

MATERIALITY ANALYSIS

Byggmax's sustainability report presents GRI disclosures concerning its primary commercial operations. These operations comprise the store organization of Byggmax AB, including affiliates, as well as the subsidiary Svea Distribution and Skånska Byggvaror, where applicable. The administrative element of the organization and of Buildor is not included in the sustainability report, since its impact is insignificant in relation to the store organization. All Group subsidiaries, except Byggmax Fastighetsutveckling AB, are jointly reported

unless otherwise specified. Byggmax Fastighetsutveckling AB is not reported at all, since the company did not conduct any significant operations in 2017.

In 2010, the first ever materiality analysis was carried out together with Byggmax's stakeholders in order to identify and prioritize significant issues which form the basis of the report's content. This analysis is kept updated and current via an ongoing dialogue with the stakeholders. For more information, see the "Process" appendix to define the contents of the report and application of the accounting policies. The issues identified as significant based on both the analysis and the GRI's aspects are outlined below.

Finances:

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

Environment:

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

Employment conditions and terms of employment:

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

Human rights:

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

Product responsibility:

- Product and service labeling (outside the organization)

OUR RESPONSIBILITIES, CONTINUED

STAKEHOLDERS

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. The policy applied to select which stakeholders Byggmax will systematically communicate with has been to select those parties with which communication is frequent at present. A description follows of how Byggmax communicates with key stakeholders:

Customers: Through advertising, the website, customer service and employees in the store. This communication is conducted on a daily basis.

Suppliers: via the service office through purchasing. This communication is conducted on a daily basis.

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

Politicians: Byggmax has relatively limited contact with political organizations and spokespersons. The company is a member of a European collaboration, EDRA, which has a number of contacts at EU level. EDRA has meetings two to four times per year in which Byggmax participates.

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

Core issues for Byggmax stakeholders are defined as follows:

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

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

Employees: The stability and attractiveness of Byggmax as an employer. Employment conditions and terms of employment at Byggmax. Byggmax's financial impact.

Politicians: The stability of Byggmax as an employer and our contribution to society as a whole. Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

Owners: Future dividends from Byggmax and sustainable enterprise. Employment conditions and terms of employment at Byggmax and at suppliers. Byggmax's environmental impact.

Byggmax also produces a sustainability report in accordance with the GRI framework.

CODE OF CONDUCT FOR SUPPLIERS

Byggmax has proprietary manufacturing in its subsidiary, Skånska Byggvaror. As for the rest, Byggmax buys its products from some 400 carefully selected suppliers. Byggmax's purchasing strives to find products that hold high quality and which follow relevant standards.

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

ETHICAL GUIDELINES

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

In their capacity as employees of Byggmax, personnel must not offer, request or accept inappropriate gifts, payments or trips for themselves or for relatives. Under no circumstances are employees at Byggmax to participate in any cartel or act in a manner that improperly curtails free competition. Training took place over the year for all employees at the service office, regional managers, and store managers.

ENVIRONMENTAL POLICY

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

Environmental programs are based on a lifecycle perspective and thus take into account the environmental impact throughout the product's entire value chain. The company pursues continuous dialogue with suppliers and entrepreneurs and imposes relevant requirements. Byggmax also seeks to raise employee awareness of environmental issues and stimulates participation in environmental work. In addition, the share of environmentally friendly products will



increase, supplemented by improvements in environmental information for customers. Environmental programs are based on an environmental policy with tangible objectives and measures for priority areas. The programs are assessed each year in an environmental report that measures the status and development in each area. The goal is to achieve improvement in priority areas from year to year. Over the year, Byggmax focused on developing its flows of goods for the purpose of reducing its climate impact and to develop its product range with products that have an environmental profile. Training took place over the year for all employees at the service office, regional managers, and store managers.

WORK ENVIRONMENT POLICY

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

Byggmax endeavors to handle work environment issues locally in the organization and make them a natural part of day-to-day activities. The President has primary responsibility for work environment programs and fire safety in the organization. The 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 that employees feel that the work environment has markedly improved. Leadership is perceived as being better, which results in improvements such as increased engagement. Training took place over the year for all employees at the service office, regional managers, and store managers.

DIVERSITY AND EQUALITY POLICY

Byggmax seeks to create an environment in which people from various backgrounds and of various genders – both as

groups and individuals – jointly and equally create range and totality in operations. The company endeavors to create an awareness that permeates the entire organization and which forms a natural part of internal and external recruitment, pay setting and pay negotiations. Women and men have equal rights, obligations and opportunities within the framework of their employment in the Byggmax Group. This applies both to the physical and psychosocial work environment. Our annual review shows that there are no appreciable differences in pay setting between men and women. Training took place over the year for all employees at the service office, regional managers, and store managers.

HUMAN RIGHTS

Byggmax signs agreements with all its suppliers that they must observe our Code of Conduct. Purchasing occurs locally to a great extent, in the markets where the company operates. Less than 5 percent of purchases take place from countries outside the EU/EFTA. In most cases, we have long-lasting relationships with our suppliers. In turn, they employ subcontractors. In most cases, suppliers operating outside the EU/EFTA conduct inspections in conjunction with production and shipping. Over the next few years, Byggmax intends to further strengthen screening of the suppliers where we deem the need to be greatest, with a focus on child labor, discrimination, forced and compulsory labor, freedom to organize, the rights of aboriginal peoples and safety issues.

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. Detailed purchasing instructions clarify the importance of a correct approach for this particular group of employees. Having a strong process for signing purchasing agreements minimizes the risk of corruption in our work with external suppliers. No cases of corruption have been detected during the year.

BYGGMAX GRI PROFILE

The Byggmax GRI profile is available on page 95 with page references. The report is formulated in accordance with the GRI's principles at G4 Core level.



BYGGMAX 2017 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 efforts at continual improvement have been conducted to reduce the organization's negative impact on the environment.

Skånska Byggvaror is also included in this year's environmental report.

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 and is not covered in the report. Byggmax'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; and
- the energy consumption in its business activities.

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

Transportation

Since late 2015, Buildor, which is a purely online retailer with relatively small goods volumes, and Skånska Byggvaror also formed part of the Byggmax Group. Skånska Byggvaror requires incoming transportation of materials for fitting sun rooms, incoming transportation of goods to distribution centers and outgoing transportation to end customers. Goods purchased from suppliers, including transportation, is not included as part of Byggmax's transport work, as this is to be reported by the supplier.

For the seventh year in a row, a positive trend in reduced CO₂ emissions per ton of goods transported can be observed. We can also see that the amount of goods transported has decreased for the first time since these measurements began to be taken. An increase in boat transportation can be seen in comparison with last year, which is a result of the warehouse in Gävle being able to deliver at full capacity in 2017 and that more flows of goods are being transported by boat. This has resulted in increased transportation routes of bulk goods by boat and decreased transportation by truck, since the stores in northern Sweden and Finland can be supplied from a warehouse located closer to the stores. Additionally, we can see increased purchases of products from Asia, which can be seen to originate from purchasing cycles as regards articles that are purchased infrequently, in large quantities. Byggmax's aim of reducing the measurement figure for CO₂ emissions per ton transported by 2020 can thus already be regarded as having been met. We intend to update our objectives during 2018.

Emissions of other greenhouse gases and environmentally hazardous substances, per ton transported and in absolute figures, are presented in table 2 below. This category includes nitrogen oxides (NO_x), hydrocarbons (HC), carbon monoxide (CO) and small particles. The table below shows that emissions of the substances below have decreased in the number of grams per ton. The fact that total emissions of greenhouse gases and environmentally hazardous substances have increased since 2009 was attributable to the number of stores increasing to 147 and to the stores' geographic spread now being substantially larger than it was previously. Skånska Byggvaror has also been acquired since the first calculations were carried out, which also resulted in an increase in total emissions.

The emissions calculations did not include online goods deliveries and home deliveries from stores. At present, such freight comprises a relatively small portion of the Group's total transportation of goods.

	2017	2016	2015	Trend 2016–2017	Trend 2009–2016*
Transported goods [thousand tons]	676.14	695.9	661.9	-3%	71%
Transport work [million ton-kilometers]	402	417.6	397.4	-4%	48%
Of which marine [million ton-kilometers]	105.26	79.8	84.1	32%	124%
Share marine	26%	19%	21%	37%	51%
Of which rail [million ton-kilometers]	0	0.0	0.0	0%	0%
Share rail	0%	0%	0%	0%	0%
Of which road [million ton-kilometers]	297.2	337.8	315.1	-8%	32%
Share road	74%	81%	79%	-5%	-11%
Transport work per ton [ton-kilometers/ton]	595	600	600	-1%	-13%
CO ₂ emissions per ton of goods transported [kg]	25.2	28.1	28.4	-10%	-28%
CO ₂ per krona of sales [kg/TSEK]	3.6	3.8	4.0	-6%	-36%
Absolute carbon emissions CO ₂ [ton]	18,196	19,652	18,935	-6%	32%

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

	2017	2016	2015	Trend 2016–2017	Trend 2009–2017*
NO _x [g/ton transported]	225	241	246	-6%	-24%
CO [g/ton transported]	57	63.1	63.9	10%	-25%
HC [g/ton transported]	9.9	10.6	10.8	-6%	-23%
Particles [g/ton transported]	5.7	5.9	6.0	-2%	-19%
NO _x total [ton]	152.1	168.6	163.3	-9%	29%
CO total [ton]	38.4	43.9	42.2	-12%	28%
HC total [ton]	6.7	7.4	7.1	-9%	31%
Particles total [ton]	3.9	4.1	4.0	-7%	39%

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

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. Currently no guidance or monitoring aimed at promoting increased use of renewable raw materials is in place. Production involves the fitting of components and no input raw materials are used in the form of primary natural resources such as ore or timber. In addition to the materials used in the table below, a small amount of oil is used to lubricate machinery in the amount of 25 liters per year.

Material	Weight (tons)	Proportion of recycled/reused material
Glass	2,044	0%
Aluminum	1,471	60%
Rubber	62	0%
Wood	867	0%
Other material	99.5	n/a

Table 3, input material used in Skånska Byggvaror's production in 2017, with the percentage of material that comes from renewable sources.

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

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

Packaging material	Weight (tons)	Proportion of recycled/reused material
Corrugated board	119	66%
Plastic	4.7	0%

Table 4, packaging material used in Skånska Byggvaror's production in 2017, with the percentage of material that comes from renewable sources.

Product and service labeling is important. Environmental labeling and other similar labeling makes it possible for our

customers to make a personal choice about how much they want to affect the environment, for example.

Legislation requires that chemical products have safety data sheets. This comprises about 15 percent of all products in the stores' range.

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

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

Table 5, product labeling

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

Of the lumber purchased in 2017, 50 percent was FSC or PEFC-labeled and came from sustainably managed forests. The Forest Stewardship Council organization is an independent, international member organization that uses its FSC certification system to strive for environmentally sound, economically robust and socially responsible management of the world's forests. PEFC is a similar certification that is more adapted to North European forest management.

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

	2017
Sweden	55%
Norway	33%
Finland	93%
Total	50%

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

The total share has decreased since 2016, which is due to difficulties for the producers in producing sufficient volumes.

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

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

Transport packaging is recycled in partnership with recycling centers and pallets are reused in the pallet exchange system of the major freight forwarders and in the building pallet exchange system.

Through membership in FTI, the Packaging and Newspaper Collection Service in Sweden and Grønt Punkt in Norway, Byggmax shoulders its responsibility as a producer for packaging on all brought-in and imported goods. For goods manufactured in Sweden, it is the producer that bears the producer responsibility, meaning that Byggmax indirectly defrays the costs for the handling of these products. In Sweden, Byggmax has a broad collaboration with Ragn-Sells to ensure that as much of the stores' waste as possible is recovered and recycled as energy or new materials. The aim is to minimize the amount of waste that goes to landfill and achieve zero mixed waste. Total waste volumes are increasing per store, which is attributable to many of the items that have been included in the range being of the type that has more transport packaging than heavy building materials. The average store produced 54.2 tons of waste in 2011, compared with 61.4 tons today. The proportion of landfill waste is falling slightly, but mixed waste is unfortunately at higher levels than at the time of the company's listing.

Waste category	2017	2016	2015	Diff. 2016–2017	Diff. 2009–2017
Mixed waste	10%	8.1%	4.8%	2.29%	2.2%
Landfill, unsorted	6.1%	6.2%	8.0%	-0.15%	0.2%
Sorted	83.6%	85.7%	87.2%	-2.14%	2.0%

Table 7, division of waste by category 2015–2017 for Byggmax stores in Sweden.

Waste category	2017	2016	2015	Diff. 2016–2017	Diff. 2009–2017
Mixed waste (tons)	6.4	4.9	2.9	2.2%	2.0%
Landfill, unsorted (tons)	3.7	3.8	4.9	1.3%	15.2%
Sorted (tons)	51.3	52.0	53.4	1.3%	15.2%
Total [tons]	61.4	60.7	61.3	1.2%	14.9%

Table 8, waste volumes by Byggmax store in Sweden, 2015–2017

Printed matter

The printed matter produced and distributed by the Group is an important part of its environmental impact. Over a nine-year period – from 2009 to 2017 – Byggmax has reduced the volume of printed materials per store by about 77 percent and around 49 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.

Printed matter Byggmax	2017	2016	2015	Trend 2016–2017*	Trend 2009–2017*
Printed matter	564	834	853	-32.3%	-48.7%
Printer matter per store (tons)	4.24	6.51	7.17	-34.9%	-76.5%

Table 9, total printed matter and per average Byggmax store for 2015–2017.

Printed matter Skånska Byggvaror	2017	2016	Trend 2016–2017*
Printed matter	363	377	-3.6%
Printer matter per store (tons)	25.95	34.27	-24.3%

Table 10, total printed matter and per average Skånska Byggvaror store 2016–2017.

The printing firms are certified in accordance with PEFC and FSC, and in the case of the advertising printing firm, in accordance with the Nordic Ecolabel and EU Ecolabel. The store material printing firm produces on material other than paper and cannot therefore be covered by the Nordic Ecolabel. The printing firms take care of the destruction of excess ink, work to minimize use of toxic chemicals in printing ink and carry out regular health checks on their employees.

Energy consumption

Byggmax strives for energy efficiency, and all new stores constructed meet or surpass the building regulations imposed in the respective countries. New and renovated stores have LED lighting installed as the light source.

The direct energy of a non-renewable nature used by Byggmax's stores largely comprises fuel in the form of diesel and gasoline used by the diesel forklifts and company vehicles in service. The fleet of forklifts is gradually being renewed and all new forklifts procured in 2017 are of environmental class III, in accordance with the European Parliament directive 97/68/EU, and electric-diesel hybrids.

Over the year, a new forklift procurement was carried out, with the result that all new forklifts will be electric forklifts. A one-time effort will also be made to phase out all diesel forklifts that are older than ten years.

The electricity used to charge the forklifts has not been

separated from the total energy consumption of the stores and is instead included under indirect energy consumption below in table 13. This has resulted in total energy consumption increasing.

Energy source	2017	2016	2015	Diff 2016–2017	Diff 2009–2017
Diesel (GJ)	10,380	10,061	11,631	3.2%	3.5%
Gasoline (GJ)	0	0	0	0%	-100%
Total (GJ)	10,380	10,061	11,631	3.2%	1.5%
Energy/store (GJ)	75	79	98	-5.1%	-54.2%
Energy/received order (GJ)	0.091	0.093	0.119	-1.7%	-60%

Table 11, direct energy consumption per non-renewable energy source, 2015–2017 for Byggmax stores

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

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

	Of which, renewable energy	Of which, nuclear power	Of which, fossil fuel
Sweden	100%	0%	0%
Norway	100%	0%	0%
Finland*	9.1%	47.1%	43.5%

Table 12, indirect energy consumption per primary energy source in 2017, for stores where indirect use is possible to influence. *Residual mix data for Finland is for 2017.

Energy consumption (TJ)	2017	2016	2015	Diff 2016–2017	Diff 2012–2017
Sweden	30	28.78	28.06	4.2%	33.6%
Norway	21.74	17.12	19.79	27%	6.6%
Finland	3.9	4.01	3.67	-2.7%	4.1%*
Per store SE	0.34	0.35	0.37	-2.9%	6.7%
Per store NO	0.6	0.52	0.66	15.4%	-25%
Per store FI	0.3	0.31	0.28	-3.2%	3.5%*

Table 13, indirect energy, 2015–2017, for stores where indirect use is possible to influence. *Finland is compared for 2014–2017 as data up to 2013 was incomplete.

Responsible establishment

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

The county administrative boards' and Swedish Environmental Protection Agency's GIS databases were used to provide basic data for the review, including the layers of data available that applied to areas of valuable and protected nature. The supporting data differs between the various counties, but the most common types of nature protection are the same for all counties: areas of national interest and Natura 2000, nature reserves and national parks. In Norway, basic data has been collected from the Norwegian government site www.environment.no.

Nine new stores opened in 2017, of which six were in Sweden and three in Norway. This report only comments on these new stores. None of the Swedish stores are located in the immediate vicinity of areas of highly valuable biodiversity.

The Norwegian store in Bryne is located approximately 200 meters from a nature reserve. The reserve is wetlands and a protected biotope, and a breeding ground for birds.

The establishment is located in a long-established industrial and commercial zone directly adjacent to other similar businesses and do not therefore constitute use of unexploited land.

Risks and opportunities attributable to climate change

Senior management has taken climate change and the risks and opportunities this entails for the organization into consideration. The major risks to operations comprise physical changes (seasonal variations, flooding) as well as regulatory changes. The opportunities include better communication of Byggmax's environmental initiatives to create an environmental profile toward customers and to launch new products that are more environmentally-friendly than existing products. In 2017, peat-free soil was launched in the product range as a more climate-friendly alternative to other soil types.

BYGGMAX MAKES A DIFFERENCE

THROUGH ITS COLLABORATION WITH FUTEBOL DÂ FORÇA AND ACTIONAID, BYGGMAX WORKS CONTINUALLY FOR SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY.

FUTEBOL DÂ FORÇA

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



FDF runs football leagues in both Mozambique and Zambia. In this league, young girls get the chance to play football matches every weekend. Before the matches, they are educated about human rights, sexual and reproductive health and how violence and sexual exploitation can be prevented.

“Through football the leaders can reach out to a large



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

The teams that win the cup in their respective countries get the chance to travel to Sweden to take part in the Gothia Cup. For several years, Byggmax has sponsored airline tickets so that the girls have the opportunity to travel.

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

BYGGMAX FRIENDSHIP VILLAGE

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

In addition to financial support, Byggmax has twice sent groups of employees there to help on location. The first such trip took place in March 2016. Five enthusiastic Byggmax employees from Norway, Finland and Sweden were able to help build an entirely new school building. In close collaboration with local craftsmen, the Byggmax employees were able to get stuck in and work for a whole week — with good results. Furthermore, they took the opportunity to give lessons on the Nordic region to the students and travel around the area to visit the local population. “Sustainability issues have long been a natural part of our operations. ActionAid is an organization that works side by side with people in the countries in which they work. We believe this is a key factor for bringing about long-term change and is in line with our values concerning social responsibility. The fact that we also get the chance to travel there, help out and see what needs people have adds extra value to the entire collaboration,” says Emelie Gessner, Marketing Manager of Byggmax Group.

In January 2017, the second trip kicked off, and employees worked with local construction workers to lay the foundation for a wall that now protects the smallest children from a nearby highway.



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 2017

The last price paid on December 31, 2017 was SEK 55, corresponding to a market capitalization for Byggmax of SEK 3,355 million. The highest price noted for the share during the fiscal year was SEK 70 and the lowest notation was SEK 55. In 2017, approximately 55 percent of trading in the Byggmax share took place on Nasdaq OMX Stockholm. 34.1 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 2017 period, the standard deviation for the share price was 1.9 percent and the Beta 0.8 against the OMX Stockholm All Share index.

SHARE CAPITAL

The share capital of Byggmax Group AB (publ) totaled 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, 2017, the number of shareholders in Byggmax was 16,571 (16,945) according to Euroclear. The ten largest shareholders owned shares amounting to 50 percent of the votes and capital in the company. The percentage of non-Swedish ownership amounted to 46 percent.

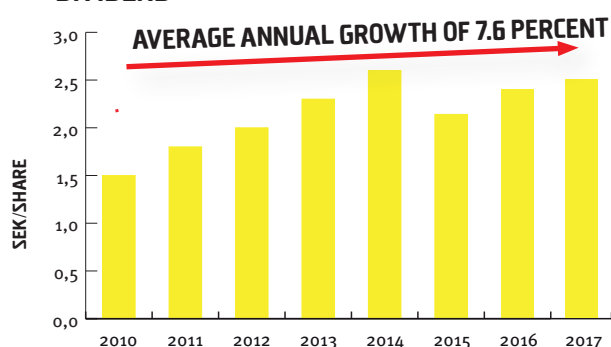
STOCK MARKET INFORMATION

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

INCENTIVE SCHEME

The 2015 and 2017 Annual General Meetings respectively 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

DIVIDEND



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.

	2017	2015
Total number	1,007,000	414,000
Price	4.37	3.98
Exercise price	67.5	66.4
Term	3.5	3.5
Number of participants	30	15

DIVIDEND POLICY

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

PROPOSED DIVIDEND

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.50 (2.40) per share for 2017, equivalent to 78 percent (51) of the Group's profit after tax.

BYGGMAX AS AN INVESTMENT

Byggmax has an attractive business model with an updated, aggressive strategy that aims at creating value for shareholders. Byggmax combines healthy growth with a favorable dividend yield, which is enabled by a highly capital-efficient business model. Since being listed in 2010, the dividend to shareholders has increased annually by 7.6 percent.

Byggmax has a history of healthy growth and has successfully established stores since its start in 1993. We estimate that the number of stores in existing markets can be increased from 133 to 210 stores. Byggmax also has a number of exciting investments currently being developed, including increased investment in e-commerce, investment in gardening stores, and Byggmax facilities in smaller communities.

SHARE PERFORMANCE	2017	2016
Earnings per share, SEK	3.2	4.7
Equity per share, SEK	22.3	21.4
Dividend per share, SEK	2.5 ¹	2.4
Cash flow from operating activities per share, SEK	5.0	5.5
Number of shares outstanding, thousands	60,999	60,737
Average number of shares, thousands	60,861	60,737
Dividend as a percentage of profit after tax	78 ¹	51
Number of shareholders	16,571	16,945
Share price at December 31, SEK	55.0	63.0
Dividend yield, %	4.5 ¹	3.8

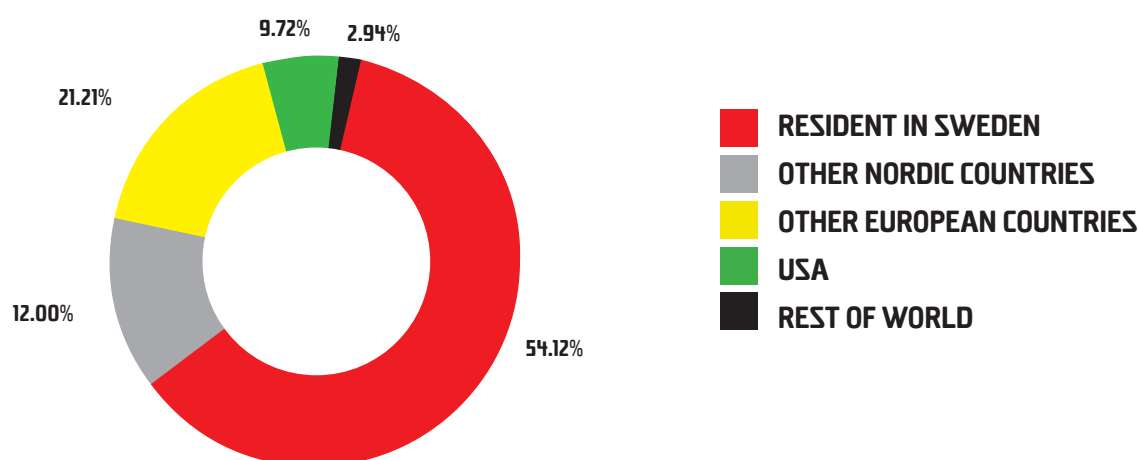
TEN LARGEST SHAREHOLDERS

Name	Number of shares	Holding (%)
Odin Forvaltning AS	5,675,592	9.30%
Swedbank Robur fonder	5,208,091	8.54%
AFA Försäkring	5,172,442	8.48%
CI Investment, Inc.	3,071,000	5.03%
Handelsbanken fonder	2,483,417	4.07%
Carnegie fonder	2,464,150	4.04%
Didner & Gerge Fonder Aktiebolag	1,855,000	3.04%
Avanza Pension, insurance company	1,764,017	2.89%
Fidelity Funds - Nordic Funds	1,622,052	2.66%
Old Mutual Global Investors (UK) Ltd.	1,462,000	2.40%
Total of the ten major shareholders	30,777,761	50.46%
Total other shareholders	30,221,284	49.54%
Total at December 31, 2017	60,999,045	100.00%

Source: Euroclear

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

SHAREHOLDER CATEGORIES



¹The dividend for 2017 is the proposed dividend by the Board to the AGM.

CHAIRMAN'S COMMENTS

It has been an intense year for Byggmax. We opened 12 new stores, launched a new strategy, and implemented numerous measures to strengthen future growth and profitability.

THE BOARD'S WORK

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

- Launch of new strategy
- Opening of new stores
- Continued enhancement of operating activities
- Restructuring of Skånska Byggarvaror's cost base
- Revision and adoption of the company's policies

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

COMMENTS ON THE CORPORATE GOVERNANCE REPORT

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

FINANCIAL POSITION

At year-end 2017, Byggmax held a strong position. Net profit amounted to SEK 195 M (285). Net profits in 2016 and 2017 were affected by non-recurring items. Year-on-year, shareholders' equity increased from SEK 1,302 M to SEK 1,359 M at December 31, 2017. Byggmax's financial strength is important as it enables us to continue investing in the future. You can read more about our outlook and investments in the President's comments.



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

Finally, I would like to thank all our employees for a job well done in 2017.

A handwritten signature in blue ink that reads "Anders Moberg". The signature is fluid and cursive.

Anders Moberg
Chairman of the Board

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, 2017 to December 31, 2017. Unless otherwise specified, all information applies to the Group. Information in brackets refers to the preceding year. All amounts are stated in SEK millions (SEK M) unless otherwise specified.

Operations in general

The Byggmax Group conducts sales of building materials. The business concept is to retail building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Byggmax should be inexpensive, quick, simple, and friendly! Business activities are conducted in Sweden, Norway, Finland and Denmark. At the end of the period, there were 147 stores, of which 88 were in Sweden, 36 in Norway, 9 in Finland and 14 showrooms styled in line with Skånska Byggvaror's concept. In addition to the Byggmax stores, there is a service office in Solna that manages purchasing, accounting and finance as well as marketing and IT functions across the stores, and one service office in Bjuv for Skånska Byggvaror Group AB.

The share and ownership structure

Byggmax Group AB's (publ) share is listed on Nasdaq OMX Stockholm. At December 31, 2017, the largest shareholder was Odin Förvaltning AS with 9.3 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 reader is referred to the Group's Sustainability Report on pages 24–32.

Subsidiaries and foreign subsidiaries

The Byggmax Group's retail sales in Norway are conducted by the subsidiary Byggmax Norge and in Finland by the subsidiary Byggmax AB Finland. Skånska Byggvaror Group owns the subsidiaries Grönt Fokus AS and Pavillon Danmark A/S.

Significant events during the fiscal year

- 12 (15) stores were opened, of which six Byggmax in Sweden, three Byggmax in Norway, one Skånska Byggvaror store in Sweden and two Skånska Byggvaror stores in Norway.

- Byggmax Group completed changes to Group management in April to better support the Group's operations and priorities.
- During the second quarter, the Board of Directors set a new strategy and new financial targets. The target is organic growth of 10–15% per year. EBITDA margin of 9–10%, a dividend of at least 50% of net profit.
- During the second quarter, a number of key individuals subscribed for warrants under the incentive program adopted by the 2017 General Meeting.
- During the second quarter, the subscription period commenced for the incentive program that was adopted in 2013 and concluded during the fourth quarter.
- Byggmax Group reached a final settlement for the earnout agreement with Buildor AB ahead of schedule, in order to enable synergies in online sales. This led to a positive earnings effect of SEK 33.4 M.
- Byggmax has begun the implementation of a new strategy to increase profitability in Finland and closed four stores in the fourth quarter of 2017, and is planning to open a new store in the spring of 2018. Earnings were thus charged a non-recurring cost of SEK 30.9 M. Sales in 2018 are expected to be negatively impacted by SEK 55–60 M as a result of the closings.
- The fourth quarter was negatively impacted by restructuring costs of SEK 49.4 M for Skånska Byggvaror, for the purpose of focusing on the Garden Living core operation and of reducing operating costs.
- The Board of Directors proposes a dividend of SEK 2.50 (2.40) per share.

Group sales and earnings

Net sales totaled SEK 5,321.4 M compared with SEK 5,219.3 M in the preceding year, which was an increase of 2.0 percent (26.3). Total operating net sales amounted to SEK 5,360.8 M (5,348.0), an increase of 0.2 percent (29.1). Total operating income for 2017 was impacted by the reversal of part of the earnout linked to the acquisition of Buildor AB, amounting to SEK 33.4 M. Net sales for comparable stores declined -0.1 percent (pos: 0.8) in local currency. Currency effects on sales were +0.3 percent (neg: 0.6). The gross profit margin amounted to 31.0 percent, compared with 30.6 percent for the preceding year.

Personnel and operating expenses increased by a total of SEK 101.1 M. Compared with the previous year, the increase in expenses was mainly attributable to costs amounting to SEK 52.5 M (71.2) for new stores opened after December 31, 2016. Other external expenses were negatively impacted by liquidation costs for four Byggmax stores in Finland amounting to SEK 28.0 M, as well as restructuring costs totaling SEK 32.3 M for Skånska Byggvaror in order to focus on the Garden Living core operation as well as to reduce operating costs. Excluding non-recurring items and costs for new stores, costs are decreasing.

EBITDA amounted to SEK 444.9 M (581.3), corresponding to an EBITDA margin of 8.4 percent (11.1). EBITDA for 2017 was impacted by the earnout for Buildor reaching final settlement, which impacted other operating income positively by SEK 33.4 M. EBITDA was impacted in 2016 by the revaluation of the earnout for the acquisition of Skånska Byggvaror, SEK 109.0 M, and for Buildor, SEK 3.3 M, which positively impacted other operating income by a total of SEK 112.3 M. Liquidation costs in Finland impacted EBITDA negatively by SEK 30.9 M, and negatively by Skånska Byggvaror restructuring costs of SEK 32.3 M. EBITDA excluding non-recurring items (see note 41) totaled SEK 474.8 M (469.0), corresponding to a margin of 8.9 percent (9.0).

EBIT was impacted by negative SEK 17.1 M, of which SEK 7.2 M pertained to Skånska Byggvaror's Danish subsidiary Pavillon, and SEK 9.9 M pertained to Skånska Byggvaror restructuring costs (see note 41).

Profit before tax in 2016 was impacted by negative SEK 44.8 M from the impairment of goodwill linked to the acquisition of Skånska Byggvaror.

Profit before tax amounted to SEK 258.2 M (350.3). Net financial items amounted to an expense of SEK 13.6 M (expense: 41.5). Net financial items for the period were impacted positively by exchange-rate effects of SEK 3.1 M (expense: 9.0). Net financial items for 2016 were also impacted by the discount rate of interest on the earnout on Skånska Byggvaror Group AB and Buildor AB amounting to an expense of SEK 11.7 M. The preceding year's net financial items were negatively

impacted by a non-recurring item of SEK 3.9 M linked to the acquisition of Skånska Byggvaror Group AB.

The tax expense for the year amounted to SEK 63.6 M (expense: 65.7).

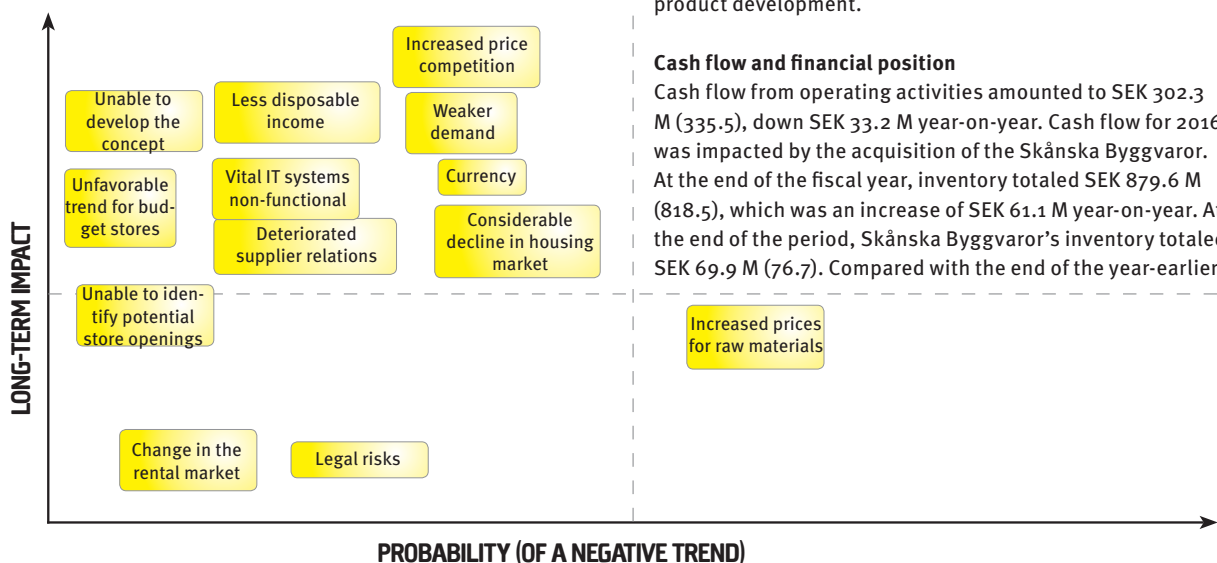
Sales and earnings by segment

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

The Byggmax segment includes Byggmax AB and the subsidiaries Byggmax Norge and Byggmax AB Finland. Net sales increased 4.0 percent to SEK 4,491.1 M (4,318.1). EBITDA amounted to SEK 435.6 M (417.8) for the full year. Earnings were impacted by costs for stores opened after the fourth quarter of 2016 of SEK 43.3 M (48.7) and liquidation costs of SEK 30.9 M for four stores in Finland. The EBITDA margin was 9.7 percent (9.7) for the full year. The Byggmax segment has come furthest in implementing the updated strategy. This strategic initiative contributed positively to a strong profitability trend in 2017, and to profitability excluding non-recurring items being the highest in five years.

Net sales for the Skånska Byggvaror segment decreased 10.7 percent to SEK 709.2 M (794.7). EBITDA amounted to a negative SEK 18.7 M (pos: 54.4). EBITDA for the full year was impacted by costs of SEK 9.2 M (22.4) for stores opened after the fourth quarter of 2016, as well as reconstruction costs of SEK 32.3 M. The EBITDA margin was negative 2.6 percent (pos: 6.8).

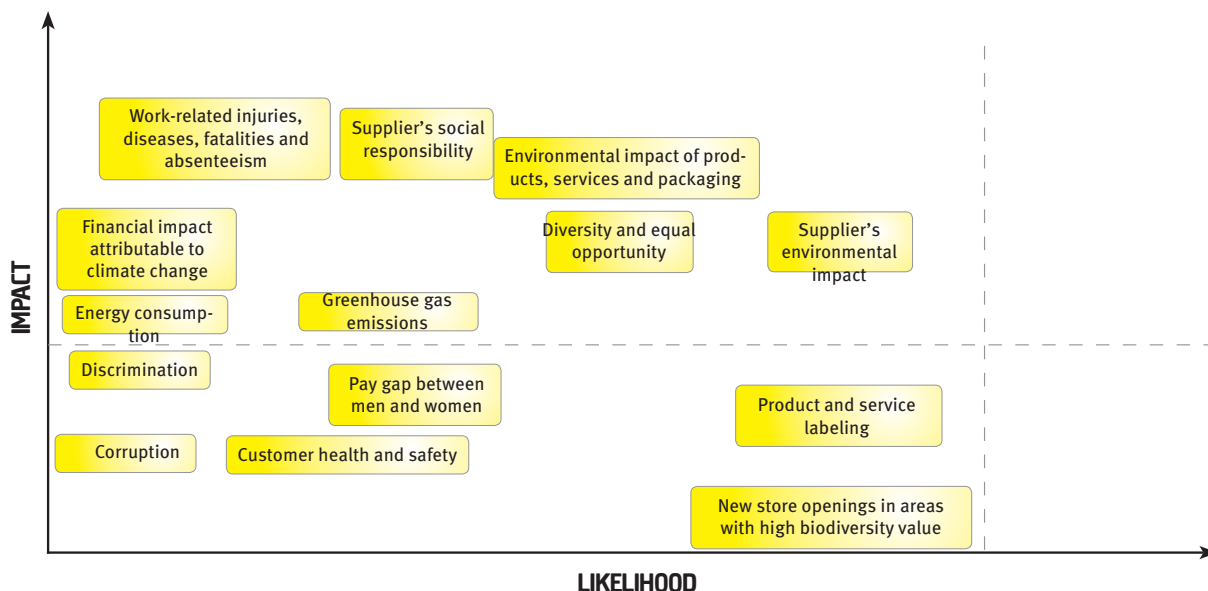
The cost base for Skånska Byggvaror was restructured during the fourth quarter. The restructuring impacted Byggmax Group's financial performance in the fourth quarter of 2017 with a non-recurring cost totaling SEK 49.4 M (of which SEK 17.1 M was depreciation, amortization and impairment), approximately half of which impacted cash flow. The largest cost component is leasing costs related to office premises, inventory, and store space. The measures carried out have a pay-off time of 2–2.5 years, measured as annual cost savings in relation to the non-recurring cost. The measures will have some positive impact on operating costs during 2018, and full effect in 2019. Skånska Byggvaror's financial development has been impacted by challenging comparative figures, price and mix effects, and previously reduced investments in product development.



Cash flow and financial position

Cash flow from operating activities amounted to SEK 302.3 M (335.5), down SEK 33.2 M year-on-year. Cash flow for 2016 was impacted by the acquisition of the Skånska Byggvaror. At the end of the fiscal year, inventory totaled SEK 879.6 M (818.5), which was an increase of SEK 61.1 M year-on-year. At the end of the period, Skånska Byggvaror's inventory totaled SEK 69.9 M (76.7). Compared with the end of the year-earlier

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



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

period, nine (ten) new Byggmax stores were added and the associated inventory amounted to SEK 40.5 M (43.0). The distribution inventory was SEK 50.2 M higher than the preceding year. Inventory turnover was a multiple of 5.1 (4.9) during the fiscal year. Investments during the year totaled SEK 134.1 M (171.4). Of these investments, SEK 38.9 M (72.8) pertained to investments in stores opened during 2017 and SEK 37.3 M (27.9) for IT investments. The investments over the preceding year were impacted by store conversions to the Byggmax 2.0 concept, totaling SEK 38.0 M, which were completed in 2016.

In December, Byggmax Group AB (publ) signed a new three-year agreement with Svenska Handelsbanken. The agreement entails an increase in the line of credit by SEK 150 M, and somewhat improved terms.

Consolidated shareholders' equity on December 31, 2017 totaled SEK 1,358.8 M (1,302.2). Consolidated net debt was SEK 1,177.6 M (1,182.8) and decreased SEK 5.2 M compared to the preceding year. Net debt in relation to EBITDA amounted to a multiple of 1.9 (2.0). The equity/assets ratio amounted to 37.2 percent (35.9). Unutilized credits totaled SEK 327.3 M (245.4).

Risk factors and risk management

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

Market

- Changes in turnover in the housing market
- Changes in households' disposable income
- Consumer demand for building supplies. The Group's business is very seasonal (see below).
- Changes in prices of raw materials
- The competitors' pricing

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

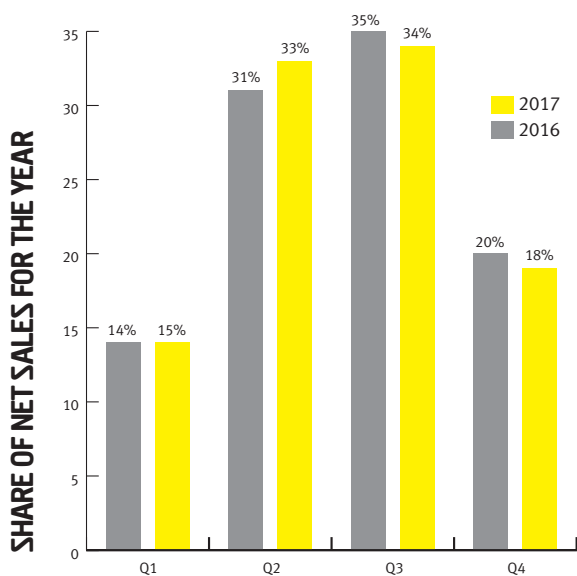
Sensitivity analysis operational risks

	Change (percentage points) all other factors unchanged	Effect on profit (SEK M) after tax 2017
Cost price	+1%	-28.6
Personnel costs	+1%	-4.4

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 1,061 (1,064). 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, and focused growth is 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 210 stores in current markets (Sweden, Norway and Finland), and in addition will test a smaller Byggmax format for profitable growth in smaller localities. Byggmax has developed a Byggmax concept for gardening products. The concept is built on Byggmax's strengths: a store format with a drive-in and ease of shopping, a focused product range with quality products, and the lowest possible prices. Skånska Byggvaror will be transformed from a building materials retailer to a niche player in Garden Living (sun rooms, gardening buildings, greenhouses, etc.). The Board of Directors expects the positive sales trend to continue.

Byggmax does not provide forecasts for competitive reasons.

Sustainability efforts

The Byggmax Group mainly affects the environment through the transportation of products from manufacturers to stores or warehouses and from stores to customers as well as through products containing environmentally hazardous substances and through product packaging. The Byggmax Group strives to minimize its impact on the environment and comply with environmental requirements according to Swedish legislation.

The environmental effort is conducted through such measures as a continuous dialogue on environmental issues with our suppliers and contractors and by imposing relevant requirements. The Byggmax Group works to increase the proportion of environmentally friendly products and to improve environmentally oriented information to customers. Byggmax's environmental report is included in the Annual Report (see page 28). 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 presence that enables us to react if poor working conditions are brought to light. By regular training in policies and instructions, we are creating an attitude and a culture free from corruption. Sourcing agreements are certified by authorized signatories, which creates control over large parts of our economic relationships.

Guidelines for compensation to senior executives

Pursuant to a motion to the 2018 Annual General Meeting (AGM), the following guidelines apply until the 2019 AGM. The guidelines are to apply to employment contracts entered into after the AGM's resolutions and in cases where amendments are made to existing agreements after the AGM's resolutions.

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

Fixed salaries

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

Variable salary (Short-Term Incentives "STI")

In addition to fixed salary, senior executives are able to receive STIs for results that exceed one or more predefined performance levels during a fiscal year. Remuneration from the STI program can amount to a maximum of 100 percent of the fixed salary for the President and 40 percent of fixed salaries for the remaining management, thus enabling Byggmax to calculate maximum levels of remuneration. STIs are measured with qualitative and quantitative measures.

Long-Term Incentives

The 2015 and 2017 general meetings resolved to introduce a warrants-based incentive program. The incentive program is described in Note 9 of the Annual Report.

Pension

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

Other benefits

Other benefits may be provided in accordance with the conditions that apply in the country where the senior executive is employed. However, the extent of such benefits must be limited as much as possible and may not comprise a major portion of the total 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 remuneration is applicable for a period of up to 24 months after termination of the notice period.

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

The above guidelines are unchanged compared with the guidelines adopted by the 2017 AGM. Refer to Note 9 for further information on seniorexecutives.

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 42–45.

Significant events after the end of the fiscal year

After the end of the fiscal year, Skånska Byggvaror signed an agreement to divest its wholly owned subsidiary, Pavillon Danmark A/S. The financial non-recurring items arising in connection with the divestment are in line with the provisions

made in 2017, are not expected to have any major impact on the first quarter of 2018.

Parent Company

Byggmax Group AB is a holding company. Operations are conducted in the subsidiary Byggmax AB (Corp. Reg. No. 556645-6215), in the subsidiary Byggmax Fastighetsutveckling AB (Corp. Reg. No. 556726-8593), in a subsidiary to that company Byggmax Fastighetsholding AB (Corp. Reg. No. 556726-8601), Svea Distribution AB (Corp. Reg. No. 556987-6849), Skånska 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 149.9 M (139.7) for the full fiscal year. Earnings were impacted by an anticipated dividend of SEK 150.0 M (140.0).

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	85,431,559
Profit for the year	149,897,692
TOTAL	235,329,251
The Board of Directors and the President propose that these earnings be distributed such that:	
Dividend to shareholders (SEK 2.50 per share)	152,497,613
To be carried forward	82,831,638
TOTAL	235,329,251

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

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

The Board has examined the company's and the Group's financial positions and finds that a dividend in accordance with the Board's proposal is justifiable in respect of the prudence concept in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act (2005:551).

The opinion of the Board is that the character, scope and risks of the business are currently of such an extent that the proposed dividend does not affect the above assessment.

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

The Board of Directors is of the opinion that the proposed distribution of profits will not lead to any material limitation of the company's or Group's ability to make any necessary investments or to meet their obligations in the short and long term.

Nor is the proposed value transfer expected to impact the company's ability to make any necessary investments.

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



CORPORATE GOVERNANCE

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, 2017 to December 31, 2017. 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 2017.

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, 2017 was 16,571. At December 31, 2017, the largest shareholder was Odin Förvaltning AS with 9.3 percent of the shares. Non-Swedish owners accounted for ownership of approximately 45.9 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.

2017 Annual General Meeting

The 2017 AGM was held on May 10, 2017 at Alviks Strand Conference Center in Bromma (Stockholm). At the AGM, 107 shareholders representing 46.6 percent of the votes were present either in person or via representatives. Anders Moberg was elected Chairman of the AGM.

The main resolutions passed were as follows:

- Re-election of Board members Anders Moberg, Karin Hygrell-Jonsson, Lottie Svedenstedt, Daniel Mühlbach, Hannele Kempainen, Mikael Norman and Ullrika Eliasson
- Policies for compensation and terms of employment for the President and other senior executives
- Policies for the appointment of the Nomination Committee.

Proposals for the 2018 AGM

The next AGM for shareholders in Byggmax will be held on Thursday, May 9, 2018, at Alviks Strand Conference Center in Bromma (Stockholm) from 10:00 a.m. to 12:00 p.m. For further information regarding the AGM, please visit the Byggmax website.

NOMINATION COMMITTEE

The AGM on May 10, 2017, resolved that a Nomination Committee would be appointed for the 2018 AGM. The Chairman will convene the three largest owner-categorized shareholders of the company — according to Euroclear Sweden AB as of August 31 — who will subsequently each be entitled to appoint a member to the Nomination Committee.

The composition of the Nomination Committee will be published not later than six months prior to the AGM.

The Nomination Committee is to prepare and submit proposals to the General Meeting of Shareholders concerning a Chairman for the AGM, the Chairman of the Board of Directors and other members of the company’s Board. It is the Committee’s assessment that the requirements of the Swedish Corporate Governance Code in terms of versatility, breadth and gender balance are met appropriately by the proposal. The Nomination Committee is also tasked with submitting proposals for directors’ fees that are to be allocated among the Chairman and other members, the election of (where applicable) and fees to auditors, as well as decisions on policies governing the appointment of the Nomination Committee’s members. No remuneration is payable to members of the Nomination Committee.

BOARD OF DIRECTORS

The Board’s formal work plan and written instructions

Each year, the Byggmax Board of Directors adopts a formal work plan and written instructions in respect of financial reporting and allocation of duties between the Board and the President. The formal work plan regulates the Board’s obligations, the division of work among Board members, the minimum number of Board meetings per year, notice of and documents before Board meetings and the preparation of the minutes of Board meetings.

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

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 44). 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 94 and the Board’s composition and attendance at Board meetings is presented on page 44.

The Board's work in 2017

The Board held 9 meetings in 2017. Important issues addressed by the Board in 2017, in addition to the adoption of the Annual Report and interim reports, and the business plan and attendant budget, included the following:

- Proposed dividend for 2018 of SEK 2.50 per share
- Revision and adoption of the company's policies
- Opening of new stores in every country
- Continued expansion of the online product range
- Continued work on improving operating activities
- Updated strategy and new financial targets.

The Group's President, Mattias Ankarberg, and CFO, Pernilla Walfridsson, participate at Board meetings.

Other employees may also participate in Board meetings to present specific issues.

Evaluation of the work of the Board of Directors in 2017

The Chairman of the Board is responsible for evaluating the work of the Board including the input of the individual Board members. The evaluation focuses on the supply and demand of specific competence and ways of working.

The Board of Directors carries out an annual evaluation of the work of the Board. In 2017, the Board carried out an internal evaluation of the Board's work by means of a survey and interviews. The evaluation was reported verbally and in writing to the Nomination Committee by the Chairman of the Board. The evaluation of the work of the Board concluded that the work is efficient and goal-oriented.

Board committees

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

The Board, as a whole, prepares and addresses issues regarding remuneration and other employment terms for senior executives, and assesses the application of the guidelines adopted by the AGM for remuneration of senior executives.

The Audit Committee is comprised by the Board in its entirety. The Board (and the Audit Committee) supervise the financial reporting. The Committee/Board meet the company's auditors three times per year to discuss matters including audit plans and audit reports. At meetings with the company's auditors, the Committee/Board are given the opportunity to meet with the auditor without the CEO being present.

CEO AND SENIOR EXECUTIVES

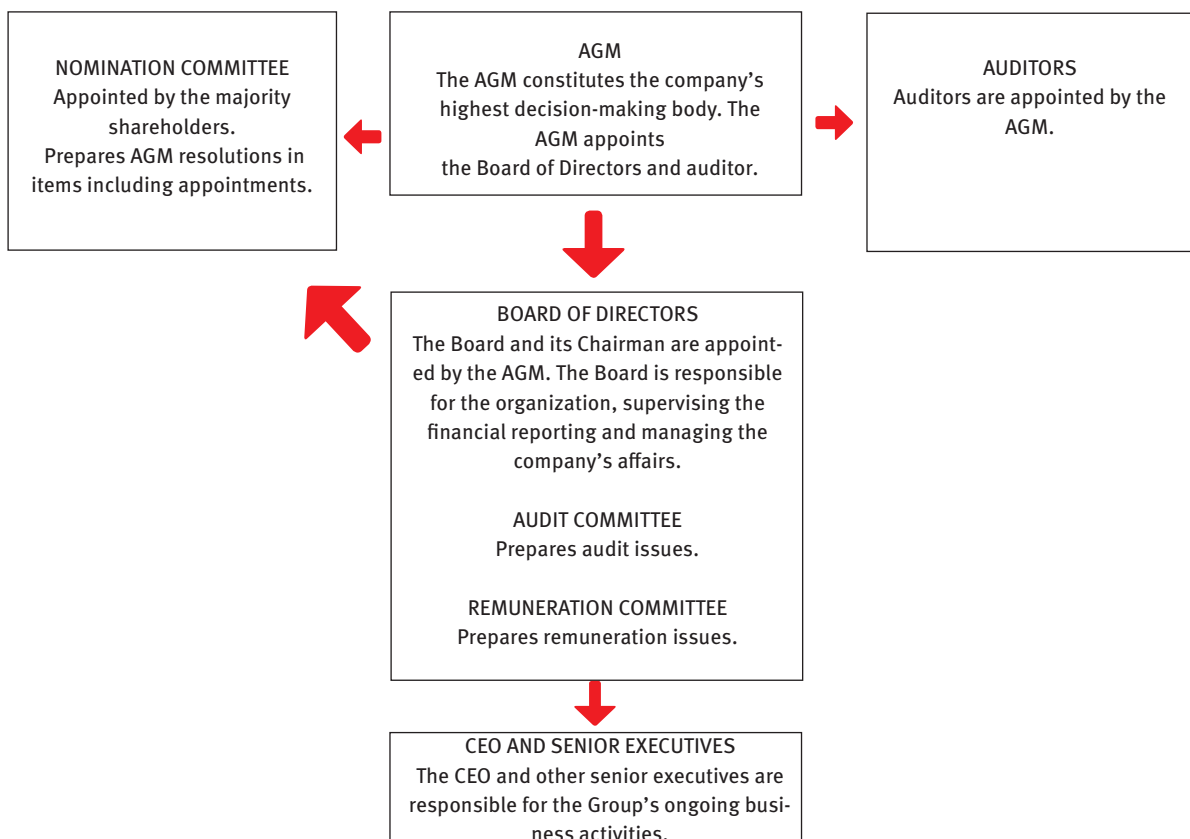
The CEO is tasked with managing the ongoing operation of the company in accordance with the written instructions adopted by the Board.

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

The Byggmax Group management comprises ten members including the CEO. A description of the management is available under the heading "Byggmax Group Management" (page 93).

REMUNERATION GUIDELINES

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



AUDITORS

The AGM appoints the company's auditors every year. Öhrlings PricewaterhouseCoopers, referred to below as PwC, has been the company's auditor since the 2010 AGM. In autumn 2013, Ann-Christine Häggglund was appointed the new Auditor in Charge for the audit.

In addition to the audit assignment, Byggmax has consulted PwC on taxes and other accounting issues. PwC is obligated to test its independence prior to accepting independent advisory assignments in addition to its auditing assignments for Byggmax. Information in respect of the fees paid to the auditing company is provided in Note 8. According to the Code, the company's Board should ensure that the interim report in respect of the second or third quarter is reviewed by the auditors. Byggmax's auditors conducted a review of the company's nine-month interim report.

INTERNAL AUDIT

The company has a simple legal and operative structure and a comprehensive management and internal control system. The Board (and Audit Committee) follows up the company's assessment of the internal audit through contact with the company's auditors.

In view of the aforementioned, the Board has opted not to have a separate internal audit function. The question of whether to establish a separate internal audit function is reviewed on an annual basis.

THE BOARD'S COMPOSITION AND ATTENDANCE AT MEETINGS

Name	Function	Elected	Board attendance	Directors' fees Note 9	Dependent on the company's management and major shareholders
Anders Moberg	Chairman of the Board	2006	9/9	SEK 592,009	No
Karin Hygrell-Jonsson	Board Member	2014	9/9	SEK 281,875	No
Hannele Kempainen	Board Member	2015	9/9	SEK 281,875	No
Lottie Svedenstedt ¹	Board Member	2010	9/9	SEK 370,442	No
Daniel Mühlbach	Board Member	2015	9/9	SEK 281,875	No
Mikael Norman ¹ ,	Board Member	2016	9/9	SEK 370,442	No
Ullrika Eliasson	Board Member	2016	7/9	SEK 281,875	No

¹Fees refer to invoiced amount incl. social security contributions.



INTERNAL CONTROL OF FINANCIAL REPORTING

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

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

Control environment

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

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

A key component of the Board's work is the preparation and approval of a number of policies including the rules of procedure for the Board of Directors, the President's instructions, financial policy, IT policy, information policy and the logbook and insider policy. The aim of these policies includes creating the foundation for sound internal control. All policies are reported annually and adopted by the Group management or Board. Byggmax's accounting process is documented in an accounting manual.

Furthermore, the Board has ensured that the organizational structure provides clear roles, responsibilities and processes that promote efficient management of operational risks and enable targets to be achieved.

The responsibility structure includes, as one element, evalu-

ation by the Board of the performance and results of business activities through an appropriate reporting package comprising outcome, forecasts, business plans, strategic plans, follow up of financial risks and analyses of key performance indicators.

Risk assessment

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

Control activities

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

Byggmax applies a systematic *modus operandi* to minimize the risk of fraud and/or theft, which includes efforts to minimize waste in the stores as well as fraud in online shopping.

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 Byggaror. 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

2017 2016¹ 2015 2014 2013 2012 2011 2010 2009

Results, SEK M

Net sales	5,321.4	5,219.3	4,131.1	3,547.2	3,216.4	3,090.4	2,987.1	2,773.0	2,443.5
EBITDA	444.9	581.3	415.8	366.4	304.1	305.6	323.0	314.0	306.7
EBITA	279.1	436.6	331.7	296.8	246.7	252.2	277.5	274.8	272.7
EBIT	271.9	391.8	331.7	296.8	246.7	252.2	277.5	274.8	272.7
Profit before tax	258.2	350.3	334.1	283.2	237.9	231.5	251.6	237.4	203.9
Income tax	-63.6	-65.7	-74.3	-65.2	-53.9	-51.7	-69.5	-65.2	-42.7
Profit for the year	194.6	284.6	259.8	217.9	184.0	179.8	182.2	172.2	161.2

Key ratios:

Net sales growth, %	2.0	26.3	16.5	10.3	4.1	3.5	7.7	13.5	16.0
Like-for-like (LFL) sales growth, %	-0.1	0.8	12.8	3.8	-0.7	-2.7	-1.9	2.7	6.0
Gross margin, %	31.0	30.6	30.6	31.1	30.7	30.2	30.1	29.7	29.8
EBITDA margin, %	8.4	11.1	10.1	10.3	9.5	9.9	10.8	11.3	12.5
EBITA margin, %	5.2	8.4	8.0	8.4	7.7	8.2	9.3	9.9	11.2
Operating (EBIT) margin, %	5.1	7.5	8.0	8.4	7.7	8.2	9.3	9.9	11.2
Interest coverage ratio, %	34.0	28.3	57.9	40.6	21.0	18.9	19.7	13.3	8.2

Balance sheet, SEK M

Assets

Fixed assets	2,574.9	2,619.0	1,527.2	1,375.5	1,299.6	1,266.5	1,218.2	1,207.4	1,181.6
Inventories	879.6	818.5	666.1	612.7	538.3	465.8	424.9	350.5	295.0
Other current assets	153.7	151.0	109.3	100.4	73.8	87.3	99.8	70.0	98.0
Cash and cash equivalents	40.1	41.9	31.7	30.9	33.1	33.9	22.8	34.1	31.6
Total assets	3,648.3	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8	1,662.0	1,606.3

Shareholders' equity and liabilities

Shareholders' equity	1,358.8	1,302.2	1,142.0	1,047.6	970.0	914.2	844.4	748.5	337.8
Long-term interest-bearing liabilities	406.2	572.4	42.9	0.0	0.0	0.0	130.0	239.3	765.3
Long-term non-interest-bearing liabilities	201.0	201.3	105.8	97.4	84.1	82.4	100.8	53.6	58.4
Current interest-bearing liabilities	811.6	699.6	350.9	480.5	504.3	483.5	344.0	240.0	71.3
Accounts payable	591.3	630.7	520.3	370.4	284.7	278.7	268.9	268.9	285.6
Other current liabilities	279.3	224.4	172.5	123.6	101.7	94.7	77.7	111.7	88.0
Total liabilities and shareholders' equity	3,648.3	3,630.5	2,334.4	2,119.5	1,944.8	1,853.5	1,765.8	1,662.0	1,606.3

Key ratios:

Capital employed	2,536.5	2,532.3	1,504	1,499	1,447	1,381	1,332	1,194	1,143
Capital employed less goodwill, customer relationships and brand	411.3	360.2	289	448	396	330	281	143	98
Net debt	1,177.6	1,230.1	362	451	477	467	488	445	805
Return on capital employed, %	11.0	21.9	22.4	20.1	17.4	18.6	22.0	23.5	24.3
Return on capital employed less goodwill, customer relationships and brands %	74.2	146.8	90.1	70.3	68.0	82.6	131.0	228.2	347.2
Return on equity, %	14.6	23.3	23.7	21.6	19.5	20.4	22.9	31.7	62.9
Net debt/EBITDA	2.7	2.1	0.9	1.2	1.6	1.5	1.5	1.4	2.6
Average working capital, % of net sales ²	-0.8	-3.6	-2.1	2.2	1.4	0.5	-1.5	-3.0	-2.8
Equity ratio/risk-bearing capital, %	37.3	35.9	48.9	49.4	49.9	49.3	47.8	45.0	49.5

Per share data

Equity per share, SEK	22.3	21.4	18.8	17.2	16.0	15.1	13.9	12.3	6.1
Earnings per share, SEK	3.2	4.7	4.3	3.6	3.0	3.0	3.0	2.8	2.9
Dividend per share, SEK	2.5	2.4	2.14	2.6	2.3	2.0	1.8	1.5	-
Cash flow from operations per share, SEK	5.0	5.5	8.1	5.1	3.2	3.6	1.5	3.4	2.9

1) The Skånska Byggarvaror 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 MEASURES

Byggmax uses terminology for alternative performance measures in accordance with the guidelines from the European Securities and Markets Authority (ESMA). The Byggmax 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 ratios can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments, evaluating profitability and assessing the Group's ability to meet its financial commitments. Byggmax reports alternative 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.byggmax.se under financial statistics, or at <http://om.byggmax.se/en/investors/financial-statistics/>.

DEFINITIONS OF FINANCIAL KEY RATIOS/REPORTING TERMINOLOGY

EBITDA: EBITDA is a ratio that the Group considers to be relevant for investors seeking to understand earnings generation before investments in fixed assets. The Group defines earnings before interest, tax, depreciation and amortization (EBITDA) as EBIT from continuing operations excluding depreciation/amortization and impairment of tangible and intangible fixed assets.

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 Byggvaror strategy and discontinuation expenses pertaining to four stores in Finland. These items are not included in ordinary operations and the amounts are of significant size and thereby impact earnings and key performance indicators.

EBITDA margin: EBITDA divided by net sales.

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

EBITA margin: EBITA divided by net sales.

EBIT margin: EBIT divided by net sales.

Earnings per share: Profit after tax divided by the average number of shares outstanding at the end of the period.

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

Cash flow from operating activities per share:

Cash flow from operating activities for the period divided by the number of shares outstanding on the balance-sheet date.

Return on equity:

Return on equity is a ratio that the Group considers to be relevant for investors seeking to compare their investments with alternative investments. The Group defines return on equity as profit after tax divided by average shareholders' equity.

Working capital: Working capital is a ratio that the Group considers to be relevant for creditors and investors seeking to compare the amount of capital required by the Group to finance the operating activities. The Group defines working capital as items on the assets side (inventories, current receivables) less items on the liabilities side (accounts payable, current income tax liabilities, other liabilities, accrued expenses and deferred income).

Net debt: Net debt is a ratio that the Group considers to be relevant for creditors who want to see the scope of the Group's total liabilities situation. The Group defines net debt as interest-bearing liabilities less cash and cash equivalents.

Equity/assets ratio: Equity/assets ratio is a ratio that the Group considers to be important to creditors who want to understand the Group's long-term solvency. The Group defines the equity/assets ratio as shareholders' equity divided by total assets.

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

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

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

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

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

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

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

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

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

DEFINITION OF SECTOR-SPECIFIC KEY RATIOS

Net sales for comparable stores:

Net sales for comparable stores is an important industry-specific ratio for the organic increase in sales.

The ratio is a good tool for investors who want to compare sales increases for different companies in the industry. The Group defines this as sales for stores that are comparable. A comparable unit (like-for-like unit) is regarded as comparable from the second year-end after the store has opened. For example, this means that a store that opened in 2015 is classified as a comparable unit from 2017. Stores relocated to new premises in an existing location are treated in the same manner.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK M	Note	2017	2016
Operating income			
Net sales		5,321.4	5,219.3
Other operating income	6, 13, 19	39.4	128.7
Total operating income	5	5,360.8	5,348.0
Operating expenses			
Goods for resale		-3,671.6	-3,623.4
Other expenses	7, 8, 13	-685.8	-616.6
Personnel costs	9, 30	-558.5	-526.7
Depreciation, amortization and impairment of tangible and intangible fixed assets	14, 15	-173.0	-189.5
Total operating expenses		-5,089.0	-4,956.2
EBIT		271.9	391.8
Financial income	13	22.6	20.3
Financial expenses	13	-36.2	-61.8
Loss from financial items	10	-13.6	-41.5
Profit before tax		258.2	350.3
Income tax	11	-63.6	-65.7
Profit for the year		194.6	284.6
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		-7.7	11.8
Other comprehensive income for the period		-7.7	11.8
Comprehensive income for the period		186.9	296.4
Earnings per share before dilution, SEK	12	3.2	4.7
Earnings per share after dilution, SEK	12	3.2	4.6

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

CONSOLIDATED BALANCE SHEET

Amounts in SEK M	Note	Dec 31, 2017	Dec. 31, 2016
ASSETS			
Fixed assets			
Capitalized expenses for development work	5, 14	63.4	50.3
Goodwill, customer relationships and brands	5, 14	2,125.2	2,172.0
Buildings and land	5, 15	4.3	4.7
Leasehold improvements	5, 15	17.7	15.7
Equipment, tools, fixtures and fittings	5, 15	336.4	355.3
Deferred tax assets	28	5.5	3.8
Other long-term receivables	18	22.3	25.1
Total fixed assets		2,574.9	2,626.9
Current assets			
Inventories	21	879.6	818.5
Prepayments to suppliers		12.4	10.3
Accounts receivable	20	12.0	19.9
Derivatives	19	1.3	0.2
Other receivables	22	77.5	69.9
Prepaid expenses and accrued income	23	47.1	50.7
Cash and cash equivalents	24	40.1	34.0
Assets held for sale	35	3.4	0.0
Total current assets		1,073.4	1,003.6
TOTAL ASSETS		3,648.3	3,630.5

CONSOLIDATED BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec 31, 2017	Dec. 31, 2016
SHAREHOLDERS' EQUITY			
Capital and reserves that can be attributed to the Parent Company's owners			
Share capital	25	20.3	20.2
Other capital contributions	25	441.0	441.0
Reserves	26	-16.1	-8.4
Earnings brought forward including profit for the year		913.6	849.3
Total shareholders' equity		1,358.8	1,302.2
LIABILITIES			
Long-term liabilities			
Borrowing from credit institutions	27	406.2	525.1
Derivative instruments	19	0.0	0.0
Deferred tax liabilities	28	200.5	201.3
Long-term liabilities	29	0.5	47.3
Total long-term liabilities		607.2	773.7
Current liabilities			
Borrowing from credit institutions	27	811.6	699.6
Provisions	33	51.9	0.0
Accounts payable		591.3	630.7
Current income tax liabilities	11	7.3	20.8
Derivative instruments	19	0.0	0.3
Other liabilities	31	44.7	62.3
Accrued expenses and deferred income	32	171.3	141.0
Liabilities directly related to assets held for sale	35	4.1	0.0
Total current liabilities		1,682.3	1,554.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,648.3	3,630.5

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK M	Attributable to shareholders in Parent Company					
	Notes 12,25, 26	Share capital	Other capital con- tributions	Reserves	Earnings brought forward incl. profit for the year	Total sharehold- ers' equity
Opening balance at January 1, 2016		20.2	441.0	-20.0	700.8	1,142.0
Profit for the year					284.6	284.6
Other comprehensive income for the year						
Translation differences				11.8		11.8
Total comprehensive income				11.8	284.6	296.4
Redemption of warrants					-6.5	-6.5
Dividend					-130.0	-130.0
Total transactions with shareholders		0.0	0.0	0.0	-136.5	-136.5
Closing balance at December 31, 2016		20.2	441.0	-8.4	849.3	1,302.2
Opening balance at January 1, 2017		20.2	441.0	-8.4	849.3	1,302.2
Profit for the year					194.6	194.6
Other comprehensive income for the year						
Translation differences				-7.7		-7.7
Total comprehensive income				-7.7	194.6	186.9
New share issues during 2017		0.1			11.0	11.1
Issues of warrants					4.3	4.3
Dividend					-145.8	-145.8
Total transactions with shareholders		0.1	0.0	0.0	-130.4	-130.3
Closing balance at December 31, 2017		20.3	441.0	-16.1	913.6	1,358.8

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK M	Note	2017	2016
Cash flow from operations			
EBIT		271.9	391.8
Non-cash items			
– Depreciation/amortization of tangible and intangible fixed assets		173.0	189.5
– Other non-cash items ¹		68.0	8.1
Interest received		14.4	13.9
Interest paid		-29.6	-55.2
Tax paid		-79.6	-60.8
Cash flow from operations before changes in working capital		418.1	487.3
Changes in working capital			
Increase/decrease in inventories and work in progress		-64.9	-94.2
Increase/decrease in other current receivables		6.2	-10.4
Increase/decrease in other current liabilities	31	-57.1	-47.2
Cash flow from operations		302.3	335.5
Cash flow from investing activities			
Investment in intangible fixed assets	14	-35.4	-22.4
Investment in tangible fixed assets	15	-98.7	-149.1
Divestment of tangible fixed assets		0.0	0.0
Investment in other financial fixed assets		7.5	-0.2
Investment in subsidiaries		0.0	-703.7
Cash flow from investing activities		-126.6	-875.4
Cash flow from financing activities			
Change in overdraft facility		87.0	210.6
Issue/redemption of warrants		14.9	-6.5
Dividend to Parent Company's shareholders		-145.8	-130.0
Borrowings		0.0	800.0
Amortization of loans		-125.9	-324.3
Cash flow from financing activities	34	-169.6	549.9
Cash flow for the period		6.1	10.1
Cash and cash equivalents at the beginning of the period	24	34.0	23.9
Cash and cash equivalents at the end of the period	24	40.1	34.0

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

PARENT COMPANY INCOME STATEMENT

Amounts in SEK M	Note	2017	2016
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	-8.7	-7.3
Personnel costs	9	-0.4	-1.2
Total operating expenses		-9.1	-8.6
EBIT		-8.8	-8.3
Dividends from Group companies		150.0	140.0
Interest income and similar items		29.5	32.0
Interest expenses and similar items		-20.8	-24.1
Loss from financial items	10	158.7	148.0
Profit before tax		149.9	139.7
Tax on profit for the year	11	0.0	0.0
Profit for the year		149.9	139.7

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, 2017	Dec. 31, 2016
ASSETS			
Fixed assets			
Financial fixed assets			
Participations in Group companies	16	1,219.3	1,251.0
Receivables from Group companies		354.0	354.0
Total fixed assets		1,573.3	1,605.0
Current assets			
Current receivables			
Receivables from Group companies		19.1	21.4
Other receivables	22	150.2	140.0
Prepaid expenses and accrued income		4.4	3.3
Total current receivables		173.8	164.7
Cash and bank balances		0.0	0.0
Total current assets		173.8	164.7
TOTAL ASSETS		1,747.1	1,769.7

PARENT COMPANY BALANCE SHEET, CONTINUED

Amounts in SEK M	Note	Dec 31, 2017	Dec. 31, 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	25	20.3	20.2
Total restricted equity		20.3	20.2
Unrestricted equity			
Share premium reserve		429.8	418.7
Retained earnings		-344.4	-338.3
Profit for the year		149.9	139.7
Total unrestricted equity		235.4	220.1
Total shareholders' equity		255.7	240.3
Long-term liabilities			
Liabilities to credit institutions	27	406.1	530.0
Other long-term liabilities		0.0	41.7
Total long-term liabilities		406.1	571.7
Current liabilities			
Borrowing from credit institutions	27	1,081.9	947.1
Accounts payable		0.1	0.3
Current income tax liabilities		0.0	0.0
Liabilities to related parties		0.0	0.0
Other liabilities		0.0	6.8
Accrued expenses and deferred income	32	3.3	3.5
Total current liabilities		1,085.3	957.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,747.1	1,769.7

CHANGES IN PARENT COMPANY'S SHAREHOLDERS' EQUITY

Amounts in SEK M	Note 12, 25, 26	Restrict- ed equity	Unrestricted equity		Profit/ loss for the year	Total share- holders' equity
		Share capital	Share premium reserve	Retained earnings		
Shareholders' equity on January 1, 2016		20.2	418.7	-338.7	130.4	230.6
Carried forward				130.4	-130.4	0.0
Profit for the year					139.7	139.7
Other comprehensive income						0.0
Total comprehensive income					139.7	139.7
Dividend					-130.0	-130.0
Total transactions with shareholders					-130.0	-130.0
Shareholders' equity on December 31, 2016		20.2	418.7	-338.7	139.7	240.3
Shareholders' equity on January 1, 2017		20.2	418.7	-338.7	139.7	240.3
Carried forward				139.7	-139.7	0.0
Profit for the year					149.9	149.9
Other comprehensive income						0.0
Total comprehensive income					149.9	149.9
New share issues during 2017		0.1	11.1			11.1
Dividend					-145.8	-145.8
Total transactions with shareholders		0.1	11.1	-145.8	0.0	-134.7
Shareholders' equity on December 31, 2017		20.3	429.8	-344.8	149.9	255.7

PARENT COMPANY CASH-FLOW STATEMENT

Amounts in SEK M	Note	2017	2016
Cash flow from operations			
EBIT		-8.8	-8.3
Adjustment for non-cash items			
– Group contributions received		19.1	21.3
– Other non-cash items		181.7	140.0
Interest received		9.8	10.7
Interest paid		-20.5	-23.1
Tax paid		0.0	0.0
Cash flow from operations before changes in working capital		181.3	140.7
Changes in working capital			
Operating receivables		-9.0	-10.5
Operating liabilities		-53.5	-65.9
Cash flow from operations		118.7	64.3
Cash flow from investing activities			
Investments in subsidiaries		0.0	-703.7
Cash flow from investing activities		0.0	-703.7
Cash flow from financing activities			
Borrowings		0.0	800.0
Repayment of debt		-125.9	-150.0
Dividend		-145.8	-130.0
New share issues		11.1	0.0
Changes in current financial liabilities		141.8	119.4
Cash flow from financing activities		-118.7	639.4
Cash flow for the period		0.0	0.0
Cash and cash equivalents at the beginning of the period		0.0	0.0
Cash and cash equivalents at the end of the period		0.0	0.0

ACCOUNTING POLICIES AND NOTES

1 GENERAL INFORMATION

The Bygghmax Group conducts sales of building materials. Business activities are conducted in Sweden, Norway, Finland and Denmark. At the end of the period, there were 147 stores, of which 88 were in Sweden, 36 in Norway, 9 in Finland and 14 showrooms styled in line with Skånska Bygghvaror's concept. Bygghmax's business concept is to retail building supplies and other products to DIY enthusiasts at the lowest price. Shopping at Bygghmax should be inexpensive, 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 40, SE-17 171 Solna.

The Parent Company is listed on Nasdaq OMX Stockholm.

On March 8, 2018, the Board of Directors approved these consolidated financial statements for publication. The annual accounts will be presented to the Annual General Meeting on May 9, 2018.

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

2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

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

2.1 Basis for preparing the annual accounts

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

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

The financial statements of the Group and the Parent Company refer to the fiscal year ended December 31, 2017. Bygghmax applies the acquisition method when measuring assets and liabilities, with the exception of derivative instruments, which are recognized at fair value in profit or loss.

2.1.1 New and amended standards applied by the Group

None of the published standards and interpretations mandatory for the Group for fiscal year 2017 have had any impact on the consolidated financial statements beyond the increased disclosure requirements that follow from the updates to IAS 7.

2.1.2 New standards, amendments and interpretations of existing standards that have not been applied by the Group

A number of new standards and interpretations came into effect for fiscal years beginning after January 1, 2018 and were not applied in the preparation of these financial statements. These new standards and interpretations are expected to impact the consolidated financial statements as follows:

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

IFRS 9 will begin to be applied by the Group for the fiscal year that begins on January 1, 2018. The Group will not recalculate comparative figures for the 2017 fiscal year, in accordance with the transition rules of the standard.

Workshops were conducted during the autumn of 2017 in which classifying and measuring the Group's financial instruments were discussed. After the workshops conducted, it was ascertained that the new classification and measurement rules would not significantly impact the Group's financial position at the point of transition, as the regulations would not entail any changes as regards measurement of the financial instruments found in the consolidated balance sheet at that point in time.

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

A project is in progress that concerns analyzing what additional information may be required to meet the disclosure requirements in the revised IFRS 7.

IFRS 15 Revenue from Contracts with Customers entails new requirements regarding recognition of revenue, and replaces IAS 18 Revenue, IAS 11 Construction Contracts, and several related interpretations. The new standard provides more detailed guidance in many areas that previously were not clear from the IFRS then in force, including how agreements with several performance, commitments, flexible pricing, the

customer's right to return and so on. The standard has been adopted by the EU.

IFRS 15 is applied by the Group for the fiscal year starting January 1, 2018. The Group has chosen to apply the standard retroactively; that is, to report the 2017 comparison year in accordance with IFRS 15 as well.

Workshops were held during 2017 in which discussions were conducted to identify potential differences between current accounting policies and IFRS 15. Based on what emerged, follow-ups and analyses were carried out on the basis of the five-step model in IFRS 15. Where potential differences were identified, the effects from transition to IFRS 15 have been more deeply analyzed.

After analysis, the assessment is that there are no material differences between the accounting policies applied today and the guidance relating to allocation of price in IFRS 15. In conformity with current principles, product sales will be recognized when passing of risk ceases, which according to the analysis also meets the criteria for transfer of control in IFRS 15.

The Group has also analyzed management of returns, as well as discounts, to customers, and was able to ascertain that current application is consistent with IFRS 15. Revenue from returnable products are even now recognized by the Group recognizing as revenue only the amount of compensation it anticipates it has the right to recognize. No revenue for products or goods that are expected to be returned is thus recognized. Additionally, a liability regarding the estimated repayment amount is recognized.

The final assessment is therefore that the introduction of IFRS 15 will not have any material impact on the Group's financial position. The Group thus has no effects in the application of IFRS 15 as of January 1, 2017 that will involve an adjustment of shareholders' equity at the start of the 2017 comparison year or the report of comprehensive income for 2017.

The new 2018 accounting policies regarding revenue are listed below.

Sales of goods

Performance commitment and point in time for revenue recognition

The Group sells goods through its stores or online, primarily directly to customers. Revenue is recognized at the point in time when control over the asset is transferred to the customer. In connection with online sales, the point in time at which control over the goods transfers to the customer depends on the terms of shipping. With store sales or similar, control is transferred when the product is surrendered to the customer.

Return and repurchase rights

When the Group sells goods to customers on return, whether implicit or explicit, a liability for compensation — and an asset for the right to reclaim goods regarding the goods expected to be returned — are recognized. Historical experience

is used to estimate the portion of returns at the time of sale (the expected value method), and revenue is recognized only for the products not deemed to have been returned.

In connection with variable compensation in sales where volume discounts exist, the likely outcome of the sales volume achieved is estimated, and thereby the discount received at the time of sale. The estimated discount is then included in the transaction price, thereby reducing revenue. The estimation of the volume outcome is reported every accounting year. Discounts in the form of ongoing offers are recognized in connection with use.

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

The Group has begun work on analyzing what effects IFRS 16 will have on the consolidated financial statements. The Group is working on conducting a complete review of all leasing contracts, in which information will be collected and compiled as a basis for calculations and quantification in connection with conversion to IFRS 16. There are primarily leasing contracts relating to store leases in the Group. In connection with the transition to IFRS 16, the majority of these leases will be recognized in the balance sheet as assets with right of use and a financial liability. Note 37 contains a specification regarding the Group's non-terminable leasing contracts.

The Group has not yet determined which transitional regulations will be applied: either full retroactive application or partial retroactive application (which means that comparison figures do not need to be recalculated).

None of the other IFRS or IFRIC interpretations that have yet to come into legal effect are expected to have any material impact on the Group.

2.1.3 Use of assessments

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

2.2 Consolidated accounts

Subsidiaries

Subsidiaries are all companies over which the Group exercises controlling influence.

The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holding in the company and has the ability to affect those returns through its influence over the company. Subsidiaries are fully consolidated from the date on which controlling influence is transferred to the Group. They are eliminated from the consolidated accounts as of the date the controlling influence ceases. The acquisition method is the recognition method used when consolidating a subsidiary. The cost of an acquisition corresponds to the fair value of the assets received as compensation, issued equity instruments and liabilities arising or assumed on the acquisition date. Expenses attributable to the acquisition should be recognized as a cost. Identifiable assets, liabilities and contingent liabilities are initially measured at fair value, regardless of any minority interest. A positive difference between the cost of the acquisition and the fair value of the Group's share of net assets is recognized as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of net acquired assets, the difference is recognized directly in profit or loss.

Intra-group transactions and balance-sheet items, as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of a need for impairment of the transferred asset. The accounting policies for subsidiaries were changed as appropriate to guarantee consistent application of the Group's policies. The subsidiary Buildor AB was acquired in November 2015 and is included in the consolidated financial statements as of November 2, 2015. The subsidiary Skånska Byggarvar 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 of the existence of a business activity with employees in addition to the acquired assets and liabilities. Business combinations are recognized in accordance with IFRS 3, which entails, for example, that acquisition costs are expensed directly and that deferred tax is recognized as the difference between the acquired assets' market value and their residual value for tax purposes. For asset acquisitions, all acquisition costs are recognized as an increase of the cost in accordance with IAS 16 and IAS 38. 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 President and CEO. Segment information is provided for three segments from 2016. These three segments are Byggmax, Skånska Byggarvar and Other. Other includes Buildor, intra-Group leasing

of owned properties, a distribution company and the Parent Company Byggmax Group AB (publ). No individual part of the Other segment represents such a material part that it forms a reportable segment, which is why Byggmax has chosen to aggregate them. The performance metric we use internally to follow-up and evaluate operations is EBIT before depreciation/amortization and impairment of tangible and intangible fixed assets (EBITDA). For more information, see Note 5.

2.4 Translation of foreign currency

Functional currency and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In the consolidated accounts, Swedish kronor (SEK) is used, which is the Parent Company's functional currency and reporting currency.

Transactions and balance-sheet items

Transactions in foreign currency are translated to the functional currency according to the exchange rate prevailing on the transaction date. Exchange-rate gains and losses arising in payment of such transactions and in translation of monetary assets and liabilities in foreign currencies at the closing-date rate are recognized in the statement of comprehensive income.

Exchange-rate differences in accounts payable and accounts receivable are recognized in EBIT. Other exchange-rate differences are recognized in net financial items.

Consolidation of foreign subsidiaries and branches

The assets and liabilities of foreign subsidiaries and branches are translated at the closing-date rate, while all items in comprehensive income are translated monthly at the month's average rate and all exchange-rate differences that arise in the translation of foreign subsidiaries' financial statements are recognized in other comprehensive income.

2.5 Intangible fixed assets

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

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

Goodwill

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

Goodwill, which is recognized separately, is tested annually to identify possible impairment needs and is recognized at cost less accumulated impairment.

Impairment of goodwill is not reversed. Gains or losses from the divestment of a unit include the remaining recognized value of the goodwill attributable to the divested unit. Goodwill is allocated to the cash-generating unit (CGU) that existed when the goodwill item arose when assessing possible impairment needs. The distribution is based on the CGUs or groups of CGUs that are expected to benefit from the business combination that resulted in the goodwill item. The Byggmax Group distributes the original goodwill to the CGU Sweden that existed on the date when the original goodwill arose. As regards the acquired goodwill from the acquisition of Buildor, the CGU is considered to comprise Buildor in its entirety. As regards the acquired goodwill from the acquisition of Skånska Byggarvar Group AB, the CGU is considered to comprise Skånska Byggarvar 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 Byggarvar. These assets are measured at fair value on the acquisition date. Brands and customer relationships are amortized over their useful lives, which is deemed to be ten years for brands and ten years for customer relationships.

2.6 Tangible fixed assets

All tangible fixed assets are recognized at cost reduced by depreciation.

The cost includes fees that can be directly attributed to the acquisition of the asset.

Additional fees are only added to the asset's carrying amount or recognized as a separate asset, depending on what is most appropriate, if it is probable that the future economic benefits associated with the asset will accrue to the Group and the asset's cost can be measured in a reliable manner.

The carrying amount for the replaced portion is eliminated from the balance sheet. All other forms of repairs and maintenance are recognized as costs in comprehensive income during the period in which they arise.

There is no depreciation on land. Depreciation of other assets to reduce their cost to the estimated residual value over the estimated useful life is applied in a straight line according to the following:

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

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

Gains and losses from divestments are established by comparing the sale proceeds with the carrying amount and are

recognized under other operating income or other expenses in profit or loss.

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

2.7 Borrowing costs

Borrowing costs mean that the Group capitalizes borrowing costs that are directly attributable to the purchase, construction or production of an asset that takes a substantial period of time to complete for its intended use or sale as part of the cost of the asset.

During 2017, the Group did not capitalize borrowing costs, since there were no assets during the period that required a substantial period of time for completion for use or for sale.

2.8 Impairment of non-financial fixed assets

Assets that have an indeterminate useful life, such as goodwill, are not depreciated but instead tested annually for the need for impairment.

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

2.9 Financial instruments

The Group classifies its financial assets in the following categories: financial assets and liabilities measured at fair value in profit or loss, loan receivables and accounts receivable, financial assets held until maturity, available-for-sale financial assets and other financial liabilities.

This classification depends on the purpose for which the financial asset was acquired. Management establishes the classification of the financial assets on the first reporting date and reassesses this decision on every reporting date.

At present, the Group has no financial assets that are classed as financial assets held until maturity or available-for-sale financial assets.

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

Financial assets and liabilities measured at fair value in profit or loss are financial instruments held for sale. A financial asset or a financial liability is classified in this category if it was primarily acquired to be sold within a short period.

Derivatives are classified as held for sale unless they are

identified as hedges. The Group holds derivative instruments in the form of currency forward contracts.

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

Loan receivables, accounts receivable and other receivables.
Loan receivables, accounts receivable and other receivables are financial assets which are not derivatives, which have payments that are established or can be established and which are not listed on an active market.

They are included in current assets with the exception of items with maturity dates greater than 12 months from the balance-sheet date, which classifies them as fixed assets. Loan receivables, accounts receivable and other receivables are recognized as accounts receivable, other receivables and other long-term receivables in the balance sheet. Cash and cash equivalents are also included in this category. An impairment of accounts receivable and other receivables is recognized in comprehensive income under other expenses.

Other financial liabilities

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

General policies

Purchases and sales of financial assets and liabilities are recognized on the transaction date, which is the date on which the Group pledged to purchase or sell the asset or liability.

Financial assets and liabilities are initially recognized at fair value in the balance sheet. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with ownership rights. Financial liabilities are removed from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished.

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

The fair value of currency forward contracts is established using observable data for currency forwards on the balance-sheet date. Fair value for interest swaps is calculated as the current value of estimated cash flows. On each balance-sheet date, the Group considers whether there is objective evidence of a need for impairment for a financial asset or a group of financial assets, such as the closure of an active market or

the probability that a debtor will not be able to discharge its obligations. Impairments of equity instruments, which are recognized in comprehensive income, are not reversed in comprehensive income. Impairment assessment of accounts receivable is described below.

Accounts receivable and other receivables

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

Cash and cash equivalents

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

Share capital

Common shares are classified as shareholders' equity. Transaction costs that can be directly attributed to new share issues are recognized in net amounts after tax in shareholders' equity as a deduction from the issue proceeds. Premiums for warrants are recognized in the shareholders' equity item retained earnings.

Accounts payable

Accounts payable are initially recognized in the balance sheet at fair value and then at amortized cost with application of the effective-interest method.

The carrying amount of accounts payable is assumed to correspond to their fair value, since this item is short-term by nature.

Borrowing

Borrowing is measured initially at fair value net after transaction costs. Borrowing is subsequently recognized at amortized cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognized in comprehensive income distributed over the term of the loan with application of the effective-interest method. Borrowing is classified as current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the balance-sheet date.

2.10 Inventories

Inventories are recognized at the lower of cost and net sales value. The cost is established using the weighted-average method.

The cost of goods for resale corresponds to the purchasing cost for the goods.

Borrowing costs are not included. Inventory consists of building supplies sold in Byggmax stores. The net sales value is the estimated sales price in operations reduced by applicable variable sales costs. Provisions required for obsolescence were made.

2.11 Current and deferred tax

The tax cost for the year comprises current and deferred tax. Tax is recognized in comprehensive income, except when tax pertains to items that are recognized in other comprehensive income or directly in shareholders' equity. In such cases, tax is recognized in other comprehensive income and shareholders' equity respectively. The current tax cost is calculated based on the tax regulations that are in effect on the balance-sheet date or in practice approved in the countries in which the Parent Company's subsidiaries are active and generate taxable income. Management actively evaluates the claims that are made in tax returns regarding situations where tax regulations are subject to interpretation and allocates reserves, where appropriate, for amounts that are likely to be paid to tax authorities.

Deferred tax is recognized in its entirety according to the balance-sheet method on all temporary differences arising between the value for tax purposes of assets and liabilities and their carrying amounts in the consolidated accounts. A deferred tax liability is not recognized, however, if it arises as a result of the initial recognition of goodwill. Neither is deferred tax recognized if it arises as a result of a transaction for an asset or liability being recognized for the first time that is not a business combination and which on the acquisition date does not affect recognized or taxable earnings. Deferred income tax is calculated by applying tax rates and laws that have been approved or announced on the balance-sheet date and which are expected to apply when the deferred tax assets are realized or when the deferred tax liabilities are settled.

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

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

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

2.12 Employee Benefits

Pension obligations

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

For defined-contribution pension plans, Byggmax pays a fee to a publicly or privately administered pension insurance plan on an obligatory, contractual or voluntary basis.

The Group has no further payment obligations when the fees have been paid. The fees are recognized as personnel costs in comprehensive income at the rate in which they are earned by employees performing services for the company during a period. Prepaid fees are recognized as an asset to the extent that cash payment or a reduction of future payments will accrue to the Group.

Compensation on termination of employment

Compensation on termination of employment is paid when employment is terminated by Byggmax prior to the normal pension age or when the employee accepts a voluntary termination in exchange for such compensation.

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

Bonus plans

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

Share-based payments

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

2.13 Income recognition

Sales of goods and services

The Group's income is generated from the sale of goods and services that are included in the Byggmax 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 delivery of the goods to the customer.

Interest income

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

Sale of properties

The Group builds properties which after completion are sold to a leasing company (see also 2.15 Leasing below with respect to Sale-and-leaseback transactions). Byggmax recognizes income from the sale of the property when the risks and benefits associated with ownership are transferred to the leasing company, which normally coincides with the transfer date.

2.14 Earnings per share

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

2.15 Leasing

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

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

In assessing the terms of the sales transaction and the leasing contract, the Group considers if the sale price is on market terms and if the leasing fee that the Group pays is based on market levels.

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

Gains relating to sale-and-leaseback transactions are recognized in the item financial income in 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 financial hedging relations established by the Group as part of its risk management do not qualify for hedge accounting according to the rules in IAS 39.

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

The Parent Company Byggmax Group AB is deemed to have limited risk exposure, meaning that the descriptions below primarily relate to the Group as a whole. The described risks can thus affect the Parent Company indirectly in that the asset item participations in Group companies may be positively or negatively affected by how the risks described below are 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 for 2017

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2017	Effect on EBIT (SEK M) 2016
NOK	+10/- 10%	+/- 2.4	+/- 1.8
EUR	+10/-10%	+/- 0.6	+ - 0.5

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

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

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

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

Byggmax hedges currency positions greater than SEK 100 M on an annual basis each quarter by hedging 50 percent for the coming six months and 25 percent for the coming quarter, meaning that 75 percent is hedged.

Transaction exposure in consolidation of units outside Sweden

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

Translation of foreign subsidiaries' income statements

Translation of foreign subsidiaries' income statements is done at the average rates of the respective periods. Changes in exchange rates in during 2017 impacted the Group's comprehensive income negatively by SEK 7.7 M (pos: 11.8). Assuming the invoicing and net earnings for 2017, a five percent change in the SEK rate against NOK and EUR would impact net sales by SEK 74.0 M (72.6) and net earning by approximately SEK 3.0 M (2.6).

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 175.8 M (154.0). 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 9.2 M (8.0).

(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 2017, with all other variables constant, the consolidated profit after tax for the fiscal year would have been SEK

6.7 M lower/higher, primarily as an effect of higher interest expenses for borrowing with floating-rate interest. Byggmax continuously monitors the interest risk by examining the effect of loans with floating-rate interest on EBIT for the year. Byggmax conducts interest-rate hedging in the form of an interest-rate cap.

Sensitivity analysis, interest risk for 2017

	Change (percentage points) all other factors unchanged	Effect on EBIT (SEK M) 2017	Effect on EBIT (SEK M) 2016
Interest rate	+1%/-1%	6.7	10.2

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, but during the year losses increased, primarily due to impairment in the subsidiary Pavillon Danmark A/S. Approximately 95 percent of accounts receivable in Skånska Byggvaror come from private individuals.

c) Liquidity risk

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

The size of the credit facility available is reviewed regularly and is designed to cover forecast peaks in the gross debt level with a healthy margin. On December 31, 2017, the Group had cash and cash equivalents totaling SEK 40.1 M (41.9) and an unutilized credit facility of SEK 134.5 M (245.4). Information regarding blocked bank funds is available in Note 18. The table below shows the non-discounted cash flows that arise from the Group's liabilities in the form of financial instruments based on the remaining contracted periods on the balance-sheet date. For derivatives, however, amounts have been indicated at fair value, and where their amounts have no major impact on assessment of future liquidity risks for the company. Amounts in foreign currencies and amounts to be paid are based on floating-rate interest and were estimated by using the exchange and interest rates prevailing on the balance-sheet date.

Group (SEK M)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2017				
Borrowing	812.6	101.3	306.1	0.0
Gross regulated derivative instruments (currency forwards)				
Accounts payable	591.3			
Total	1,404.0	101.3	306.1	0.0
At December 31, 2016				
Borrowing	700.7	125.2	376.8	25.1
Discounted earnout		47.3		
Derivatives (currency forwards)	0.3			
Accounts payable	630.7			
Total	1,331.7	172.5	376.8	25.1

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, 2017				
Borrowing	812.6	101.3	306.1	0.0
Total	812.6	101.3	306.1	0.0
At December 31, 2016				
Borrowing	700.7	125.2	376.8	25.1
Discounted earnout		47.3		
Total	700.7	172.5	376.8	25.1

3.2 Management of financing/capital risk

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

- Establishing adequate credit facilities well in advance of foreseeable needs.
- Monitoring due dates for the total debt in order to match amortization to anticipated cash flows.
- Satisfying key ratios according to financing contracts. The key ratios are the interest-coverage ratio, debt/equity ratio and the equity ratio/risk-bearing capital.
- Optimizing working capital within the Group. Working capital refers to: the total of inventory, accounts receivable, receivables on bonuses from suppliers, other receivables and prepaid expenses/accrued income less the total of accounts payable, tax liabilities, other current liabilities and accrued expenses/deferred income.

While Byggmax has no specified goal for the equity/assets ratio, there is a dividend target. Byggmax policy is for dividends to amount to at least 50 percent of Byggmax's net profits for the preceding fiscal year, subject to Byggmax's need for capital, EBIT, financial position, capital requirements and current economic conditions.

4 IMPORTANT ESTIMATES AND ASSESSMENTS

Important estimates and assumptions for accounting purposes

The Group makes estimates and assumptions regarding the future to be able to prepare the accounts in accordance with generally accepted accounting practices. Estimates and assumptions are evaluated regularly and are based on historical experience and other factors, including expectations regarding future events that are considered reasonable under the prevailing circumstances. The actual outcome may differ from the estimates and assumptions made. The estimates and assumptions made in the final accounts on December 31, 2017 are not considered to be able to significantly affect the Group's EBIT and financial position for the coming fiscal year.

Leasing

Leasing contracts on properties constitute the largest and most important portion of leasing contracts signed by the Group. In classifying its contracts, the Group has therefore assessed whether the contracts are to be considered as financial or operating leases. Leasing contracts contain no clause stating that ownership rights to the properties will pass over to the company at the end of the contract period. In view of the fact that leasing fees the Group pays to the lessor are regularly adjusted with indexation so as to correspond to a market leasing level, and that the Group assumes no risk for the residual value of the properties, it has been determined that all economic risks and advantages associated with the properties on the whole rest with the lessors. Based on these qualitative factors, the agreements have been classified as operating leases.

All sale-and-leaseback transactions are considered to be operating leases, which is based on an appraisal of each leasing contract in relation to the following criteria: financial implication, leasing period and whether the contract contains an option on the property. For more information, refer to Note 37.

Testing of impairment need for goodwill

The Group determines each year if there is any need to recognize an impairment of goodwill, in accordance with the accounting policy described in Note 2.8 Impairment of non-financial fixed assets. The assumptions and assessments made in respect of expected cash flows and the discount rate are described in Note 1.4.

Provisions

A provision is recognized in the balance sheet when the Group has an existing legal or informal obligation as a consequence of an incident that has occurred, and it is likely that an outflow of financial resources will be required to settle the obligation and the amount can be reliably estimated. If the effect of the point in time of payment is material, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and – if suitable – the risks associated with the liability. Provisions are attributable to liquidation and reconstruction costs. Refer to Note 33.

5 SEGMENT INFORMATION

Segment information by brand, SEK M	Byggmax		Skånska Byggvaror		Other		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Income										
Total net sales by segment	4,495.5	4,318.4	725.0	798.8	1,059.8	950.7	-958.8	-848.6	5,321.4	5,219.3
Internal net sales	4.4	0.3	15.7	4.1	938.7	844.2	-958.8	-848.6	0.0	0.0
External net sales	4,491.1	4,318.1	709.2	794.7	121.1	106.5	0.0	0.0	5,321.4	5,219.3
Other operating income									39.4	128.7
EBITDA	435.6	417.8	-18.7	54.4	27.9	109.2			444.9	581.3
Operating margin before amortization and depreciation, percent	9.7	9.7	-2.6	6.8	2.6	11.5			8.4	11.1
Amortization and depreciation									-173.0	-189.5
Financial income									22.6	20.3
Financial expenses									-36.2	-61.8
Profit before tax									258.2	350.3

Assets per segment	Byggmax		Skånska Byggvaror		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total assets per segment	1,958.7	1,876.2	1,075.5	1,143.2	614.1	611.1	3,648.3	3,630.5
<i>Of which, fixed assets</i>	<i>1,427.9</i>	<i>1,423.4</i>	<i>980.6</i>	<i>1,036.5</i>	<i>138.6</i>	<i>138.1</i>	<i>2,547.0</i>	<i>2,598.0</i>

Liabilities per segment	Byggmax		Skånska Byggvaror		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total liabilities per segment	1,958.7	1,876.2	1,075.5	1,143.2	614.1	611.1	3,648.3	3,630.5

Geographic area/country	Net sales		Fixed assets		Investments	
	2017	2016	2017	2016	2017	2016
Norway	1,055.9	932.7	109.0	124.2	23.0	66.7
Sweden	4,023.5	4,046.8	2,423.0	2,450.0	110.8	102.8
Other countries	242.0	239.9	15.0	23.8	0.6	1.9
Group	5,321.4	5,219.3	2,547.0	2,598.0	134.4	171.4

The division into segments is described in Note 2.3. The Parent Company has no net sales.

The geographic information reports revenue based on where customers are located, whereas the fixed assets are based on where the facilities are located. These assets comprise fixed assets except financial instruments and deferred tax assets.

6 OTHER OPERATING INCOME

Group	2017	2016
Exchange-rate differences	3.9	12.6
Gain from divestment of equipment	1.0	0.2
Reversal of earnout	33.4	112.3
Other	1.1	3.6
Total other operating income	39.4	128.7

7 OTHER EXPENSES

Group	2017	2016
Exchange-rate differences	-9.7	-9.2
Loss from divestment of equipment	-2.3	-0.2
Other	-3.9	0.0
Total other operating expenses	-15.9	-9.5

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	2017	2016
Öhrlings PricewaterhouseCoopers		
Auditing assignments	1.5	1.5
Other assignments	0.0	0.0
Tax consultancy	0.0	0.2
Other services	0.1	0.2
Total auditors' fees	1.6	1.9

Parent Company	2017	2016
Öhrlings PricewaterhouseCoopers		
Auditing assignments	0.4	0.5
Other assignments	0.0	0.0
Tax consultancy	0.0	0.0
Other services	0.1	0.2
Total auditors' fees	0.5	0.7

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

	2017	2016
Auditing assignments	1.3	1.4
Tax consultancy	0.0	0.2
Other services	0.1	0.2
Sum total of compensation	1.4	1.8

9 EMPLOYEE BENEFITS

Group	2017	2016
Salaries and other compensation	410.2	386.9
Social costs	110.5	105.2
Pension costs	25.8	24.1
Other personnel costs	12.0	13.8
Total employee benefits	558.5	530.0

The guidelines for determining compensation to senior executives that were adopted by the 2017 Annual General Meeting Group correspond, in all material respects, with the guidelines that are being proposed to the 2018 Annual General Meeting. Information about these guidelines is available in the Administration Report on page 39. Remuneration to senior executives was paid in accordance with previous resolutions and the guidelines that were adopted at the AGM. Bonuses to the Board of Directors, President and other senior executives amounted to SEK 0.0 M (0.0).

9 EMPLOYEE BENEFITS. CONT.

Salaries and other compensation plus social costs (SEK M)	2017			2016		
	Salaries and other compensation	Social costs (of which pension costs)	Number	Salaries and other compensation	Social costs (of which pension costs)	Number
Group						
Board members, President and other senior executives	24.6	11.3 (3.7)	17	20.5	10.4 (3.3)	15
Other employees	385.5	102.9 (22.1)	1,053	366.0	119.0 (20.8)	1,056
Total	410.1	114.2 (25.8)	1,070	386.5	129.4 (24.1)	1,071
Parent Company						
Board members	2.5	0.5 (0.0)	7.0	2.2	0.5 (0.0)	6.64
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	2.5	0.5 (0.0)	8.0	2.2	0.5 (0.0)	7.64

No separate compensation is payable to the President of Bygghmax Group AB (publ) in 2017.

	2017		2016	
	Average number of employees	Of whom men	Average number of employees	Of whom men
Subsidiaries				
Sweden	806	71%	831	71%
Norway	174	87%	153	90%
Finland	70	73%	71	73%
Denmark	11	64%	9	81%
Total in subsidiaries	1,061	78%	1,064	78%
Group total	1,061	78%	1,064	78%

	2017		2016	
	Number on balance-sheet date	Of whom men	Number on balance-sheet date	Of whom men
Group (including subsidiaries)				
Board members	7	43%	7	43%
President and other senior executives	10	70%	8	88%
Group total	17	59%	15	67%

Parent Company				
Board members	7	43%	7	43%
President and other senior executives	1	100%	2	100%
Parent Company total	8	56%	9	56%

9 EMPLOYEE BENEFITS. CONT.

Compensation to senior executives (SEK M)	Basic salary/ Directors' fees	Variable compensation	Other benefits	Pension costs	Other compensation	Total
2017						
Chairman of the Board — Anders Moberg	0.6					0.6
Board member — Daniel Mühlbach	0.3					0.3
Board member — Hannele Kemppainen	0.3					0.3
Board member — Karin Hygrell-Jonsson	0.3					0.3
Board member — Lottie Svedenstedt*	0.4					0.4
Board member — Mikael Norman	0.4					0.4
Board member — Ullrika Eliasson	0.3					0.3
President — Mattias Ankarberg	4.7	2.3	0.0	1.4		8.4
Other senior executives (nine individuals, of whom three women)	13.2**	1.1	0.0	2.3	1.4***	18.0
Total	20.5	3.4	0.0	3.7	1.4	29.0

Basic salary (**): In 2017, new senior executives joined the Byggmax Group management on various occasions in 2017. Refer to page 93, Group management. Furthermore, this section includes three senior executives, of which two have ended their employment and received 12 months' severance pay for 2018.

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

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

* Refers to invoiced amount incl. social fees

There are no agreements concerning severance pay for the President or other senior executives. The period of notice for the President in the event of termination by the company or by the President is three months. The retirement age for the President and other senior executives is 65. Fixed salary and pension reflect the scope and responsibility entailed in the assignment. The President has a defined-contribution pension. Variable compensation pertains to remuneration for bonus earned in 2017 that is payable in 2018.

Warrant program

The 2013, 2015 and 2017 Annual General Meetings resolved to introduce warrant programs for senior executives and other key staff at Byggmax.

The warrants are priced at market value, which is based on a valuation made by an independent party using 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 of the warrants program have entered into a pre-emption agreement. The subscription period for the 2013 warrant program commenced on May 30, 2017 and concluded on November 30, 2017; employees in the Byggmax Group subscribed for a total of 262,000 shares during the second, third and fourth quarters of 2017. Subscription of shares has resulted in an increase in share capital of SEK 87,000, as well as an increased in share premium reserve of SEK 11.1 M. The 2015 warrant program expires on November 30, 2018 and can be exercised from May 30, 2018. The 2017 warrant program expires on December 7, 2020 and can be exercised from June 8, 2020.

10 PROFIT/LOSS FROM FINANCIAL ITEMS

Group	2017	2016
Financial income		
Exchange-rate gains	9.7	7.1
Changes in fair value — interest swaps and currency derivatives	12.6	12.3
Interest income	0.3	0.8
Other financial income	0.0	0.1
Total	22.6	20.3
Financial expenses		
Exchange-rate losses	-7.4	-18.4
Changes in fair value — interest swaps and currency derivatives	-11.8	-10.0
–interest expenses, bank loans	-13.1	-20.6
–interest expense, discount rate, earnout	-1.6	-11.7
Other financial expenses	-2.3	-1.1
Total	-36.2	-61.8
Profit/loss from financial items	-13.6	-41.5
Parent Company	2017	2016
Earnings from shares in Group companies		
Dividends from Group companies	150.0	140.0
Total	150.0	140.0
Interest income and similar items		
Exchange-rate gains	0.6	1.7
Group contributions	19.1	21.3
Interest income	9.8	9.0
Total	29.5	32.0
Interest expenses and similar items		
Exchange-rate losses	-0.5	-2.2
Interest expenses	-20.2	-22.0
Total	-20.8	-24.2
Profit/loss from financial items	158.7	148.0

11 INCOME TAX

	2017	2016
Current tax for the year	-64.8	-62.5
Current tax attributable to previous years	-1.5	-1.1
Deferred tax expense relating to temporary differences	-15.1	-11.2
Deferred tax income relating to temporary differences	17.8	9.1
Total	-63.6	-65.7

Parent Company	2017	2016
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	2017	2016
Profit before tax	258.2	350.3
Income tax calculated according to the Group's prevailing tax rate	-56.8	-77.1
Non-taxable income	0.0	0.0
Non-deductible costs	-4.4	-12.1
Tax effect of interest on the tax allocation reserve	0.0	0.0
Reversal of earnout, non-taxable income	7.3	24.7
Deficits for tax purposes for which no deferred tax asset is recognized	0.0	0.6
Blocked amounts on foreign taxes for tax purposes	-1.6	-0.7
Effect of foreign tax rates	0.0	0.0
Adjustment of current tax relating to previous years	-1.5	-1.1
Other	-6.7	-0.1
Tax expense	-63.6	-65.7

Parent Company	2017	2016
Profit before tax	149.9	139.7
Income tax calculated according to prevailing tax rate	-33.0	-30.7
Non-taxable income	33.1	31.0
Non-deductible costs	-0.1	-0.3
Tax expense	0.0	0.0

Weighted average tax rate within the Group:	24.6%	18.8%
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The prevailing tax rate for income tax within the Group and the Parent Company is 22.0 (22.0) percent.

12 EARNINGS PER SHARE

Before dilution	2017	2016
Profit for the year attributable to the Parent Company's shareholders	194.6	284.6
Weighted average number of shares before dilution (thousands)	60,861	60,737
Earnings per share before dilution (SEK)	3.2	4.7
After dilution		
Profit for the year attributable to the Parent Company's shareholders	194.6	284.6
Weighted average number of shares before dilution (thousands)	60,861	60,737
Dilution effect regarding warrants	45	1,678
Weighted average number of shares after dilution (thousands)	60,906	62,415
Earnings per share after dilution (SEK)	3.2	4.6
Number of shares outstanding at end of period (thousands)	60,999	60,737
Dividend per share (SEK)	2.40	2.14

13 EXCHANGE-RATE DIFFERENCES

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

Group	2017	2016
Other operating income	3.9	13.3
Other expenses	-9.7	-11.2
Financial income	9.1	6.5
Financial expenses	-6.7	-21.0
Total exchange-rate differences	-3.5	-12.5

14 INTANGIBLE ASSETS

Capitalized expenses for development work

Group	2017	2016
Opening cost	125.4	100.3
New acquisitions	35.5	25.3
Increase through acquisitions	0.0	0.0
Sales and scrapping	-10.2	-0.2
Exchange-rate differences	1.1	-0.0
Closing accumulated cost	149.7	125.4
Opening depreciation	-75.0	-57.3
Sales and scrapping	9.4	0.0
Depreciation for the year	-18.1	-17.4
Impairment	-4.4	0.0
Exchange-rate differences	0.1	-0.3
Closing accumulated depreciation	-86.2	-75.0
Closing carrying amount	63.4	50.3

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

Goodwill, customer relationships and brands	Goodwill		Customer relationships		Trademark		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening cost	1,815.5	1,172.7	135.9	0.0	220.6	0.0	2,172.0	1,172.7
Increase through acquisitions	0.0	687.7	0.0	151.0	0.0	245.1	0.0	1,083.8
Depreciation	0.0	0.0	-15.1	-15.1	-24.5	-24.5	-39.6	-39.6
Impairment	-7.2	-44.8	0.0	0.0	0.0	0.0	-7.2	-44.8
Closing carrying amount	1,808.3	1,815.5	120.8	135.9	196.1	220.6	2,125.2	2,172.0

Of recognized goodwill, SEK 1,051.0 M relates to the Swedish operations in Byggmax, SEK 121.7 M relates to Buildor and SEK 635.6 M to Skånska Byggvaror, which was acquired in January 2016. The 2017 impairment relates to impairment in connection with the revaluation of assets in Pavillon Danmark A/S when reclassification to assets held for sale takes place.

An impairment test was carried out in September 2016 due to a lower earnings forecast for Skånska Byggvaror compared with that used at the acquisition date. This resulted in an impairment of SEK 44.8 M, which negatively impacted earnings for 2016. Skånska Byggvaror is in the middle of a transformation into a modern leader in Garden Living, which is built on the currently profitable operations in sun rooms, greenhouses and so on. During the fourth quarter, the company received a new CEO, detailed its strategic plan, and restructured its cost base. 2018 will be a year of changes for Skånska Byggvaror. The company expects lower operating costs and lower sales as a result of reduced marketing of products that are not a part of core operations, and expects to finish the year with stronger, more profitable operations, which will be reflected in the annual assessment of goodwill.

Annual impairment testing of goodwill

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

The Swedish operations in Byggmax are deemed to be one of three cash-generating units (CGUs). As regards the acquired goodwill from the acquisition of Buildor, the CGU was considered to comprise Buildor in its entirety. For the goodwill arising in connection with the acquisition of Skånska Byggvaror, the CGU is considered to comprise Skånska Byggvaror in its entirety.

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

In all three cases, the calculation is based on estimated future cash flows based on the 2017 business plan for each CGU and forecasts for the period from 2018–2022 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 2022, 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 7.1 percent (8.0) for Byggmax AB. As regards an assessment of possible impairment needs for Buildor, a WACC of 11.1 percent (11.0) was used, and for Skånska Byggvaror a WACC of 11.0 percent (11.7) was used. The WACC was based on the following assumptions:

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

Testing indicates that the recoverable amount exceeds the carrying amount.

Sensitivity analysis

EBIT margin: If the estimated EBIT margin after the end of the forecast period had been a percentage point lower than management's assessment, the aggregate recoverable amount would decrease by 7 percent (Byggmax 6.6 percent, Skånska Byggvaror 7.9 percent, Buildor 18.2 percent).

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

Discount rate: If the estimated weighted average cost of capital (WACC) applied to discounted cash flows for the Group has been one percentage point higher than the basic assumption of 7.1–11.1 percent, the aggregate recoverable amount would decrease by 0.5 percent (Byggmax 0.4 percent, Skånska Byggarvaror 0.6 percent, Buildor 0.8 percent).

These calculations are hypothetical, and are not to be regarded as an indication that these factors are more or less likely to change. The sensitivity analysis should therefore be interpreted with caution.

None of the hypothetical cases above should give rise to an impairment of goodwill in an individual cash-generating unit.

15 TANGIBLE FIXED ASSETS

Equipment, tools, fixtures and fittings		
Group	2017	2016
Opening cost	802.9	624.2
Purchases	94.4	143.8
Sales and scrapping	-5.4	-2.1
Increase through business combinations	0.0	22.8
Reclassifications	-1.1	0.0
Exchange-rate differences	-15.9	-8.0
Closing accumulated cost	874.9	802.9
Opening depreciation	-447.6	-356.7
Sales and scrapping	2.8	0.0
Depreciation for the year	-96.3	-85.8
Reclassifications	0.0	0.0
Exchange-rate differences	8.7	-5.0
Closing accumulated depreciation	-538.5	-447.6
Closing carrying amount	336.4	355.3

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

Group	2017	2016
Cost – capitalized finance leasing	0.0	152.5
Accumulated depreciation	0.0	-152.5
Carrying amount	0.0	0.0

Buildings and land		
Group	2017	2016
Opening cost	7.9	7.9
Purchases	0.0	0.0
Sales and scrapping	0.0	0.0
Closing accumulated cost	7.9	7.9
Opening depreciation	-3.2	-2.8
Sales and scrapping	0.0	0.0
Depreciation for the year	-0.4	-0.4
Closing accumulated depreciation	-3.6	-3.2
Closing carrying amount	4.3	4.7

Leasehold improvement

Group	2017	2016
Opening cost	22.2	18.8
Purchases	4.5	2.7
Sales and scrapping	-0.1	0.0
Exchange-rate differences	-1.0	0.6
Closing accumulated cost	25.5	22.2
Opening depreciation	-6.5	-4.8
Sales and scrapping	0.0	0.0
Depreciation for the year	-1.6	-1.4
Exchange-rate differences	0.4	-0.3
Closing accumulated depreciation	-7.7	-6.5
Closing carrying amount	17.7	15.7

16 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	2017	2016
Opening cost	1,251.0	507.0
Investments	0.0	744.0
Reversal, part of purchase consideration, Buildor	-31.7	0.0
Closing carrying amount	1,219.3	1,251.0

The Parent Company has participations in the following Group companies:

Name	Corporate registration number	Registered office	Share of capital	Number of shares	Carrying amount	
					2017	2016
Companies owned by Byggmax Group AB (publ)						
Byggmax AB	556645-6215	Halmstad	100%	100,000	345.0	345.0
Svea Distribution AB	556602-5895	Eslöv	100%	200	13.0	13.0
Byggmax Fastighetsutveckling AB	556726-8593	Stockholm	100%	1,000	0.1	0.1
Buildor AB	556867-2405	Stockholm	100%	1,558	118.5	150.2
Skånska Byggarvaror Group AB	556987-6849	Helsingborg	100%	1,579,710	742.7	742.7
					1,219.3	1251.0
Holdings in other Group companies						
Byggmax International Purchasing AB	556757-2473	Stockholm	100%			
Byggmax Fastighets Holding AB	556726-8601	Stockholm	100%			
Byggmax Fastighetsutveckling 6 AB	556751-4442	Stockholm	100%			
Byggmax Fastighetsutveckling 7 AB	556757-3133	Stockholm	100%			
Byggmax Fastighetsutveckling 8 AB	556889-6780	Stockholm	100%			
Byggmax Fastighetsutveckling 9 AB	556916-5250	Stockholm	100%			
Byggmax Fastighet 2 AS	991 127 895	Oslo	100%			
Byggmax Fastighet 3 AS	991 127 917	Oslo	100%			
Byggmax Finland Fastighetsholding 1 Oy	2186417-4	Helsinki	100%			
Byggmax Finland Fastighet 1 Oy	2186407-8	Helsinki	100%			
Byggmax Finland Fastighetsholding 2 Oy	2186507-0	Helsinki	100%			
Buildor AS	918,104,925	Oslo	100%			
Skånska Byggarvaror AB	556100-1891	Helsingborg	100%			
Grönt Fokus AS	976,461,428	Kristiansand	100%			
Pavillon Danmark A/S	26 05 05 10	Odense	100%			

17 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

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

Byggmax only holds derivative instruments measured at fair value in its financial statements. These instruments are measured at fair value in profit or loss. The value of the derivative instruments is 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, 2017	Loan receivables and accounts receivable	Assets measured at fair value in profit or loss	Total
Derivative instruments		1.3	1.3
Accounts receivable and other receivables excluding prepaid expenses and accrued income	111.8		111.8
Cash and cash equivalents	40.1		40.1
Total	151.9	1.3	153.2

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

Assets in the balance sheet at Dec. 31, 2016	Loan receivables and accounts receivable	Assets measured at fair value in profit or loss	Total
Derivative instruments		0.2	0.2
Accounts receivable and other receivables excluding prepaid expenses and accrued income	125.2		125.2
Cash and cash equivalents	34.0		34.0
Total	159.2	0.2	159.4

Liabilities in the balance sheet at Dec. 31, 2016	Liabilities measured at fair value in profit or loss	Other financial liabilities	Total
Borrowings (excluding liabilities related to financial leasing)		1,224.7	1,224.7
Derivative instruments	0.3		0.3
Accounts payable and other liabilities excluding accrued expenses and deferred income		740.3	740.3
Total	0.3	1,965.0	1,965.3

18 OTHER LONG-TERM RECEIVABLES

Group	2017	2016
Blocked bank funds	7.9	7.9
Other	14.4	17.2
Total other long-term receivables	22.3	25.1

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

19 DERIVATIVE INSTRUMENTS

Group Dec. 31, 2017	Assets	Liabilities
Derivative instruments		
Currency forwards – held for sale	1.3	0.0
Total derivative instruments	1.3	0.0
	Assets	Liabilities
Derivative instruments		
Currency forwards – held for sale	0.2	0.3
Total derivative instruments	0.2	0.3

Derivative instruments held for sale are classified as current assets or current liabilities. The nominal amount for outstanding currency forwards on the balance-sheet date was Group Dec. 31, 2016 SEK 11.2 (12.7) M. The maximum exposure to credit risks on the balance-sheet date was the fair value of the derivative instruments recognized as assets in the balance sheet.

20 ACCOUNTS RECEIVABLE

Group	2017	2016
Accounts receivable	14.8	22.1
Provisions for doubtful receivables	-2.8	-2.2
Total accounts receivable	12.0	19.9

Of the total reserve for doubtful accounts receivable of SEK 2.8 M, SEK 1.7 M comes from Skånska Byggvaror, of which SEK 0.4 M pertains to the subsidiary Pavillon Danmark A/S. Ninety-five percent of the remaining provision in Skånska Byggvaror consists of a large number of private individuals. Byggmax's provisions total SEK 1.1 M, which consist primarily of one customer whose receivable is expected to be recoverable.

Age distribution of past due unimpaired accounts receivable

Group	2017	2016
Less than 30 days	5.0	3.8
31–60 days	1.4	2.5
61–90 days	1.0	1.3
over 90 days	3.2	2.6
Total past due accounts receivable	10.5	10.2

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

21 INVENTORIES

Group	2017	2016
Completed goods and goods for resale	877.0	814.9
Work in progress	2.7	3.6
Total inventories	879.7	818.5

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

22 OTHER RECEIVABLES

Group	2017	2016
Bonus receivables from suppliers	51.2	50.8
Other receivables	26.3	19.1
Total other receivables	77.5	69.9
Parent Company		
Dividends from Group companies	150.0	140.0
Total other receivables	150.0	140.0

Most bonus receivables are in SEK. As of the balance-sheet date, December 31, 2017, no other receivables were considered doubtful. In respect of existing bonus receivables, the majority of the items have a corresponding entry in accounts payable. The fair value of the Group's other receivables corresponds to the carrying amount. Dividends from Group companies pertain to receivables for anticipated dividends.

23 PREPAID EXPENSES AND ACCRUED INCOME

Group	2017	2016
Prepaid rent	24.4	20.5
Prepaid leasing fees	0.3	0.3
Accrued interest income	4.4	3.3
Other items	18.1	26.6
Total prepaid expenses and accrued income	47.1	50.7

24 CASH AND CASH EQUIVALENTS

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

Group	2017	2016
Balance sheet		
Cash and bank balances	40.1	34.0
Total cash and cash equivalents	40.1	34.0
Cash-flow statement		
Cash and bank balances	40.1	34.0
Total cash and cash equivalents	40.1	34.0

During 2017, blocked bank funds were reclassified from cash and cash equivalents to other long-term receivables.

25 SHARE CAPITAL AND OTHER CAPITAL CONTRIBUTIONS

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

Group	No. of shares (000s)	Share capital	Other capital contributions	Total
At December 31, 2017	61.0	20.3	1,338.5	1,358.8
At December 31, 2016	60.7	20.2	1,281.9	1,302.2

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

26 RESERVES

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

27 BORROWING

Group	2017	2016
Long-term		
Liabilities to credit institutions	406.2	525.1
Discounted earnout	0.0	47.3
Liabilities related to finance leasing	0.0	0.0
Total	406.2	572.4
Short-term	2017	2016
Liabilities to credit institutions	346.1	294.9
Overdraft facilities	465.5	404.7
Liabilities related to finance leasing	0.0	0.0
Total	811.6	699.6
Total borrowing	1,217.8	1272.0
Parent Company	2017	2016
Liabilities to credit institutions	752.3	820.0
Overdraft facility	735.7	652.1
Total	1,488.0	1472.1
Total borrowing	1,488.0	1472.1

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

The Group has the following unutilized credit facilities:

Group	2017	2016
Overdraft facility	134.5	245.4
Total	134.5	245.4

28 DEFERRED TAX

Group	2017	2016
Deferred tax liabilities		
Untaxed reserves	128.1	113.2
Intangible fixed assets	72.3	87.1
Acquired deferred tax liabilities	0.0	1.0
Total deferred tax liabilities	200.5	201.3

Gross changes	Untaxed reserves	Intangible assets	Acquired deferred tax liabilities	Total
At January 1, 2017	113.3	87.1	1.0	201.3
Recognized:				
In profit or loss	14.8	-14.8	-1.0	-0.9
Directly in shareholders' equity				0.0
At December 31, 2017	128.1	72.3	0.0	200.5

Deferred tax assets	2017	2016
Derivatives	-0.2	0.1
Valuation of loss carry-forwards	5.8	3.8
Total deferred tax assets	5.5	3.8

Gross changes	Derivatives	Loss for tax purposes	Total
At January 1, 2017	0.1	3.8	3.8
Recognized:			
In profit or loss	-0.3	2.0	1.7
Directly in shareholders' equity			0.0
At December 31, 2017	-0.2	5.8	5.5

Deferred tax liabilities, net	2017	2016
	195.0	197.4

Net changes relating to deferred taxes are as follows:

Group	2017	2016
On the opening date	197.4	100.4
Recognition in profit or loss	-2.5	7.1
Acquired deferred tax liability	0.0	88.0
Other	0.0	2.1
Exchange-rate differences	0.0	-0.3
On the balance-sheet date	195.0	197.4

Deferred tax assets are recognized as loss carry-forwards for tax purposes insofar as it is probable that they can be offset by future taxable profits. The Group recognized deferred tax assets of SEK 5.5 M (3.8). Of these, SEK 1.8 (2.2) is in respect of losses amounting to SEK 8.2 M (9.8) that can be offset against future taxable profits. SEK 0.3 M (0.4) pertains to taxes on internal gains of SEK 1.5 M (1.9), SEK 0.0 M (0.0) to derivatives and SEK 1.6 M (1.2) to blocked amounts for foreign tax.

29 LONG-TERM LIABILITIES

Group	2017	2016
Earnout	0.0	46.7
Guarantee commitments	0.5	0.6
Total long-term liabilities	0.5	47.3

30 PENSIONS

Pension insurance in Alecta

Obligations for retirement and family pensions for salaried employees in Sweden are secured via insurance with Alecta. According to statement UFR 10 from the Swedish Financial Reporting Board, this is a defined-benefit plan that includes several employers. For fiscal year 2017 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 7.0 M (6.3), of which ITP2 SEK 2.8 M. Byggmax's level of participation in the ITP2 plan was 0.015 percent and is indicated as the Group's share of the aggregate fees to the plan. Anticipated fees for the ITP2 plan next year total SEK 3.0 M. Alecta's surplus can be distributed to policy holders and/or insured persons. On December 31, 2017, Alecta's surplus in the form of the collective consolidation level amounted preliminarily to 154 percent (148). The collective consolidation level corresponds to the market value of Alecta's assets as a percentage of pension obligations as calculated according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

31 OTHER LIABILITIES

Group	2017	2016
VAT liabilities	15.1	21.8
Personnel-related liabilities	11.4	10.8
Other	18.2	29.7
Total other liabilities	44.7	62.3

32 ACCRUED EXPENSES AND DEFERRED INCOME

Group	2017	2016
Accrued salaries	36.7	31.2
Accrued vacation pay	50.5	46.9
Accrued social fees	15.4	13.5
Other	68.7	49.3
Total accrued expenses and deferred income	171.3	141.0

Parent Company	2017	2016
Other	3.3	3.5
Total accrued expenses and deferred income	3.3	3.5

33 OTHER PROVISIONS

Group	2017	2016
Liquidation costs for four stores in Finland	19.6	0.0
Restructuring costs, Skånska Byggarvaror	32.3	0.0
Total other provisions	51.9	0.0

Provisions consist of estimated liquidation costs for four Byggmax stores in Finland. The total amount is SEK 19.6 M, of which 3.1 M as impacted inventory costs and SEK 16.5 M as impacted personnel and other external expenses. Provisions also consist of restructuring costs for Skånska Byggarvaror in order to focus on the Garden Living core operation as well as to reduce operating costs. The total amount is SEK 32.3 M, which impacted personnel costs and other external expenses during the fourth quarter of 2017. Activities and measures are already in progress to ensure these initiatives can be concluded during 2018.

34 CHANGES TO CASH FLOW IN INDEBTEDNESS RECOGNIZED IN FINANCING ACTIVITIES

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

35 ASSETS AND LIABILITIES HELD FOR SALE

Group	2017	2016
Tangible fixed assets	0.7	0.0
Accounts receivable	0.7	0.0
Inventories	1.7	0.0
Other receivables	0.1	0.0
Prepaid expenses and accrued income	0.1	0.0
Total assets held for sale	3.4	0.0
	2017	2016
Other long-term liabilities	-0.1	0.0
Accounts payable	-2.0	0.0
Other current liabilities	-1.1	0.0
Accrued expenses and deferred income	-0.9	0.0
Total liabilities directly attributable to assets held for sale	-4.1	0.0

Assets and liabilities for operations in Pavillon Danmark A/S classified as assets held for sale

36 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Pledged assets

Group	2017	2016
For own debts and provisions:		
Blocked bank funds	7.9	7.9
Total pledged assets, contingent liabilities and contingent assets	7.9	7.9

Contingent liabilities

Group	2017	2016
Capital adequacy guarantee on behalf of Group companies	None	None

37 OBLIGATIONS

Obligations relating to operating leasing

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

Expensed leasing costs amounted to SEK 265.8 M (216.4).

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

Group	2017	2016
Within one year	228.6	222.3
Later than one year but within five years	674.3	649.3
Later than five years	378.5	370.7
Total	1,281.4	1,242.4

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

After the end of the fiscal year, Skånska Byggarvaror signed an agreement to divest its wholly owned subsidiary, Pavillon Danmark A/S. The financial non-recurring items arising in connection with this divestment are in line with the provisions made in the Byggmax Group's financial performance for the fourth quarter of 2017.

40 DISTRIBUTION OF EARNINGS

Retained earnings	85,431,559
Profit for the year	149,897,692
TOTAL	235,329,251
The Board of Directors and the President propose that these earnings be distributed such that:	
Dividend to shareholders (SEK 2.50 per share)	152,497,613
To be carried forward	82,831,638
TOTAL	235,329,251

41 EFFECT OF NON-RECURRING ITEMS

	2017	2016
Earn out Buildor 2017	33.4	0.0
Earn out SKBV and Buildor 2016	0.0	112.3
Closure cost for four stores in Finland	-30.9	0.0
Restructuring cost Skånska Byggvaror EBITDA	-32.3	0.0
Total EBITDA effect	-29.8	112.3
Impairment Skånska Byggvaror	-7.2	-44.8
Restructure cost Skånska Byggvaror Depreciation	-9.9	0.0
Total EBIT effect	-46.9	67.5

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

The Parent Company's income statement and balance sheet and the Group's consolidated income statement and balance sheet will be presented to the Annual General Meeting on May 9, 2018 for adoption.

Stockholm, March 8, 2018

ANDERS MOBERG
Chairman of the Board

DANIEL MÜHLBACH
Board member

KARIN HYGRELL-JONSSON
Board member

LOTTIE SVEDENSTEDT
Board member

HANNELE KEMPPAINEN
Board member

MIKAEL NORMAN
Board member

MATTIAS ANKARBERG
President and CEO

ULLRIKA ELIASSON
Board member

Our auditors' report was submitted on March 22, 2018
Öhrlings PricewaterhouseCoopers AB

ANN-CHRISTINE HÄGGLUND
Authorized Public Accountant
Auditor in Charge

ERIK BERGH
Authorized Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Byggmax Group AB (publ), for the year 2017 except for the corporate governance statement on pages 42-45. The annual accounts and consolidated accounts of the company are included on pages 36-87 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 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 42-45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for opinions

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

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

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

Byggmax Group consists of a number of subsidiaries and branches in the Nordic countries. Sweden represents about 76% of consolidated sales, while Norway represents approximately 20% of sales, and other countries, such as Finland and Denmark, account for the remaining portion of total turnover. Our audit, undertaken to determine the group's and parent company's results and financial position, included a review of the majority of all companies, representing approximately 96% of consolidated sales. Our audit procedures in respect giving an opinion on the consolidated profit and loss statement and balancesheet are, in all material aspects, performed by the central audit team. All subsidiaries and affiliates are also subject to statutory audits in their respective countries. Byggmax Group's business is seasonal and nearly 67% 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 judgement, we determined certain quantitative thresholds for materiality, including the overall [group] materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

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

KEY AUDIT MATTER

Accuracy, completeness and allocation of revenues

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

The group's revenue per 2017 amounts to MSEK 5,231.4. 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 the sales transactions.

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

KEY AUDIT MATTER

Valuation, allocation and the existence of inventory

We refer to Note 21 – Inventories, Note 2.10 – Accounting principles

Byggmax group's inventories are found, physically, at a number of locations, in stores in the Nordic region and at a number of distribution centers in Sweden. As at 31 December 2017, the total value of the inventories was MSEK 879,7 and is comprised primarily by finished goods for sale.

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

The acquisition value of the goods is based on their purchase price. In the valuation of the entire inventory there are also assessments involving subjective components, for example, the assessment of obsolescence and of the net sales value in applying the lowest value principle.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have evaluated the design and effectiveness of certain selected controls in the sales process, with the aim of verifying that there are controls in place to ensure that correct prices are applied and to ensure that revenue transactions are reported in the correct periods. In our audit of the cash handling, we have also executed control testing of the cash on hand and control calculations regarding daily cash and cash receipts. In addition, the relevant IT systems have been tested. As a supplement to the testing of controls and IT systems, detailed testing has been undertaken through transaction analyses which included the major portion of the group's revenue and where each transaction was analysed on the basis of controlling that a delivery from the inventory could be matched against a given revenue transaction.

In conjunction with the year-end closing, we also executed supplementary testing of controls and undertook analytical procedures to verify that correct allocations had been reported in the annual accounts.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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

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

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

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

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

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

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

KEY AUDIT MATTER

Valuation of Goodwill

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

Acquired goodwill and other acquisition-related intangible assets including customer relationships comprise a significant portion of the Byggmax group's balance sheet of MSEK 2,225.1 as at the end of December 2016. Byggmax group's goodwill as at 31 December 2017 amounted to MSEK 1,808.3 and is allocated to three cash generating units: Byggmax, Skånska Byggvaror and Buildor.

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 of a need for impairment 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 to be a key audit matter.

Byggmax group's conclusion is that there are no impairment requirements regarding the above-mentioned assets as at 31 December 2017.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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

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. Skånska Byggvaror is in the middle of a transformation into a modern leader in Garden Living, which is built on the currently profitable operations in sun rooms, greenhouses and so on. During the fourth quarter, the company received a new CEO, detailed its strategic plan, and restructured its cost base. 2018 will be a year of changes for Skånska Byggvaror. The company expects lower operating costs and lower sales as a result of reduced marketing of products that are not a part of core operations, and expects to finish the year with stronger, more profitable operations, which will be reflected in the annual assessment of goodwill.

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 1-35 and 93-100. The Board of Directors and the Managing Director are responsible for this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Byggmax Group (publ) for the year 2017 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. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 42-45 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, Stockholm, was appointed auditor of Byggmax Group AB (publ) by the general meeting of the shareholders on the 10 May 2017 and has been the company's auditor since May 2006.

Stockholm March 22 2018

Öhrlings PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor in charge

Erik Bergh
Authorized Public Accountant

BYGGMAX GROUP MANAGEMENT

ALEKSI VIRKKUNEN

Country Manager Byggmax Finland since 2015. Born 1975.
Education: M.Econ. from Helsinki Graduate School of Economics.
Background: Previously the Store Intensity Manager at Rautakesko.
Other assignments: No other assignments. **Shareholding:** 0 shares, 100,000 warrants.

BENEDICTE INVERSINI

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

JOHAN QUIST

Head of Byggmax Marketing & Store concept since 2017. Born 1985.
Education: International purchasing from Stockholm International Business School. **Background:** Previously Category Manager at Byggmax. **Other assignments:** No other assignments. **Shareholding:** 125 shares and 36,000 warrants.

MARCUS ESSESJÖ

Country Manager Byggmax Sweden since April 2017. Born 1976.
Education: Master of Business Administration, University of Stirling (Scotland). **Background:** Previously held several leading positions in sales and marketing at Åhléns and Media Markt. **Other assignments:** No other assignments. **Shareholding:** 2,000 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:** No other assignments. **Shareholding:** 50,000 shares and 400,000 warrants.

OSCAR TJÄRNBERG

President of Skånska Byggvaror Group AB; joined Group management of Byggmax Group AB on October 2, 2017. Born 1972. **Education:** M.Sc. Engineering from Luleå University of Technology. **Background:**

Previously CEO of Lekmer, Deputy CEO for inkClub, Head of Online for Telenor Sweden, CSO and COO for Lensway. **Other assignments:** No other assignments. **Shareholding:** 24,000 shares.

JONATAN SCHWAMBERG

Founder and President of Buildor AB. Member of Group management since April 19, 2016. Born 1983. **Education:** Stockholm School of Economics. **Background:** Former founder of Buildor AB which was acquired by Byggmax Group AB at the end of 2015. **Other assignments:** No other assignments. **Shareholding:** 50,000 shares and 80,000 warrants.

PER HARALDSSON

Sourcing and Supply Chain Manager since 2013 (employed in 2008). Born 1974. **Education:** M.Sc. Engineering Institute of Technology, Linköping University. **Background:** Previously Business Area Manager at Rusta. **Other assignments:** No other assignments. **Shareholding:** 55,440 shares, 144,000 warrants and exposure through endowment insurance to a further 28,850 shares.

PERNILLA WALFRIDSSON

CFO since 2005 (employed in 2005). Born 1973. **Education:** M.Sc. Business and Economics, Växjö University. **Background:** Formerly CFO of consumer electronics chain Power, Business Controller of IKEA Russia and Controller at IKEA AB. **Other assignments:** Board Member and Chairman of audit committee of NetOnNet Group AB and Board member and audit committee member in Ahlström-Munksjö Oyj. **Shareholding:** 235,500 shares and 52,000 warrants.

SARAH KÖNIG

Head of Expansion, Byggmax Group since October 2017. Born 1974. **Education:** Lawyer, educated at Stockholm University. **Background:** Former Head of Leasing at Steen & Ström, Head of Property and Group Expansion at RNB Retail, and several positions in 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.



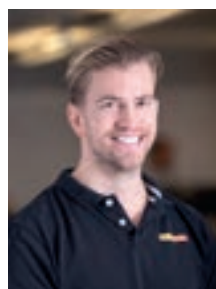
Aleksi Virkkunen



Benedicte Inversini



Johan Quist



Marcus Essesjö



Mattias Ankarberg



Oscar Tjärnberg



Jonatan Schwamberg



Per Haraldsson



Pernilla Walfridsson



Sarah König

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

LOTTIE SVEDENSTEDT

Board member since 2010. Born 1957. **Education:** Degree in Law from Uppsala University. **Background:** Former Regional Manager for H&M, President Inter Ikea Systems A/S, Business Area Manager Ikea of Sweden and CEO Kid Interiör A/S. **Other assignments:** Chairman of the Board of the MiL Institute AB and Tillväxt Helsingborg and Board member of MiL Foundation, Gullberg & Jansson AB, ITAB Shop Concept AB, Swedavia AB, INR Nordic AB and Helsingborgs IF. **Shareholding:** 10,000 shares in Byggmax.

KARIN HYGRELL-JONSSON

Board member since 2014. Born 1955. **Education:** M.Sc. Business and Administration Stockholm School of Economics. **Background:** Worked from 2007 to 2017 as Director of Finance for Axfood AB; before that held various positions in the Axfood Group from 1991. **Other assignments:** Member of Swedish Financial Reporting Board. **Shareholding:** 4,000 shares in Byggmax.

MIKAEL NORMAN

Board member since 2016. Born 1958. **Education:** Degrees in law and economics from Stockholm University. **Background:** Served as Group CFO at Nobia between 2010 and 2016, and has previously

held several positions in the Electrolux Group, including Group Controller. **Other assignments:** Board Member and Chairman of audit committee at Bravida Holding AB, Bonava AB, Cloetta AB and Swedavia AB. **Shareholding:** 8,500 shares in Byggmax.

DANIEL MÜHLBACH

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

HANNELE KEMPPAINEN

Board member since 2015. Born 1970. **Education:** B.Sc. International Business and Marketing American College of Switzerland. **Background:** Currently General Manager at Colgate Palmolive Finland and, previously, was Country Manager at Colgate Palmolive Finland. Hannele was at Procter & Gamble from 1991 through 2005 and Country Manager and Head of Trade Marketing at Reckitt Benckiser from 2005 to 2010. **Other assignments:** 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:** Since 2016 Vice President Category and Sourcing at OneMed Group and has previously been Director, Head of Category Management at Staples Europe. Previously been engaged as Assortment and Purchasing Director at Kronans Droghandel and Supply Chain Manager at Apoteket AB. **Other assignments:** No other assignments. **Shareholding:** 0 shares in Byggmax.



Anders Moberg



Lottie Svedenstedt



Karin Hygrell-Jonsson



Daniel Mühlbach



Hannele Kemppainen



Mikael Norman



Ulrika Eliasson

CONTENT INDEX

INCLUDING STANDARD GRI DISCLOSURES

Disclosure	Explanation	Page	Omission
Strategy and analysis			
G4-1	Statement from the chief operating decision maker of the organization about the relevance of sustainability to the organization and its strategy	24	
Organizational Profile			
G4-3	Name of the organization	1	
G4-4	Primary brands, products and/or services	12-21	
G4-5	Location of organization's headquarters	22	
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	36	
G4-7	Nature of ownership and legal form.	33-34	
G4-8	Markets served	12-13, 19,21	
G4-9	Scale of the reporting organization	36-40	
G4-10	Total workforce by employment type, employment contract, and region.	22, 36-40	Regions are not reported
G4-11	Percentage of employees covered by collective bargaining agreements	22	
G4-12	Organization's supply chain	12	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership and supply chain	36-40	
G4-14	Explanation of whether and how the prudence concept is complied with by the organization	63 et seq.	
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	24	
G4-16	Memberships in associations (such as industry associations) and/or international advocacy organizations	26	
Scope and boundary of report			
G4-17	Entities included in the organization's consolidated financial statements or similar documents	77	
G4-18	Process for defining the report's contents and Aspect Boundaries as well as how the organization has implemented the principles for defining report content.	25-27, "Process" appendix to define the contents of the report and application of the accounting policies	
G4-19	Significant aspects that have been identified.	25	
G4-20	Aspect Boundary for each material aspect within the organization	25	
G4-21	Aspect Boundary for each material aspect outside the organization	25	

STANDARD DISCLOSURES, CONTINUED

G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statements	26
G4-23	Significant changes since the previous reporting period with regard to Scope and Aspect Boundaries	26
Stakeholder engagement		
G4-24	List of stakeholder groups engaged by the organization	26
G4-25	Basis for identification and selection of stakeholders with whom to engage	26
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	26
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including stakeholder groups that have highlighted important topics and how these have affected the organization's reporting	26
Reporting profile		
G4-28	Reporting period	36
G4-29	Date of most recent previous report	87
G4-30	Reporting cycle	36
G4-31	Contact point for questions regarding the report or its contents	101
GRI index		
G4-32-	GRI index	95-98
Assurance		
G4-33	Policy and current practice with regard to seeking external assurance for the report.	The report is not external assured
Governance		
G4-34	Governance structure of the organization	42-45
Ethical standards and integrity		
G4-56	Code of Conduct	20, 26
PERFORMANCE INDICATORS		
Finance		
Economic performance		
DMA		11

STANDARD DISCLOSURES AND PERFORMANCE INDICATORS UNDER GRI, CONTINUED

G4-EC1	Direct economic value generated and distributed, including revenues, operating expenses, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and the public sector	48 et seq.	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	28-29	
G4-EC3	Coverage of the organization's defined-benefit plan obligations	63	
G4-EC4	Significant financial assistance received from the public sector	22	
Market presence			
G4-EC6	Procedures for local hiring and proportion of senior executives hired from the local community at locations of significant operation	22	
Procurement practices			
DMA		14	
G4-EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	14	
ENVIRONMENTAL PERFORMANCE INDICATORS			
Energy			
DMA		28	
G4-EN1	Materials used	29-30	
G4-EN3	Energy consumption within the organization	30-31	
G4-EN6	Initiatives to reduce indirect energy consumption and reductions achieved	30-31	
Biodiversity			
DMA		31	
G4-EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	31	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	31	
Emissions			
DMA		39	
G4-EN15	Total direct and indirect greenhouse gas emissions by weight	28-29	
G4-EN19	Initiatives to reduce greenhouse gas emissions and reductions achieved	28-29	
G4-EN21	NO _x , SO ₂ and other significant air emissions by type and weight.	29	SO ₂ is not reported

PERFORMANCE INDICATORS, CONTINUED

Products and Services

G4-EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	29-30	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	30	

EMPLOYMENT CONDITIONS AND TERMS OF EMPLOYMENT

Employment DMA		22	
G4-LA1	Total number and rate of new employee hires and employee turnover by age group, gender, and region	23	Regions are not reported
Work environment DMA		23	
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	23	Regions are not reported
Training and education G4-LA9	Average hours of training per year per employee by employee category	23	
Diversity and equal opportunity G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	23, 93-94	
Equal pay for men and women DMA		23	
G4-LA13	Ratio of basic salary of men to women by employee category and significant locations of operation	23	

HUMAN RIGHTS

Non-discrimination G4-HR3	Total number of incidents of discrimination and corrective actions taken	23	
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ORGANIZATION'S ROLE IN SOCIETY

Society DMA		24-25	
G4-SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities including entering, operating, and exiting	22 et seq.	

PRODUCT RESPONSIBILITY

Product and service labeling DMA		29	
G4-PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements	29	

DEFINITIONS OF KEY PERFORMANCE MEASURES FROM THE ENVIRONMENTAL REPORT

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

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

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

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

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

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

Sorted waste: Not landfill or mixed waste.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Byggmax Group AB, corporate identity number 556656-3531

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 24-32 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 statutory sustainability report has been prepared.

Stockholm 22 March 2018
Öhrlings PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor in charge

Erik Bergh
Authorized Public Accountant

DISTRIBUTION OF ANNUAL REPORT

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



INFORMATION ABOUT THE ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Byggmax Group AB (publ), corporate registration number 556656-3531, will be held on Wednesday, May 9, 2018, at 10:00 a.m. at Alviks Strand conference center, Gustavlundsvägen 141 in Bromma, Stockholm.

Right to participate at the AGM

Shareholders who want to participate at the AGM must: both be listed in the register of shareholders maintained by Euroclear Sweden AB on Thursday, May 3, 2018, and notify the company of their intention to attend the AGM, no later than by 4:00 p.m. on Thursday, May 3, 2018.

Notification

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

- By e-mail: info@byggmax.se
- By telephone: +46 (0) 8 514 930 60
- By mail: Byggmax Group AB, Box 6063, SE-171 06 Solna, Sweden (Label the letter "AGM")

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

On notification, shareholders must provide the following information:

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

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

Trustee registered shares

To be able to participate at the AGM, shareholders who have registered their shares in the name of a trustee must request registration of the shares in their own names in the register maintained by Euroclear Sweden AB. Registration of shareholders should be completed not later than Thursday, May 3, 2018. The shareholder should notify the trustee well in advance of this date. Such registration may be temporary.

BYGG max

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