

Interim report 1 January-30 September 2019

# Strong growth and profit generation

## HIGHLIGHTS

### Third quarter

- Net sales increased 31.0 percent to SEK 1,639.0 million (1,251.1). Organic growth amounted to 14.7 percent
- Gross profit increased 54.5 percent to SEK 378.1 million (244.8), with a gross margin of 23.1 percent (19.6)
- Adjusted EBIT, excluding IFRS 16 effects, increased 100.8 percent to SEK 80.4 million (40.0), and the adjusted EBIT margin increased to 4.9 percent (3.2)\*. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 82.5 million, corresponding to an EBIT margin of 5.0 percent
- Operating income, excluding IFRS 16 effects, increased 303.9 percent to SEK 70.1 million (17.4), corresponding to an operating margin of 4.3 percent (1.4)\*. Operating income, including IFRS 16 effects, amounted to SEK 72.3 million, corresponding to an operating margin of 4.4 percent
- Operating cash flow amounted to SEK 15.3 million (-43.9), corresponding to a cash conversion of 16.6 percent
- Net income, excluding IFRS 16 effects, amounted to SEK 52.9 million (24.2)\*. Taking IFRS 16 into account, net income amounted to SEK 52.7 million
- Earnings per share amounted to SEK 0.48 (0.23) before dilution and SEK 0.48 (0.23) after dilution

### 1 January-30 September

- Net sales increased 23.7 percent to SEK 4,567.8 million (3,694.0). Organic growth amounted to 10.5 percent
- Gross profit increased 43.6 percent to SEK 1,076.2 million (749.3), with a gross margin of 23.6 percent (20.3)
- Adjusted EBIT, excluding IFRS 16 effects, increased 64.4 percent to SEK 234.2 million (142.4), and the adjusted EBIT margin increased to 5.1 percent (3.9)\*. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 240.0 million, corresponding to an EBIT margin of 5.3 percent
- Operating income, excluding IFRS 16 effects, increased 355.8 percent to SEK 196.6 million (43.1), corresponding to an operating margin of 4.3 percent (1.2)\*. Operating income, including IFRS 16 effects, amounted to SEK 202.5 million, corresponding to an operating margin of 4.4 percent
- Operating cash flow amounted to SEK 255.9 million (177.9), corresponding to a cash conversion of 96.2 percent
- Net income, excluding IFRS 16 effects, amounted to SEK 116.8 million (1.3)\*. Taking IFRS 16 into account, net income amounted to SEK 116.0 million
- Earnings per share amounted to SEK 1.06 (-0.53) before dilution and SEK 1.06 (-0.53) after dilution

### Key events during and after the quarter

- Acquisition of Arc E-commerce AB (out1.se) on 22 July, further strengthening the Group's private label offering
- Decision to expand the Helsingborg warehouse facility by 18,000 m<sup>2</sup>, which will increase delivery speed and accuracy
- Extension of the M&A-related bank facility by SEK 300 million, securing a continued high M&A-related growth agenda

## FINANCIAL SUMMARY

SEKm (if not otherwise stated)	Q3				Jan-Sep				Jan-Dec
	2019	2019*	2018	Δ%	2019	2019*	2018	Δ%	2018
Net sales	1,639.0	1,639.0	1,251.1	31.0	4,567.8	4,567.8	3,694.0	23.7	4,973.7
Gross profit	378.1	378.1	244.8	54.5	1,076.2	1,076.2	749.3	43.6	1,047.5
Gross margin (%)	23.1	23.1	19.6	3.5 p.p.	23.6	23.6	20.3	3.3 p.p.	21.1
Adjusted EBIT**	82.5	80.4	40.0	100.8	240.0	234.2	142.4	64.4	202.7
Adjusted EBIT margin (%)	5.0	4.9	3.2	1.7 p.p.	5.3	5.1	3.9	1.3 p.p.	4.1
Operating income	72.3	70.1	17.4	303.9	202.5	196.6	43.1	355.8	87.2
Operating margin (%)	4.4	4.3	1.4	2.9 p.p.	4.4	4.3	1.2	3.1 p.p.	1.8
Net profit/loss for the period	52.7	52.9	24.2	118.3	116.0	116.8	1.3	8841.4	50.8
Earnings per share before dilution, SEK	0.48	0.49	0.23		1.06	1.07	-0.53		0.00
Earnings per share after dilution, SEK	0.48	0.49	0.23		1.06	1.07	-0.53		0.00
Cash flow from operating activities	49.3	22.1	-46.7	n/a	344.4	273.9	98.0	179.5	120.5
Net debt	433.1	433.1	451.1	-4.0	433.1	433.1	451.1	-4.0	473.6

\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

\*\* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 33 of this report for a more detailed description.

## CEO's comments on the result

Bygghemma Group's mission is "*We make living easy.*" The four pillars through which we deliver on this mission are: 1) the continuing expansion of our already market-leading assortment, 2) the ability to match the lowest price points in the market, while balancing external brands with an appropriate mix of our own, 3) creating the most attractive digital shopping experience and 4) helping our customers' buying journeys through unrivalled and always-accessible expertise, services and support.

We took several important steps in the quarter in our journey towards fulfilling our mission, including:

- Expanding our product assortment to now include 500,000 unique stock-keeping units (SKUs), easily the broadest product range in the markets we serve.
- Continuing to build our private label offering within DIY, both organically – with brands such as Bathlife, Arredo and Nordiska Fönster – and through the acquisition of Arc E-commerce AB (out1.se). The private label share of Group net sales exceeded 40 percent in the quarter.
- Reaching more customers than ever with our own last-mile operations and initiating the expansion of our main Helsingborg warehouse facility. These steps will allow the Home Furnishing segment to optimise several aspects relating to delivery, which in turn is the single best way to continue improving customer satisfaction.
- Further roll-out of Installation services. We now provide our customers within the DIY segment not only the broadest product range, but also a wider range of installation services than ever, allowing a seamless digital-to-physical process from search/browsing through order, delivery and installation – only a click away.

On this journey to *make living easy*, we have also decided to update our corporate identity, not least in order to better reflect our mission as well as the fact that we operate through two segments – Home Furnishing and DIY – that are of equal importance to our value proposition. During the first quarter we aim to have delivered an upgraded look and feel of our corporate web site, our presence on social media and miscellaneous corporate communications, embodying our mission of providing a complete ecosystem of products and services for home improvement online.

Let me now briefly touch on our strong financial performance in the quarter:

We extended our already leading online market position within both the Home Furnishing and DIY segments and reached net sales of SEK 1,639 million, an increase of 31.0 percent, of which 14.7 percent was organic. The proforma organic growth – i.e. the growth of the businesses we own today, the measure we think the most relevant – was 18.7 percent. Consistent with our financial track-record, this strong top line development went hand in hand with a solid bottom line delivery, with EBIT growing 100.8 percent to reach SEK 80.4 million, our highest third-quarter EBIT to date<sup>1</sup>.

Our performance in the quarter was fuelled by growth in all geographies, both in the Nordic region and in Eastern Europe. Average order value amounted to SEK 3,242, having grown favourably on the corresponding quarter last year (+13.2 percent), and also held up well compared to the previous quarter, especially considering clearance campaigns associated with the end of the outdoor season.

Bygghemma Group is in a strong position, having a clear and growing market lead in online markets which are expected to continue growing, driven by the shift from offline to online. Managing the triple balancing act of delivering growth, profit and cash flow takes dedication and focus and we ultimately owe our success to our numerous – approaching 1,300 – talented and hard-working colleagues, and of course to our many returning customers. Thank you!

Malmö, 29 October 2019

Martin Edblad  
Acting President and CEO, Bygghemma Group



Martin Edblad, acting President and CEO

A sneak preview of elements of the Corporate Identity work, which will be unveiled in early 2020:

bhg.

We make living easy.

h

Happy dots, solving knots

go for 10

<sup>1</sup> 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

# Condensed consolidated financial information

SEKm (if not otherwise stated)	Q3				Jan-Sep				Jan-Dec
	2019	2019*	2018	Δ%	2019	2019*	2018	Δ%	2018
Net sales	1,639.0	1,639.0	1,251.1	31.0	4,567.8	4,567.8	3,694.0	23.7	4,973.7
Gross profit	378.1	378.1	244.8	54.5	1,076.2	1,076.2	749.3	43.6	1,047.5
Gross margin (%)	23.1	23.1	19.6	3.5 p.p.	23.6	23.6	20.3	3.3 p.p.	21.1
Adjusted EBITDA**	121.8	92.2	47.9	92.5	343.5	266.0	163.3	62.9	231.1
Adjusted EBITDA margin (%)	7.4	5.6	3.8	1.8 p.p.	7.5	5.8	4.4	1.4 p.p.	4.6
Adjusted EBIT**	82.5	80.4	40.0	100.8	240.0	234.2	142.4	64.4	202.7
Adjusted EBIT margin (%)	5.0	4.9	3.2	1.7 p.p.	5.3	5.1	3.9	1.3 p.p.	4.1
Items affecting comparability	-0.0	-0.0	-13.3	-100.0	-7.5	-7.5	-71.3	-89.5	-77.9
Operating income	72.3	70.1	17.4	303.9	202.5	196.6	43.1	355.8	87.2
Operating margin (%)	4.4	4.3	1.4	2.9 p.p.	4.4	4.3	1.2	3.1 p.p.	1.8
Net profit/loss for the period	52.7	52.9	24.2	118.3	116.0	116.8	1.3	8841.4	50.8
Cash flow from operating activities	49.3	22.1	-46.7	n/a	344.4	273.9	98.0	179.5	120.5
Visits (thousands)	48,007	48,007	28,589	67.9	126,472	126,472	83,771	51.0	116,120
Orders (thousands)	501	501	426	17.5	1,403	1,403	1,279	9.7	1,735
Conversion rate (%)	1.0	1.0	1.5	-0.4 p.p.	1.1	1.1	1.5	-0.4 p.p.	1.5
Average order value (SEK)	3,242	3,242	2,864	13.2	3,273	3,273	2,843	15.1	2,830

\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures as reported (not pro-forma for IFRS 16 2018).

\*\* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 33 of this report for a more detailed description.

## COMMENTS ON THE RESULT FOR THE PERIOD

The strong performance of the Group continues to be driven by a mix of operational initiatives, a growing share of private label sales and the onboarding of newly acquired businesses, the most recent of which is Arc E-commerce (out1.se), which is primarily private label-based.

The focused execution of operational initiatives during the third quarter, in line with the Group's strategy, included the following elements: *Assortment expansion* (among other things, driving traffic and net sales); *scale, price competitiveness and private label* (feeding market leadership and ensuring margins); *the best digital experience* (driving traffic generation, AOV); and *market-leading expertise* (customer satisfaction, conversion and additional revenue elements).

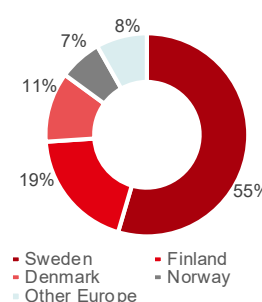
### Net sales

Net sales increased 31.0 percent to SEK 1,639.0 million (1,251.1) for the quarter and 23.7 percent to SEK 4,567.8 million (3,694.0) for the year to date (YTD). Organic growth amounted to 14.7 percent for the quarter and 10.5 percent YTD. Pro-forma organic growth (including the year-on-year performance of recent acquisitions, which typically accelerates once they join the Group) amounted to 18.7 percent and 14.6 percent, respectively. The Group is approaching a market share of 30 percent in the Nordics within both segments, as previously communicated, and the quarter saw a strong performance within each.

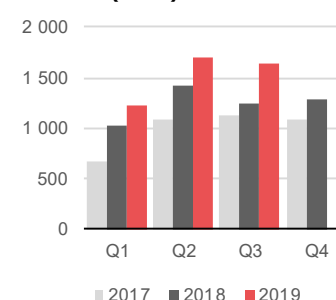
Net sales in the DIY segment increased 25.6 percent in the quarter and 18.7 percent YTD, and organic growth amounted to 11.9 percent and 9.9 percent, respectively. A particularly strong performance was noted in the Group's Finnish and Danish DIY destinations.

Net sales in the Home Furnishing segment increased 40.9 percent in the quarter and 31.7 percent YTD, and organic growth accelerated to 19.7 percent in the period (compared to 1.4 percent in the fourth quarter of 2018, 7.2 percent in the first quarter of 2019 and 7.8 percent

Distribution by country (%)  
July-Sep 2019



Net sales (SEKm)



in the second quarter of 2019) and 11.5 percent YTD. A particularly strong performance was noted in the Group's Eastern European and Norwegian Home Furnishing destinations.

From its Swedish origins, the Group has grown rapidly in the neighbouring Nordic countries, as well as the nascent Eastern European ones, steadily balancing its geographic mix and making net sales less dependent on macroeconomic conditions in any one country.

The Group's webstores received 48.0 million (28.6) visits during the quarter and 126.5 million (83.8) visits YTD, generating 501 thousand (426) orders in the quarter and 1,403 thousand (1,279) orders YTD. Traffic from mobiles and tablets accounted for 74.2 percent (66.3) of the total number of visits to the Group's webstores YTD, an increase of 7.9 percentage points compared with last year. Mobiles and tablets accounted for 70.9 percent (62.9) of visits in the DIY segment and 77.4 percent (72.5) of visits in the Home Furnishing segment.

The Group's AOV continued to develop well – especially considering the seasonal clearance campaigns associated with the end of the outdoor season – and amounted to SEK 3,242 (2,864) in the quarter and SEK 3,273 (2,843) YTD. The structural increase in AOV on last year, and the associated impact on unit economics, was underpinned by the Group's expanding assortment, improved product and web site curation, and the application of machine learning to drive the business towards its established commercial objectives, such as higher price points.

### **Gross margin and SG&A**

New to this report, we have decided to supplement the information on the gross margin with separate information about the product margin, which amounted to 34.4 percent in the third quarter and 34.8 percent YTD, and the fully loaded contribution margin, which amounted to 23.1 percent in the quarter and 23.6 percent YTD. The latter measure, which we have also reported previously, includes direct selling costs such as fulfilment and postage. The breakdown of the gross margin provides further transparency and allows for an easier comparison with our online peers, who typically report their gross margin before direct selling costs as their main margin measure.

The gross margin continues to be favorably affected by the structural increase in AOV referred to above as well as a continued focus on cost and process efficiencies within purchasing and logistics. Other factors affecting the gross margin in the quarter and YTD included the continued strong growth of the Home Furnishing segment as well as the private label portfolio of the DIY segment, both of which enjoy higher gross margins than the Group's average.

The Group's selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 285.9 million (208.5) for the quarter, corresponding to 17.4 percent (16.7) of net sales, and SEK 815.4 million (612.2) YTD, corresponding to 17.9 percent (16.6) of net sales. With the investments being made in the organisation, systems and infrastructure, the Group is well positioned to benefit from scale effects, which will allow net sales to grow at a faster pace than SG&A over time.

No items affecting comparability were charged to the quarter. Including items affecting comparability YTD, SG&A amounted to SEK 817.7 million (657.3) YTD, corresponding to 17.9 percent (17.8) of net sales.

### **Earnings**

The operating margins in both segments ended well ahead of last year's levels, and markedly so for the Home Furnishing segment.

Adjusted EBIT, excluding IFRS 16 effects, increased to SEK 80.4 million (40.0) for the quarter and SEK 234.2 million (142.4) YTD. The adjusted EBIT margin amounted to 4.9 percent (3.2) for the quarter and 5.1 percent (3.9) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 82.5 million for the quarter, corresponding to an EBIT margin of 5.0 percent, and SEK 240.0 million YTD, corresponding to an EBIT margin of 5.3 percent.

Items affecting comparability amounted to SEK 0.0 million (13.3) in the quarter. Items affecting comparability amounted to SEK 7.5 million (71.3) YTD, of which SEK 5.8 million was attributable to the last-mile project and SEK 1.7 million to acquisition-related expenses. The items affecting comparability charged to the first quarter of 2018 primarily related to the IPO process, the integration of Furniturebox and costs for a long-term incentive programme (LTIP) for key employees. This year's less extensive LTIP programme has been treated as an ordinary cost of business and amounted to SEK 0.2 million in the second quarter. From this report and onwards, expenses relating to the ongoing execution of the Group's base

M&A agenda will be treated as part of the ordinary course of business and will thus not be treated as affecting comparability.

The Group's operating income, excluding IFRS 16 effects, amounted to SEK 70.1 million (17.4) for the quarter and SEK 196.6 million (43.1) YTD, and the operating margin totalled 4.3 percent (1.4) for the quarter and 4.3 percent (1.2) YTD.

Amortisation of acquisition-related intangible assets amounted to SEK 10.3 million (9.4) for the quarter and SEK 30.1 million (28.0) YTD and comprised amortisation of identified surplus values related to customer relationships and customer databases in acquired companies. No impairment requirements were identified for goodwill or other acquisition-related assets during the period.

The Group's net financial items amounted to SEK -3.8 million (-4.8) for the quarter and SEK -46.4 million (-54.5) YTD and were attributable to reassessed earn-outs of SEK +2.7 million in the quarter and SEK -18.6 million YTD as well as the Group's financing arrangements with SEB. Interest expenses for the quarter amounted to SEK -6.5 million, of which SEK -2.4 million related to leased assets in accordance with IFRS 16. Interest expenses YTD amounted to SEK -21.9 million, of which SEK -6.9 million related to leased assets in accordance with IFRS 16.

The Group's profit before tax was SEK 68.5 million (12.5) for the quarter and SEK 156.1 million (-11.4) YTD.

Net income for the quarter amounted to SEK 52.9 million (24.2) excluding IFRS 16 effects and SEK 52.7 million including IFRS 16 effects. Net income YTD amounted to SEK 116.8 million (1.3) excluding IFRS 16 effects and SEK 116.0 million including IFRS 16 effects.

The effective tax rate was -23.1 percent (93.5) for the quarter and -25.7 percent (-111.5) YTD, corresponding to SEK -15.8 million (11.7) and SEK -40.1 million (12.7), respectively.

## KEY EVENTS DURING AND AFTER THE THIRD QUARTER OF 2019

- Acquisition of Arc E-commerce AB ("outl1.se") on 26 July. Outl1.se is a leading online store in Sweden for home, household and leisure products and has reported average annual growth of 67 percent over the past five years. Outl1.se had net sales of just over SEK 100 million in 2018 and operating profit (EBIT) of about SEK 9 million. Bygghemma Group has acquired 51 percent of the shares in the company, with an option to acquire the remaining 49 percent within three to four years. Outl1.se is consolidated within Bygghemma Group's DIY segment.
- On 2 October, the Group announced the expansion of its main warehouse facility in Helsingborg. The expansion will encompass 18,000 m<sup>2</sup>, increasing the warehouse space from 30,400 m<sup>2</sup> to 48,400 m<sup>2</sup>. The warehouse handles products for the Home Furnishing segment.
- On 24 October, the Group signed an extension to its existing credit facility with SEB, whereby the acquisition and capex portion was doubled from SEK 300 million to SEK 600 million. The combined credit facility now totals SEK 1,395 million. The increase was negotiated to reflect the Group's continued active M&A agenda.

## FINANCIAL TARGETS

The Group's medium-term financial targets remain unchanged since the previous quarter. The financial targets are stated in relation to the accounting principles for leases that the Group applied in 2018 and earlier, meaning that all leases are recognised under IAS 17 instead of under IFRS 16 (see also Note 5).

*The medium-term guidance is unchanged:*

### Net sales growth

Increase net sales by an average of 20-25 percent per year over the medium term, with approximately 15 percent of this increase comprising organic growth. The Group's objective is to reach net sales of SEK 10 billion over the medium term, including acquisitions.

**Profitability and cash conversion**

Gradually improve profitability to reach an adjusted EBITA margin, excluding IFRS 16 effects, of about 7 percent over the medium term. Achieve cash conversion\* in line with adjusted EBITDA as a result of the business model.

**Capital structure**

Net debt, excluding IFRS 16 effects, in relation to rolling 12-month (LTM) EBITDA in the range of 1.5-2.5x, subject to flexibility for strategic activities.

**Dividend policy**

When free cash flow exceeds available investments in profitable growth, and provided that the capital structure target is met, the surplus will be distributed to shareholders.

\* Operating cash flow over adjusted EBITDA in percent (also refer to "Definitions" on page 38 of this report).



## DIY segment

- The segment's net sales increased 25.6 percent in the quarter and 18.7 percent YTD, of which organic growth accounted for 11.9 percent and 9.9 percent, respectively
- The gross margin amounted to 20.7 percent (19.5) for the quarter and 20.9 percent (19.6) YTD. The margin was favorably impacted by an increasing share of private label products
- Adjusted EBIT, excluding the effects of IFRS 16, amounted to SEK 46.4 million (36.1) for the quarter and SEK 115.3 million (101.0) YTD. The adjusted EBIT margin was 4.6 percent (4.5) for the quarter and 4.2 percent (4.4) for the first nine months. Adjusted EBIT, including the effects of IFRS 16, amounted to SEK 47.7 million for the quarter and SEK 118.8 million YTD, with an adjusted EBIT margin of 4.8 percent and 4.3 percent, respectively

SEKm (if not otherwise stated)	Q3				Jan-Sep				Jan-Dec
	2019	2019*	2018	Δ%	2019	2019*	2018	Δ%	2018
Net sales	1,002.7	1,002.7	798.6	25.6	2,737.5	2,737.5	2,306.3	18.7	3,073.8
Gross profit	207.6	207.6	155.4	33.6	571.4	571.4	451.6	26.5	612.1
Gross margin (%)	20.7	20.7	19.5	1.2 p.p.	20.9	20.9	19.6	1.3 p.p.	19.9
Adjusted EBITDA	65.8	53.9	41.2	30.6	166.4	135.3	115.2	17.5	150.2
Adjusted EBITDA margin (%)	6.6	5.4	5.2	0.2 p.p.	6.1	4.9	5.0	-0.1 p.p.	4.9
Adjusted EBIT	47.7	46.4	36.1	28.7	118.8	115.3	101.0	14.2	131.2
Adjusted EBIT margin (%)	4.8	4.6	4.5	0.1 p.p.	4.3	4.2	4.4	-0.2 p.p.	4.3
Items affecting comparability	-0.0	-0.0	-	-	-1.5	-1.5	-0.6	149.1	-0.9
Operating income	40.1	38.9	29.2	33.0	95.4	91.9	79.9	15.1	102.9
Operating margin (%)	4.0	3.9	3.7	0.2 p.p.	3.5	3.4	3.5	-0.1 p.p.	3.3
Net profit/loss for the period	12.0	12.2	28.6	-57.2	25.0	25.6	56.9	-55.0	12.5
Visits (thousands)	20,126	20,126	17,584	14.5	61,111	61,111	49,851	22.6	65,762
Orders (thousands)	283	283	284	-0.3	832	832	815	2.0	1,099
Conversion rate (%)	1.4	1.4	1.6	-0.2 p.p.	1.4	1.4	1.6	-0.3 p.p.	1.7
Average order value (SEK)	3,364	3,364	2,807	19.9	3,302	3,302	2,792	18.2	2,746

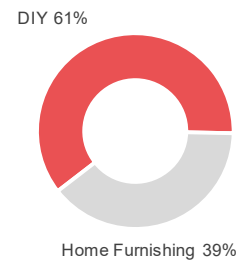
\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

### COMMENTS ON THE DIY SEGMENT

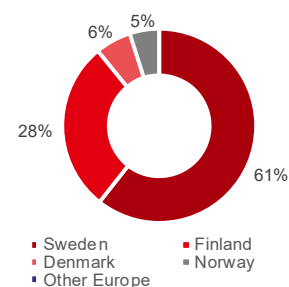
The DIY segment extended its position as the leading online DIY player in the Nordics, continuing on the path of profitable and cash-generating organic growth, supplemented with targeted acquisitions:

- The product assortment increased to include 350,000 unique SKUs.
- The segment's expanding share of private label brands – such as Bathlife, Landskap, Arredo, Nordic Floor and Nordiska Fönster – saw the addition of the growing brands of out1.se, acquired in July, including Lyfco, Trekkrunner and Metalcraft.
- The roll-out of installation services through our wholly-owned subsidiary Svensk Installationspartner AB continued, providing our customers with a wider range of installation services than ever before and fundamentally underpinning our mission: *We make living easy.*

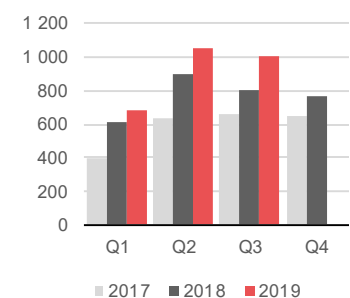
Net sales by segment  
July-Sep 2019



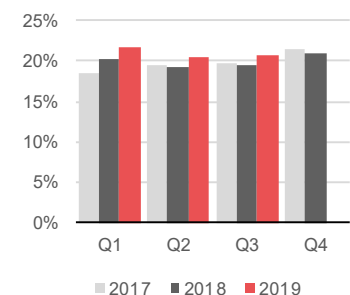
Distribution by country (%)  
July-Sep 2019



Net sales (SEKm)



Adjusted gross margin (%)



Overall market conditions were mixed across the Nordic region, with a more stable overall environment in Finland and Denmark than in Norway and Sweden, a similar picture to that of the first half of the year. However, consumers continue to drive the shift from offline to online platforms, leaving the Group's businesses less sensitive to total market fluctuations. The DIY segment's leading online position allowed it not only to continue growing, but also to gain further market shares.

The segment delivered strong growth by any measure and not least compared to a challenging quarter last year, which was negatively affected by difficult weather conditions. The segment accounted for 61 percent of the Group's total net sales for the quarter and 60 percent for the first nine months.

The segment's net sales increased 25.6 percent to SEK 1,002.7 million (798.6) for the quarter and 18.7 percent to SEK 2,737.5 million (2,306.3) YTD. All geographies showed growth in the period and the garden, leisure, construction, kitchen, and doors and windows categories performed particularly well, on the back of favourable developments within our large portfolio of external brands as well as a sound mix of rapidly growing own brands.

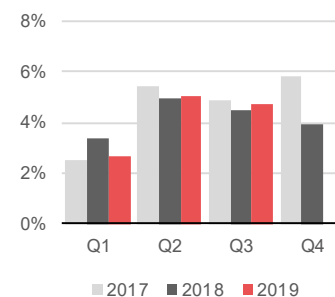
Whereas most of the external brands are specific to each country, the Group's own brands have successfully found their niches in multiple geographies.

In addition to organic development, the businesses acquired during the year – Designkupp and Nordiska Fönster in the first quarter and Arc E-commerce AB (outl1.se) in the third quarter – made strong individual contributions and further benefited from a dramatically widened reach through the Group's platforms. Both Nordiska Fönster and outl1.se are private label-based and have significantly increased the share of own brands in the Group's sales mix.

Adjusted EBIT, excluding IFRS 16 effects, increased 28.7 percent to SEK 46.4 million (36.1) for the quarter and 14.2 percent to SEK 115.3 million (101.0) YTD. The adjusted EBIT margin was 4.6 percent (4.5) for the quarter and 4.2 percent (4.4) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 47.7 million for the quarter, with an adjusted EBIT margin of 4.8 percent, and SEK 118.8 million YTD, with an adjusted EBIT margin of 4.3 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 38.9 million (29.2) for the quarter, with an operating margin of 3.9 percent (3.7), and SEK 91.9 million (79.9) YTD, with an operating margin of 3.4 percent (3.5). Operating income, including IFRS 16 effects, amounted to SEK 40.1 million for the quarter, with an operating margin of 4.0 percent, and SEK 95.4 million YTD, with an operating margin of 3.5 percent.

Adjusted EBIT margin (%)





## Home Furnishing segment

- The segment's net sales increased 40.9 percent during the quarter and 31.7 percent YTD, of which organic growth accounted for 19.7 and 11.5 percent, respectively
- The gross margin rose to 26.5 percent (19.4) for the quarter and 27.4 percent (21.3) YTD. The margin continued to benefit from the structurally higher AOVs resulting from the segment's focus on assortment expansion, optimised pricing and improved curation
- Adjusted EBIT, excluding the effects of IFRS 16, amounted to SEK 37.7 million (6.1) for the quarter and SEK 131.9 million (46.1) YTD. The adjusted EBIT margin was 5.9 percent (1.3) for the quarter and 7.1 percent (3.3) for the first nine months. Adjusted EBIT, including the effects of IFRS 16, amounted to SEK 38.6 million for the quarter and SEK 134.3 million YTD, with an adjusted EBIT margin of 6.0 percent and 7.3 percent, respectively
- The continued roll-out of the Group's own last-mile logistics operations in Sweden is progressing well, with the Öresund region being next in line. In addition, the Group signed a contract in October to expand its main warehouse facility in Helsingborg by 18,000 m<sup>2</sup>

SEKm (if not otherwise stated)	Q3				Jan-Sep				Jan-Dec	
	2019	2019*	2018	Δ%	2019	2019*	2018	Δ%	2019	2018
Net sales	643.9	643.9	457.0	40.9	1,847.8	1,847.8	1,402.6	31.7	1,918.8	
Gross profit	170.8	170.8	88.7	92.5	505.9	505.9	299.3	69.0	437.2	
Gross margin (%)	26.5	26.5	19.4	7.1 p.p.	27.4	27.4	21.3	6.0 p.p.	22.8	
Adjusted EBITDA	59.7	42.1	8.7	381.4	190.1	143.7	52.8	172.3	88.3	
Adjusted EBITDA margin (%)	9.3	6.5	1.9	4.6 p.p.	10.3	7.8	3.8	4.0 p.p.	4.6	
Adjusted EBIT	38.6	37.7	6.1	522.0	134.3	131.9	46.1	186.4	78.8	
Adjusted EBIT margin (%)	6.0	5.9	1.3	4.5 p.p.	7.3	7.1	3.3	3.9 p.p.	4.1	
Items affecting comparability	-	-	-13.3	-100.0	-6.0	-6.0	-28.6	-78.9	-34.9	
Operating income	35.9	35.0	-9.8	n/a	120.2	117.8	10.0	1081.9	33.7	
Operating margin (%)	5.6	5.4	-2.1	7.6 p.p.	6.5	6.4	0.7	5.7 p.p.	1.8	
Net profit/loss for the period	41.9	41.9	-2.4	n/a	102.5	102.8	3.8	2636.5	41.0	
Visits (thousands)	27,881	27,881	11,005	153.3	65,361	65,361	33,920	92.7	50,358	
Order (thousands)	218	218	142	52.9	571	571	464	23.2	636	
Conversion rate (%)	0.8	0.8	1.3	-0.5 p.p.	0.9	0.9	1.4	-0.5 p.p.	1.3	
Average order value	3,084	3,084	2,978	3.6	3,230	3,230	2,933	10.2	2,976	

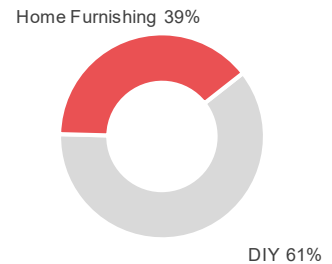
\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

### COMMENTS ON THE HOME FURNISHING SEGMENT

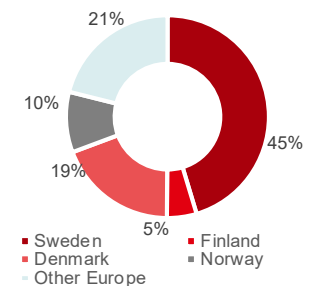
The strong trajectory of the Home Furnishing segment is now well into its fourth quarter. The plan of action which we put in place during the second half of 2018 has gone from delivering a lasting margin improvement, to now also significantly driving organic growth. The core elements of the action plan, revolving around improving unit economics through assortment expansion, pricing and curation, now form part of our everyday work and have been combined with several additional initiatives:

- The product assortment has reached 150,000 unique SKUs and continues to be expanded.
- More customers are being served through our own last-mile operations. The initial step-by-step roll-out across the Swedish market continues. The preparations in our

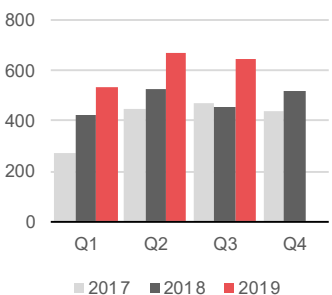
Net sales by segment  
July-Sep 2019



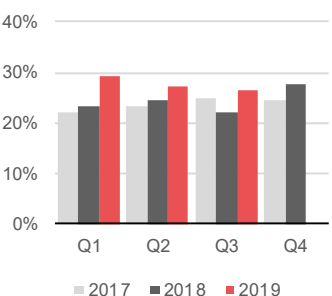
Distribution by country (%)  
July-Sep 2019



Net sales (SEKm)



Adjusted gross margin (%)



Gothenburg hub to include deliveries to the greater-Gothenburg area, including Borås, are complete and the Öresund region is next in line.

- The announced expansion of our main Helsingborg warehouse facility will allow us to optimise internal efficiencies as well as key customer satisfaction-related aspects, such as delivery speed and accuracy.
- Finally, September marked the one-year anniversary of the Furniture1 acquisition. Explosive growth in our Eastern European markets was further fuelled by the synergies that were unlocked in the Bygghemma Group/Furniture 1 combination, primarily in the form of leveraging the product assortment from both the European and Asian supplier base. Through Furniture1, Bygghemma Group has established itself as one of the leading players within the online home furnishing markets in mainland Europe.

The Home Furnishing segment strengthened its market shares in all geographies during the quarter. Growth was particularly brisk in the chairs, tables and accessories categories, which in turn resulted from the ongoing assortment expansion. The segment accounted for 39 percent of the Group's total net sales for the quarter and 40 percent for the first nine months.

Net sales in the Home Furnishing segment increased 40.9 percent to SEK 643.9 million (457.0) for the quarter and 31.7 percent to SEK 1,847.8 million (1,402.6) YTD. The quarter-on-quarter improvement in organic growth continued, from 1.4 percent in the fourth quarter of 2018 to 7.2 percent in the first quarter 2019, 7.8 percent in the second quarter and now 19.7 percent in the third quarter.

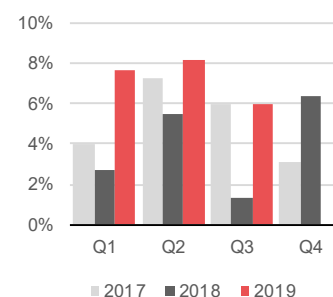
The integration of Lampgallerian, acquired in the second quarter, proceeded according to plan, including the important step of finalising the sharing of the lighting assortment across the Group's relevant platforms. The expertise of the Lampgallerian team is being leveraged to provide crucial category insight in conjunction with the launch of a new, own-brand, Bygghemma Group lighting series.

The continued roll-out of the last-mile logistics operations in Sweden is progressing according to plan. A little over a year since the launch, the setup is firmly established in the greater Stockholm and Gothenburg areas, and the Öresund region is next in line. As communicated in the previous quarter, the implementation costs associated with the project will not exceed SEK 15 million for 2019. Costs affecting comparability amounted to SEK 5.8 million in the first quarter, SEK 0.0 million in the second quarter and SEK 0.0 million in the third quarter.

Adjusted EBIT, excluding IFRS 16 effects, increased 522.0 percent to SEK 37.7 million (6.1) for the quarter and 186.4 percent to SEK 131.9 million (46.1) YTD. The adjusted EBIT margin was 5.9 percent (1.3) for the quarter and 7.1 percent (3.3) YTD. Adjusted EBIT, including IFRS 16 effects, amounted to SEK 38.6 million for the quarter, with an adjusted EBIT margin of 6.0 percent, and SEK 134.3 million YTD, with an adjusted EBIT margin of 7.3 percent.

The segment's operating income, excluding IFRS 16 effects, amounted to SEK 35.0 million (-9.8) for the quarter, with an operating margin of 5.4 percent (-2.1), and SEK 117.8 million (10.0) YTD, with an operating margin of 6.4 percent (0.7). Operating income, including IFRS 16 effects, amounted to SEK 35.9 million for the quarter, with an operating margin of 5.6 percent, and SEK 120.2 million YTD, with an operating margin of 6.5 percent.

Adjusted EBIT margin (%)



## Other

### CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities for the quarter was SEK 49.3 million (-46.7). For the nine-month period, cash flow from operating activities was SEK 344.4 million (98.0). Cash flow from operating activities was mainly driven by the Group's EBITDA during the period as well as negative working capital, which is the result of a high proportion of direct deliveries from suppliers, relatively limited inventory levels and low levels of accounts receivable (due to a high share of card purchases and factoring without regress).

The change in net working capital in the period follows the usual seasonal profile, with inventory levels increasing during the first quarter prior to high-season sales, particularly of outdoor furniture, and then decreasing with a correspondingly high cash conversion during the second and third quarter, due to seasonally high sales levels.

The Group's cash flow to investing activities was SEK -90.4 million (-44.3) for the quarter and SEK -237.9 million (-93.7) for the first nine months, attributable to the acquisitions of Designkupp, Nordiska Fönster, Lampgallerian and Arc E-commerce AB (outl1.se) as well as to deferred payments and earn-outs related to acquisitions during the 2014-2017 period, and to IT investments related to the web platform and logistical solution.

Cash flow from financing activities was SEK 63.6 million (31.0) for the quarter, attributable to the increased drawdown of the Group's acquisition facility in connection with acquisitions, deferred payments and earn-outs, and SEK -35.7 million (71.6) for the first nine months, attributable to the repayment of a revolving credit facility as well as an increase in said acquisition facility. Cash flow in the corresponding period last year was attributable to the share issue in connection with the IPO, which was carried out in order to adjust the Group's capital structure to a level suitable for a listed environment and to facilitate investments and continued expansion through acquisitions.

Operating cash flow was SEK 15.3 million (-43.9) for the quarter and SEK 255.9 million (177.9) for the first nine months, which is the highest level to date, as a result of a combination of growth of adjusted EBITDA, a positive change in working capital and the Group's relatively low capex requirements. This corresponds to a cash conversion (in relation to adjusted EBITDA) of 17 percent for the quarter and 96 percent for the first nine months.

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 307.1 million (237.5), which is primarily explained by the operating cash flow generated during the period the repayment of a revolving credit facility.

The Group's net debt, which is defined as the Group's current and non-current interest-bearing liabilities to credit institutions less cash and cash equivalents and investments in securities, etc., amounted to SEK 433.1 million at the end of the quarter, compared with SEK 473.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 1.3x, outperforming the Group's medium-term financial target.

The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 486.6 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 354.8 million at the end of the period, compared with SEK 394.5 million at the beginning of the year.

The Group's total assets at the end of the reporting period amounted to SEK 5,872.6 million, compared to SEK 4,851.9 million at the beginning of the period. This change is mainly attributable to the effect of the implementation of IFRS 16 as of 1 January 2019.

The Group's equity at the end of the reporting period amounted to SEK 2,949.1 million (SEK 2,814.4 million at the beginning of the year).

### EMPLOYEES

The number of employees (measured as FTEs) was 1,285 at the end of the period. The average number of employees (FTEs) for the most recent 12-month period was 1,063.

## SEASONAL VARIATIONS

The Group's operations are impacted by seasonal variations affecting consumers' total demand, especially for building products and outdoor furniture. Due to the effect of weather on demand, the Group's sales and cash flow are usually higher in the second and third quarters when most (nearly 60 percent) of the Group's sales are normally generated, and lower in the first and fourth quarters. Although seasonal variations normally do not affect the Group's relative profit and cash flow from year to year, profit and cash flow may be impacted in years with extremely hot or cold weather conditions, or with very high or low downfall. Weather conditions may also have a significant impact on individual quarters, but usually even out over the full year.

## PARENT COMPANY

The Parent Company's net sales amounted to SEK 0.2 million (0.3) for the quarter and SEK 0.7 million (2.2) for the first nine months. The Group's CEO, CFO and COO are employed by the Parent Company, which also remunerates the Board of Directors. The Parent Company posted an operating loss of SEK -3.2 million (-1.7) for the quarter and SEK -12.0 million (-29.3) for the first nine months. The loss in the corresponding period last year was mainly due to costs attributable to the listing on Nasdaq Stockholm in the first quarter of 2018. The loss for the quarter amounted to SEK -2.8 million (-0.6) and the loss for the first nine months to SEK -10.4 million (-23.0). The Parent Company's cash and cash equivalents totalled SEK 21.3 million at the end of the reporting period, compared with SEK 6.6 million at the beginning of the year.

## ACCOUNTING POLICIES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Report. For the Group and the Parent Company, the same accounting policies and calculation bases have been applied as in the annual report for 2018, with the exception that the Group applies IFRS 16 Leases as of 1 January 2019. The Parent Company does not apply IFRS 16 in accordance with the exception contained in RFR 2. A description of IFRS 16 and the effects of the transition to this standard can be found in Note 5.

The Group also applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures. The definitions of alternative performance measures can be found in the relevant reconciliations on pages 33-37 of this report.

The interim information on pages 1-15 is an integrated part of this financial report.

## RISKS AND UNCERTAINTIES

There are several strategic, operational and financial risks and uncertainty factors that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors. There are risks and uncertainties related to IT and management systems, suppliers, season and weather variations and exchange rates, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour for online sales. The Group is also exposed to interest-rate risk. For a more detailed description of the risks and uncertainties faced by the Group and the Parent Company, refer to Note 25 in the 2018 annual report. Apart from the risks described therein, the assessment is that there are no additional material risks.

## RELATED-PARTY TRANSACTIONS

All transactions with related parties are based on appropriate market terms. For more information, see Note 4 in this report.

Malmö, 29 October 2019

**Martin Edblad**  
Acting President and CEO

**Bygghemma Group First AB (publ)**  
Hans Michelsensgatan 9  
SE-211 20 Malmö  
Corporate registration number: 559077-0763

This information is information that Bygghemma Group First AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CET on 29 October 2019.

## CONTACT INFORMATION

For further information, visit [www.bygghemmagroup.se](http://www.bygghemmagroup.se) or contact:

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+46 (0)734-24 68 51

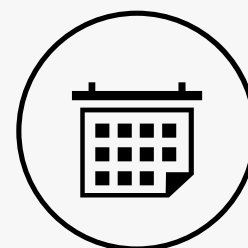
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## CONFERENCE CALL IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT

On Tuesday, 29 October at 10:00 a.m. CET, Martin Edblad, acting President and CEO, and Adam Schatz, CFO, will hold a conference call concerning the publication of the quarterly report. The call will be held in English. To participate, please call +46 (0)8 566 426 92 or go to the weblink <https://tv.streamfabriken.com/bygghemma-group-q3-2019>. The presentation is available from Bygghemma Group's website: <http://www.bygghemmaGroup.com/investor-relations/presentations>



## QUARTERLY REPORTS ON WWW.BYGGHEMMAGROUP.SE

The full report for the period January-September 2019 and previous quarterly and full-year reports are available at <http://www.bygghemmagroup.com/investor-relations/financial-reports/>

## FINANCIAL CALENDAR

31 January 2019 Year-end report

## **ABOUT BYGGHEMMA GROUP**

Bygghemma Group is the leading online supplier of home improvement products in the Nordic region. We offer our customers a broad product range at attractive prices, with convenient home delivery. We conduct operations in two segments: DIY and Home Furnishing. DIY comprises sales of products from well-known brands for homes and gardens, and Home Furnishing comprises sales of furniture and home decor, mainly under proprietary brands. Bygghemma Group includes a wide range of webstores, such as [www.bygghemma.se](http://www.bygghemma.se), [www.trademax.se](http://www.trademax.se), [www.chilli.se](http://www.chilli.se), [www.furniturebox.se](http://www.furniturebox.se), [stonefactory.se](http://stonefactory.se) and [lampgallerian.se](http://lampgallerian.se). Bygghemma Group had sales of SEK 5 billion in 2018, has its head office in Malmö and is listed on Nasdaq Stockholm Mid Cap.



# Auditor's report

Bygghemma First Holding AB corp. reg. no. 559077-0763

## INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Bygghemma Group First (publ), as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, 29 October 2019

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi

*Authorised Public Accountant*

# Condensed consolidated income statement

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Net sales	1,639.0	1,251.1	4,567.8	3,694.0	4,973.7
Other operating income	0.2	0.3	0.2	-	0.0
<b>Total net sales</b>	<b>1,639.1</b>	<b>1,251.4</b>	<b>4,568.0</b>	<b>3,694.0</b>	<b>4,973.7</b>
Cost of goods sold	-1,260.8	-1,006.3	-3,491.6	-2,944.7	-3,926.2
Personnel costs	-118.3	-96.5	-349.2	-305.5	-420.4
Other external costs and operating expenses	-136.8	-113.9	-385.0	-347.0	-469.6
Other operating expenses	-1.9	-0.0	-7.4	-4.8	-4.4
Depreciation and amortisation of tangible and intangible fixed assets	-49.1	-17.2	-132.3	-48.9	-65.8
<b>Operating income</b>	<b>72.3</b>	<b>17.4</b>	<b>202.5</b>	<b>43.1</b>	<b>87.2</b>
Profit/loss from financial items	-3.8	-4.8	-46.4	-54.5	-39.9
<b>Profit/loss before tax</b>	<b>68.5</b>	<b>12.5</b>	<b>156.1</b>	<b>-11.4</b>	<b>47.3</b>
Income tax	-15.8	11.7	-40.1	12.7	3.5
<b>Profit/loss for the period</b>	<b>52.7</b>	<b>24.2</b>	<b>116.0</b>	<b>1.3</b>	<b>50.8</b>
Attributable to:					
Equity holders of the parent	52.0	24.2	113.8	1.2	49.9
Non-controlling interest	0.7	0.1	2.2	0.1	0.9
<b>Net income for the period</b>	<b>52.7</b>	<b>24.2</b>	<b>116.0</b>	<b>1.3</b>	<b>50.8</b>
Earnings per share before dilution, SEK	0.48	0.23	1.06	-0.53	0.00
Earnings per share after dilution, SEK	0.48	0.23	1.06	-0.53	0.00

\* Earnings per share before and after dilution during 2018 has been calculated with deduction of preference interest. The formula for earnings per share is as follows: earnings per share = (profit/loss for the period - interest on preference shares) / (average number of ordinary shares outstanding + number of outstanding warrants which are in the money at the close of the period). At the end of the period, there was a total of 4,370,542 warrants outstanding.

# Condensed consolidated statement of comprehensive income

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Profit/loss for the period	52.7	24.2	116.0	1.3	50.8
<b>Other comprehensive income</b>					
Items that may be reclassified subsequently to profit or loss					
Translation differences for the period	7.7	-5.8	23.2	9.9	7.2
<b>Other comprehensive income for the period</b>	<b>7.7</b>	<b>-5.8</b>	<b>23.2</b>	<b>9.9</b>	<b>7.2</b>
<b>Total comprehensive income for the period</b>	<b>60.4</b>	<b>18.4</b>	<b>139.2</b>	<b>11.2</b>	<b>58.0</b>
<b>Total comprehensive income attributable to:</b>					
Parent Company shareholders	59.1	19.4	135.6	12.2	58.2
Non-controlling interest	1.3	-1.0	3.6	-1.0	-0.2
<b>Total comprehensive income for the period</b>	<b>60.4</b>	<b>18.4</b>	<b>139.2</b>	<b>11.2</b>	<b>58.0</b>
<b>Shares outstanding at period's end</b>					
Before dilution	107,368,421	107,368,421	107,368,421	107,368,421	107,368,421
After dilution	107,368,421	107,368,421	107,368,421	107,368,421	107,368,421
<b>Average number of shares</b>					
Before dilution	107,368,421	107,368,421	107,368,421	91,919,797	95,781,974
After dilution	107,368,421	107,368,421	107,368,421	91,919,797	95,781,974

# Condensed consolidated statement of financial position

SEKm	30 Sep		31 Dec
	2019	2018	2018
<b>Non-current assets</b>			
Goodwill	2,855.2	2,567.7	2,590.7
Other intangible fixed assets	1,293.1	1,214.9	1,225.3
<b>Total intangible fixed assets</b>	<b>4,148.3</b>	<b>3,782.6</b>	<b>3,815.9</b>
Buildings and land	11.1	11.2	11.3
Leased fixed assets	411.5	-	-
Tangible fixed assets	35.2	23.0	22.9
Financial fixed assets	5.2	5.6	5.4
Deferred tax asset	10.5	15.2	6.0
<b>Total fixed assets</b>	<b>4,621.8</b>	<b>3,837.5</b>	<b>3,861.5</b>
<b>Current assets</b>			
Inventories	634.7	485.4	504.9
Current receivables	309.0	281.3	258.6
Cash and cash equivalents	307.1	237.5	226.9
<b>Total current assets</b>	<b>1,250.8</b>	<b>1,004.2</b>	<b>990.4</b>
<b>Total assets</b>	<b>5,872.6</b>	<b>4,841.7</b>	<b>4,851.9</b>
<b>Equity</b>			
Equity attributable to owners of the parent	2,914.2	2,737.0	2,783.1
Non-controlling interest	34.9	31.8	31.3
<b>Total equity</b>	<b>2,949.1</b>	<b>2,768.8</b>	<b>2,814.4</b>
<b>Non-current liabilities</b>			
Deferred tax liability	244.7	246.7	234.3
Other provisions	1.8	2.6	1.9
Non-current interest-bearing liabilities to credit institutions	735.6	682.7	694.9
Non-current lease liabilities	314.8	-	-
Other non-current liabilities	409.4	303.7	278.3
<b>Total non-current liabilities</b>	<b>1,706.3</b>	<b>1,235.8</b>	<b>1,209.5</b>
<b>Current liabilities</b>			
Current lease liabilities	110.9	-	-
Other interest-bearing liabilities	77.2	23.6	42.0
Other current liabilities	1,029.1	813.6	786.0
<b>Total current liabilities</b>	<b>1,217.2</b>	<b>837.2</b>	<b>828.1</b>
<b>Total equity and liabilities</b>	<b>5,872.6</b>	<b>4,841.7</b>	<b>4,851.9</b>

# Condensed consolidated statement of cash flows

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Cash flow from operating activities before changes in working capital	107.9	28.3	289.8	37.0	97.8
Changes in working capital	-58.7	-75.1	54.6	61.0	22.7
<b>Cash flow from operating activities</b>	<b>49.3</b>	<b>-46.7</b>	<b>344.4</b>	<b>98.0</b>	<b>120.5</b>
Investments in operations	-72.5	-27.6	-173.6	-47.3	-58.9
Investments in other non-current assets	-18.2	-16.8	-64.7	-46.5	-68.1
Divestment of operations	-	0.1	-	0.1	0.0
Divestment of other tangible fixed assets	0.3	0.0	0.4	0.1	0.1
<b>Cash flow to/from investing activities</b>	<b>-90.4</b>	<b>-44.3</b>	<b>-237.9</b>	<b>-93.7</b>	<b>-126.8</b>
New share issue	-	0.0	-	345.2	343.4
Loans taken	100.8	31.2	229.6	682.0	693.9
Amortisation of loans	-37.1	-0.2	-271.3	-960.3	-968.5
Issue of warrants	-	0.1	6.0	4.6	4.6
Dividend	-	0.1	-	0.1	0.1
<b>Cash flow to/from financing activities</b>	<b>63.6</b>	<b>31.0</b>	<b>-35.7</b>	<b>71.6</b>	<b>73.5</b>
<b>Cash flow for the period</b>	<b>22.5</b>	<b>-60.0</b>	<b>70.9</b>	<b>75.9</b>	<b>67.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>281.7</b>	<b>299.9</b>	<b>226.9</b>	<b>156.1</b>	<b>156.1</b>
Translation differences in cash and cash equivalents	3.0	-2.4	9.3	5.5	3.6
<b>Cash and cash equivalents at the end of the period</b>	<b>307.1</b>	<b>237.5</b>	<b>307.1</b>	<b>237.5</b>	<b>226.9</b>

# Condensed consolidated statement of changes in equity

SEKm	30 Sep		31 Dec
	2019	2018	2018
<b>Opening balance</b>	<b>2,814.4</b>	<b>2,375.1</b>	<b>2,375.1</b>
Comprehensive income for the period	139.2	11.2	58.0
Effects from changed accounting standards	-10.4	-	-
Acquisitions of partly owned subsidiaries	-	32.7	31.5
New share issue	-	345.2	345.2
Issue of warrants	6.0	4.6	4.6
<b>Closing balance</b>	<b>2,949.1</b>	<b>2,768.8</b>	<b>2,814.4</b>

\* For 2018, transaction-related costs of approximately SEK 8.1 million (SEK 6.3 million after tax) attributable to the new share issue of common stock are reported net after tax directly in equity as a reduction of the share issue amount.



## Notes

## NOTE 1 SEGMENTS

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
<b>Net sales</b>					
DIY	1,002.7	798.6	2,737.5	2,306.3	3,073.8
Home Furnishing	643.9	457.0	1,847.8	1,402.6	1,918.8
<b>Total net sales</b>	<b>1,646.5</b>	<b>1,255.6</b>	<b>4,585.3</b>	<b>3,708.9</b>	<b>4,992.6</b>
Other*	5.6	5.6	18.6	13.1	20.1
Eliminations	-13.2	-10.1	-36.1	-28.0	-39.0
<b>Group consolidated total</b>	<b>1,639.0</b>	<b>1,251.1</b>	<b>4,567.8</b>	<b>3,694.0</b>	<b>4,973.7</b>
<b>Revenue from other segments</b>					
DIY	1.8	1.0	5.5	5.5	7.3
Home Furnishing	5.7	3.5	12.0	9.4	11.6
Other*	5.6	5.6	18.6	13.1	20.1
<b>Total</b>	<b>13.2</b>	<b>10.1</b>	<b>36.1</b>	<b>28.0</b>	<b>39.0</b>

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
<b>Operating income and profit before tax</b>					
DIY	40.1	29.2	95.4	79.9	102.9
Home Furnishing	35.9	-9.8	120.2	10.0	33.7
<b>Total operating income</b>	<b>76.0</b>	<b>19.5</b>	<b>215.6</b>	<b>89.8</b>	<b>136.7</b>
Other*	-3.8	-2.1	-13.1	-46.7	-49.4
<b>Group consolidated operating income</b>	<b>72.3</b>	<b>17.4</b>	<b>202.5</b>	<b>43.1</b>	<b>87.2</b>
Financial net	-3.8	-4.8	-46.4	-54.5	-39.9
<b>Group consolidated profit/loss before tax</b>	<b>68.5</b>	<b>12.5</b>	<b>156.1</b>	<b>-11.4</b>	<b>47.3</b>

\* The Groups other operations primarily consist of group-wide functions and financing arrangements. Net sales was thus mainly comprised by management fees. The operating costs for 2018 include the costs associated with the listing on Nasdaq Stockholm during the first quarter of 2018.

SEKm	Q3 2019					Jan-Sep 2019				
	DIY	Home Furnishing	Other	Elimination	Group	DIY	Home Furnishing	Other	Elimination	Group
Sweden	607.2	292.2	5.6	-10.4	894.5	1,682.3	897.2	18.6	-32.5	2,565.6
Finland	286.0	30.5	-	-	316.5	734.3	88.9	-	-	823.2
Denmark	60.1	123.5	-	-0.2	183.5	180.8	371.7	-	-0.5	551.9
Norway	49.4	62.3	-	-0.0	111.6	140.1	173.7	-	-0.4	313.3
Rest of Europe	-	135.4	-	-2.6	132.9	-	316.3	-	-2.6	313.7
<b>Net sales</b>	<b>1,002.7</b>	<b>643.9</b>	<b>5.6</b>	<b>-13.2</b>	<b>1,639.0</b>	<b>2,737.5</b>	<b>1,847.8</b>	<b>18.6</b>	<b>-36.1</b>	<b>4,567.8</b>

SEKm	Q3 2018					Jan-Sep 2018				
	DIY	Home Furnishing	Other	Elimination	Group	DIY	Home Furnishing	Other	Elimination	Group
Sweden	505.4	254.1	5.6	-10.8	754.3	1,524.5	867.5	13.1	-26.6	2,378.6
Finland	220.2	25.7	-	0.7	246.6	567.1	78.2	-	-	645.3
Denmark	46.9	105.7	-	-0.0	152.5	146.1	295.8	-	-1.1	440.8
Norway	26.2	51.0	-	-0.0	77.2	68.6	140.5	-	-0.3	208.7
Rest of Europe	-	20.5	-	-	20.5	-	20.5	-	-	20.5
<b>Net sales</b>	<b>798.6</b>	<b>457.0</b>	<b>5.6</b>	<b>-10.1</b>	<b>1,251.1</b>	<b>2,306.3</b>	<b>1,402.6</b>	<b>13.1</b>	<b>-28.0</b>	<b>3,694.0</b>

Full-year 2018					
SEKm	DIY	Home Furnishing	Other	Elimination	Group
Sweden			2,029.1	1,105.1	3,116.9
Finland			762.4	102.3	864.7
Denmark			187.3	413.8	599.9
Norway			95.0	184.9	279.5
Rest of Europe			-	112.8	112.8
<b>Net sales</b>			<b>3,073.8</b>	<b>1,918.8</b>	<b>4,973.7</b>

**NOTE 2 DISCLOSURES ON ACQUISITIONS****Net sales and profit/loss for the period for acquired companies**

Since consolidation, acquisitions have contributed SEK 171.3 million to the Group's net sales and SEK 8.2 million to the Group's profit/loss for the period. If the acquisitions had been consolidated for the full financial year, they would have contributed SEK 303.8 million to the Group's net sales and SEK 12.4 million to the Group's profit/loss for the period.

**Acquisition of Designkupp AS**

On 29 January 2019, the Group acquired 95 percent of Designkupp AS ("VVSKupp"). VVSKupp, which was founded in 2005, is the leading online player in Norway within bathroom products, with sales of approximately SEK 100 million in 2018 and an EBIT margin of 3 percent.

**Net sales and profit/loss for the period**

Since the acquisition date, Designkupp has contributed SEK 70.1 million to consolidated revenue and SEK 2.2 million to consolidated after-tax profit. If Designkupp had been consolidated for the full financial year, the company would have contributed SEK 81.4 million to consolidated revenue and SEK 1.1 million to consolidated after-tax profit.

SEKm

**Acquisition of Designkupp AS****Net assets at time of acquisition**

Trademarks	9.8
Customer relationships	12.5
Intangible fixed assets	0.1
Tangible fixed assets	0.7
Inventory	9.2
Accounts receivable	1.8
Other receivables	0.0
Cash and cash equivalents	11.3
Deferred tax liability	-5.1
Accounts payable	-8.9
Other liabilities	-3.9
<b>Net identifiable assets and liabilities</b>	<b>27.5</b>

Goodwill	53.8
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<b>Total purchase consideration</b>	<b>81.4</b>
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Liability to non-controlling interest	6.1
Deferred purchase consideration	17.3
Earn-out provision	20.2
<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-37.7</b>

**Acquisition of Nordiska Fönster i Ängelholm AB**

On 1 March 2019, the Group acquired 100 percent of Nordiska Fönster i Ängelholm AB ("Nordiska Fönster"). Nordiska Fönster, which was founded in 2011, offers primarily high-quality windows and doors at competitive prices, with sales of just over SEK 50 million in 2018 and marginally positive earnings.

**Net sales and profit/loss for the period**

Since the acquisition date, Nordiska Fönster has contributed SEK 32.8 million to consolidated revenue and SEK 0.3 million to consolidated after-tax profit. If Nordiska Fönster had been consolidated for the full financial year, the company would have contributed SEK 39.5 million to consolidated revenue and SEK -0.4 million to consolidated after-tax profit.

SEKm

**Acquisition of Nordiska Fönster i Ängelholm AB****Net assets at time of acquisition**

Trademarks	3.5
Customer relationships	3.5
Intangible fixed assets	1.6
Tangible fixed assets	0.4
Deferred tax asset	0.9
Inventory	1.9
Accounts receivable	1.2
Other receivables	0.7
Cash and cash equivalents	0.9
Deferred tax liability	-1.4
Accounts payable	-2.7
Other liabilities	-5.4

<b>Net identifiable assets and liabilities</b>	<b>5.0</b>
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Goodwill	21.8
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<b>Total purchase consideration</b>	<b>26.8</b>
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Earn-out provision	11.8
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<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-14.9</b>
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**Acquisition of LampGallerian Växjö AB**

On 10 May 2019, the Group acquired 51 percent of LampGallerian Växjö AB ("LampGallerian"), with the option to acquire the remaining 49 percent within 3-4 years. LampGallerian, a leading webstore in Sweden for indoor and outdoor lighting, had sales of just over SEK 40 million in 2018 and an operating profit (EBIT) of approximately SEK 4 million.

**Net sales and profit/loss for the period**

Since the acquisition date, LampGallerian has contributed SEK 16.8 million to consolidated revenue and SEK 0.0 million to consolidated after-tax profit. If LampGallerian had been consolidated for the full financial year, the company would have contributed SEK 34.5 million to consolidated revenue and SEK 0.2 million to consolidated after-tax profit.

SEKm

**Acquisition of LampGallerian Växjö AB****Net assets at time of acquisition**

Trademarks	4.1
Customer relationships	2.0
Intangible fixed assets	0.0
Tangible fixed assets	5.4
Inventory	7.0
Accounts receivable	0.3
Other receivables	0.2
Cash and cash equivalents	1.9
Deferred tax liability	-1.8
Accounts payable	-3.3
Other liabilities	-4.5

<b>Net identifiable assets and liabilities</b>	<b>11.3</b>
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Goodwill	38.0
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<b>Total purchase consideration</b>	<b>49.4</b>
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Liability to non-controlling interest	24.4
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Earn-out provision	9.7
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<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-15.3</b>
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**Acquisition of Arc E-commerce AB**

On 26 July 2019, the Group acquired 51 percent of Arc E-commerce AB ("Arc E-commerce"), with an option to acquire the remaining 49 percent within 3-4 years. Arc E-commerce, a leading online store in Sweden for home, household and leisure products, had sales of just over SEK 100 million in 2018 and operating profit (EBIT) of approximately SEK 9 million.

**Net sales and profit/loss for the period**

Since the acquisition date, Arc E-commerce has contributed SEK 49.9 million to consolidated revenue and SEK 4.7 million to consolidated after-tax profit. If Arc E-commerce had been consolidated for the full financial year, the company would have contributed SEK 144.7 million to consolidated revenue and SEK 10.4 million to consolidated after-tax profit.

SEKm

**Acquisition of Arc E-commerce AB****Net assets at time of acquisition**

Trademarks	9.6
Customer relationships	15.6
Intangible fixed assets	1.4
Tangible fixed assets	0.7
Deferred tax asset	1.5
Inventory	57.9
Accounts receivable	0.4
Other receivables	7.7
Cash and cash equivalents	15.3
Deferred tax liability	-6.9
Non-current liabilities	-10.0
Accounts payable	-26.8
Other liabilities	-20.6

<b>Net identifiable assets and liabilities</b>	<b>45.9</b>
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Goodwill	138.1
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<b>Total purchase consideration</b>	<b>183.9</b>
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Unpaid part of the purchase consideration	90.1
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Earn-out provision	38.9
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<b>Change in the Group's cash and cash equivalents following the acquisition</b>	<b>-55.0</b>
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**NOTE 3 FAIR VALUE****Classification of financial assets and liabilities**

Contingent earn-outs and liabilities to non-controlling interests are included in Level 3 of the valuation hierarchy, meaning the level applicable for assets and liabilities that are considered illiquid and difficult to value. Apart from contingent earn-outs and liabilities to non-controlling interests, the carrying amount corresponds to the fair value of all financial instruments recognised in the statement of financial position.

**Measurement of fair value**

The fair value of contingent earn-outs and liabilities to non-controlling interests is calculated by discounting future cash flows by a risk-adjusted discount interest rate. Expected cash flows are forecast using probable scenarios for future EBITDA levels, amounts that will result from various outcomes and the probability of those outcomes.

SEKm	30 Sep		31 Dec
	2019	2018	2018
<b>Fair value on the opening date</b>	<b>320.3</b>	<b>249.6</b>	<b>249.6</b>
Recognition in profit or loss	26.5	8.6	-7.7
Utilised amount	-79.6	-26.6	-30.1
Unutilised amount	0.2	-	-
Acquisition value at cost	219.2	95.7	108.5
<b>Fair value on the closing date</b>	<b>486.6</b>	<b>327.3</b>	<b>320.3</b>

**NOTE 4 RELATED-PARTY TRANSACTIONS**

Transactions between Bygghemma Group First AB and its subsidiaries, which are related to Bygghemma Group First AB, have been eliminated in the consolidated financial statements.



All transactions between related parties have been conducted on commercial terms, on an arm's length basis.

#### Transactions with the owners

No transactions with the owners have been made during 2019.

### NOTE 5 EFFECTS OF IFRS 16

Bygghemma Group has applied IFRS 16 Leases since 1 January 2019. IFRS 16 has replaced the principles of IAS 17 Leases. This note describes the impact of the transition to IFRS 16 on the Group's financial accounts as well as the new principles for the recognition of leases.

#### The Group's principles for recognition of leases under IFRS 16

Bygghemma Group primarily leases warehouse, office and shop premises. The Group previously recognised these leases as operating leases and the lease payments were accrued on a straight-line basis over the lease term. From 1 January 2019, the Group instead recognises leases both as a right-of-use asset, which represents the right to use the underlying asset, and as a lease liability, which represents the obligation to honour the lease commitment. Lease expenses are split between depreciation and interest expense. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis (or over the economic life of the asset if this is shorter than the lease term).

The lease liability is initially measured on a present-value basis. Lease liabilities are discounted by using the lease's implicit interest rate, if this interest rate can be easily determined. If the interest rate cannot be easily determined, the incremental borrowing rate is used, which is the case for a majority of the Group's leases. Lease liabilities include:

- a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- b) variable lease payments that are based on an index or a rate
- c) amounts expected to be payable by the Group under residual value guarantees
- d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- e) payments of penalties for terminating the lease, if the lease term reflects the Group's exercising that option to end the lease agreement.

At the start of a lease, the right-of-use assets are measured at cost, comprising the following:

- a) the amount of the initial measurement of the lease liability
- b) any lease payments made on or before the commencement date less any lease incentives received
- c) any initial direct costs, and
- d) restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### Transition method

The Group will apply the modified retrospective approach. This entails that the accumulated impact of the implementation of IFRS 16 will be recognised in accumulated profit or loss in the opening balance as of 1 January 2019 without restating comparative figures. The right-of-use assets attributable to earlier operating leases will be measured at an amount corresponding to what would have been recognised if IFRS 16 had been applied as of the date when the lease was entered into, discounted by the incremental borrowing rate as of 1 January 2019.

#### Applied exemptions

- In accordance with the IFRS 16 transition rules, the Group also chose to exclude the leases concluded in 2019 from the liability recognised as of 1 January 2019.
- Low-value leases (leases where the underlying assets have a value of SEK 50 thousand or less in new condition) – which mainly comprise computers, printers/photocopiers and coffee machines – will not be included in the lease liability and will instead continue to be recognised as an expense on a straight-line basis over the lease term.
- Bygghemma Group has furthermore decided not to include short-term leases (leases with a term of 12 months or less) in the calculation of the lease liability. These leases will be recognised as low-value leases; see above.

**Effect on the financial reports**

Upon the transition to IFRS 16, additional right-of-use assets of about SEK 353 million, lease liabilities of approximately SEK 366 million and deferred tax assets of approximately SEK 3 million were added, which will reduce the Group's equity by about SEK 10 million, net, as of 1 January 2019. The reported right-of-use assets are attributable to the following asset classification:

	30 Sep
SEKm	2019
Premises	408.5
Cars	0.9
Other	2.1
<b>Total leased assets</b>	<b>411.5</b>

In the valuation of the lease liability, the Group discounted the lease fees by the incremental borrowing rate as of 1 January 2019. The weighted average interest rate used is 2.35 percent.

The table below provides a reconciliation between the operating lease obligations (see Note 26 in the Group's annual report for 2018) and the lease liability as of 1 January 2019, and a reconciliation of the change in the lease liability between 1 January 2019 and 30 September 2019.

SEKm	2019
Operating lease obligations as of 31 Decemer 2018	455.4
Deduct low-value lease	-0.6
Deduct short-term lease	-65.8
Add reasonably certain extension periods	8.0
<b>Operating lease included in IFRS 16</b>	<b>396.9</b>
Discount effect	-30.5
<b>Lease liability as of 1 January 2019</b>	<b>366.4</b>
New leases	130.8
Terminated leases	-2.8
Accrued interest	6.9
Lease payments	-77.4
Translation differences	1.8
<b>Lease liability at the end of the period</b>	<b>425.7</b>

**Key ratios adjusted for the IFRS 16 effect**

The table below shows the effect of IFRS 16 on selected key ratios. The column "2019" shows key ratios based on reported figures according to IFRS, including IFRS 16. The column "2019 excl. IFRS 16" shows how the same key figures would have looked if Bygghemma Group had applied the same accounting policies for leases as in 2018 in 2019 (meaning IAS 17 and not IFRS 16).

	Q3			Jan-Sep		
	2019	Adjustment of effects from IFRS 16	2019 excl. IFRS 16	2019	Adjustment of effects from IFRS 16	2019 excl. IFRS 16
SEKm (if not otherwise stated)						
Net sales	1,639.0	-	1,639.0	4,567.8	-	4,567.8
Gross profit	378.1	-	378.1	1,076.2	-	1,076.2
Gross margin (%)	23.1	-	23.1	23.6	-	23.6
Adjusted EBITDA	121.8	-29.6	92.2	343.5	-77.4	266.0
Adjusted EBITDA margin (%)	7.4	1.8	5.6	7.5	1.7	5.8
Adjusted EBIT	82.5	-2.2	80.4	240.0	-5.9	234.2
Adjusted EBIT margin (%)	5.0	0.1	4.9	5.3	0.1	5.1
Items affecting comparability	-0.0	-	-0.0	-7.5	-	-7.5
Operating income	72.3	-2.2	70.1	202.5	-5.9	196.6
Operating margin (%)	4.4	0.1	4.3	4.4	0.1	4.3
Net profit/loss for the period	52.7	0.2	52.9	116.0	0.8	116.8
Cash flow from operating activities	49.3	-27.1	22.1	344.4	-70.5	273.9
Total assets	5,872.6	-414.4	5,458.2	5,872.6	-414.4	5,458.2
Interest-bearing debt	740.2	-	740.2	740.2	-	740.2
Lease liability	425.7	-425.7	-	425.7	-425.7	-
Cash and cash equivalents	-307.1	-	-307.1	-307.1	-	-307.1
<b>Total liabilities and cash</b>	<b>858.7</b>	<b>-425.7</b>	<b>433.1</b>	<b>858.7</b>	<b>-425.7</b>	<b>433.1</b>

## Condensed Parent Company income statement

SEKm	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Net sales	0.2	0.3	0.7	2.2	2.4
<b>Total net sales</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>2.2</b>	<b>2.4</b>
Personnel cost	-2.5	-0.9	-7.5	-13.8	-15.9
Other external costs	-0.9	-1.1	-5.1	-17.7	-18.7
Depreciation and amortisation of tangible and intangible fixed assets	-0.0	-	-0.0	-	-
<b>Operating income</b>	<b>-3.2</b>	<b>-1.7</b>	<b>-12.0</b>	<b>-29.3</b>	<b>-32.3</b>
Profit/loss from financial items	-0.4	0.9	-1.2	-0.1	0.1
Appropriations	-	-	-	-	29.5
<b>Profit/loss before tax</b>	<b>-3.6</b>	<b>-0.8</b>	<b>-13.2</b>	<b>-29.4</b>	<b>-2.6</b>
Income tax	0.8	0.2	2.8	6.5	0.5
<b>Profit/loss for the period</b>	<b>-2.8</b>	<b>-0.6</b>	<b>-10.4</b>	<b>-23.0</b>	<b>-2.1</b>

A statement of other comprehensive income has not been prepared since the Parent Company did not conduct any transactions recognised as other comprehensive income.

# Condensed Parent Company balance sheet

SEKm	30 Sep		31 Dec
	2019	2018	2018
<b>Non-current assets</b>			
Other intangible fixed assets	0.3	-	0.2
<b>Total intangible fixed assets</b>	<b>0.3</b>	<b>-</b>	<b>0.2</b>
Participations in Group companies	2,691.6	2,691.6	2,691.6
Long-term receivables from Group companies	-	29.0	29.0
Deferred tax asset	2.3	-	2.3
<b>Total fixed assets</b>	<b>2,694.2</b>	<b>2,720.6</b>	<b>2,723.1</b>
<b>Current assets</b>			
Short-term receivables	11.2	9.3	1.5
Short-term receivables from Group companies	-	0.2	72.7
Cash and cash equivalents	21.3	10.5	6.6
<b>Total current assets</b>	<b>32.5</b>	<b>20.0</b>	<b>80.8</b>
<b>Total assets</b>	<b>2,726.7</b>	<b>2,740.6</b>	<b>2,803.9</b>
<b>Equity</b>			
Restricted equity	3.2	3.2	3.2
Unrestricted equity	2,715.7	2,699.3	2,720.1
<b>Total equity</b>	<b>2,718.9</b>	<b>2,702.5</b>	<b>2,723.3</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities to credit institutions	-	30.0	30.0
<b>Total non-current liabilities</b>	<b>-</b>	<b>30.0</b>	<b>30.0</b>
<b>Current liabilities</b>			
Other current liabilities	7.8	8.1	50.6
<b>Total current liabilities</b>	<b>7.8</b>	<b>8.1</b>	<b>50.6</b>
<b>Total equity and liabilities</b>	<b>2,726.7</b>	<b>2,740.6</b>	<b>2,803.9</b>

## Key ratios

	2019				2018				
	Q3	Q2	Q1	Jan-Sep	Q4	Q3	Q2	Q1	Jan-Dec
<b>THE GROUP</b>									
Adjusted total expenses	-305.9	-305.4	-260.2	-871.4	-251.6	-225.8	-236.1	-199.3	-912.8
Adjusted EBIT margin %	5.0	6.0	4.5	5.3	4.7	3.2	5.1	3.0	4.1
Adjusted gross profit	378.1	397.6	305.6	1,081.4	302.3	256.4	298.6	220.6	1,077.9
Adjusted gross margin %	23.1	23.3	25.0	23.7	23.6	20.5	21.1	21.5	21.7
Equity/assets ratio %	50.2	51.7	51.9	50.2	58.0	57.2	57.1	55.1	58.0
Net debt (+) / Net cash (-)	433.1	357.7	544.6	433.1	473.6	451.1	357.5	496.3	473.6
Cash flow from operating activities (SEKm)	49.3	252.0	43.2	344.4	22.5	-46.7	162.8	-18.1	120.5
Earnings per share (SEK)	0.48	0.41	0.17	1.06	0.45	0.23	0.30	-1.73	0.00
Visits (thousands)	48,007	43,583	34,882	126,472	32,349	28,589	29,827	25,355	116,120
Orders (thousands)	501	503	399	1,403	456	426	465	387	1,735
Average order value (SEK)	3,242	3,417	3,129	3,273	2,793	2,864	2,974	2,665	2,830
<b>DIY</b>									
Visits (thousands)	20,126	23,647	17,337	61,111	15,911	17,584	18,247	14,020	65,762
Orders (thousands)	283	317	231	832	284	284	302	229	1,099
Average order value (SEK)	3,364	3,392	3,102	3,302	2,611	2,807	2,922	2,604	2,746
<b>Home Furnishing</b>									
Visits (thousands)	27,881	19,935	17,545	65,361	16,438	11,005	11,579	11,335	50,358
Orders (thousands)	218	186	168	571	172	142	163	159	636
Average order value (SEK)	3,084	3,461	3,166	3,230	3,092	2,978	3,071	2,752	2,976

## Relevant reconciliations of non-IFRS alternative performance measures (APMs)

Some of the data stated in this report, as used by management and analysts for assessing the Group's development, is not defined in accordance with IFRS. Management is of the opinion that this data makes it easier for investors to analyse the Group's development, for the reasons stated below. Investors should regard this data as a complement rather than a replacement for financial information presented in accordance with IFRS. The Group's definitions of these performance measures may differ from similarly named measures reported by other companies.

### **ADJUSTED EBIT, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT**

In the interim report for the second quarter of 2019, the Group introduced the measure adjusted EBIT to further clarify the Group's underlying profit generation and profitability. Adjusted EBIT replaces the term that was previously used: adjusted EBITA. Adjusted EBIT corresponds to operating income adjusted for amortisation and impairment losses on acquisition-related intangible assets and items affecting comparability. In other words, adjusted EBIT includes all depreciation and amortisation arising from the ongoing business (which was also the case for the earlier term: adjusted EBITA). The difference between adjusted EBIT and EBIT is that the amortisation which arises as a result of the accounting treatment of purchase price allocations in conjunction with acquisitions is added back to adjusted EBIT.

By using the measure adjusted EBIT, the Group simplifies the analysis of the Group's profit generation and profitability. Adjusted EBIT provides a correct picture of the Group's operating results, since it excludes the accounting-related amortisation which arises from purchase price allocations in conjunction with acquisitions. Furthermore, the measure simplifies peer comparison of companies which do not make acquisitions and makes the analysis of acquisition opportunities clearer and more transparent, since the anticipated operating EBIT contribution of acquisition opportunities then corresponds to their actual EBIT contribution post consolidation. It is also important to note that the effect of acquisitions is already reflected in the Group's capital structure and net debt, in accordance with generally accepted accounting practices.

Adjusted gross profit and adjusted EBITDA correspond to gross profit and EBITDA adjusted for items affecting comparability.

## Group

SEKm	Q3			Jan-Sep			Jan-Dec
	2019	2019*	2018	2019	2019*	2018	2018
<b>Operating income</b>	<b>72.3</b>	<b>70.1</b>	<b>17.4</b>	<b>202.5</b>	<b>196.6</b>	<b>43.1</b>	<b>87.2</b>
Acquisition-related costs	0.0	0.0	0.7	1.7	1.7	1.7	2.0
Integration costs and costs related to warehouse move	-	-	12.5	-	-	27.5	27.5
Last-mile project	-	-	-	5.8	5.8	-	6.3
Costs related to LTIP	-	-	-	-	-	11.4	11.4
Costs related to the process for expanding the shareholder base	-	-	-	-	-	30.7	30.7
<b>Total items affecting comparability</b>	<b>0.0</b>	<b>0.0</b>	<b>13.3</b>	<b>7.5</b>	<b>7.5</b>	<b>71.3</b>	<b>77.9</b>
Amortisation and impairment of acquisition-related intangible fixed assets	10.3	10.3	9.4	30.1	30.1	28.0	37.5
<b>Adjusted EBIT</b>	<b>82.5</b>	<b>80.4</b>	<b>40.0</b>	<b>240.0</b>	<b>234.2</b>	<b>142.4</b>	<b>202.7</b>
<b>Adjusted EBIT (%)</b>	<b>5.0</b>	<b>4.9</b>	<b>3.2</b>	<b>5.3</b>	<b>5.1</b>	<b>3.9</b>	<b>4.1</b>
Depreciation and amortisation of tangible and intangible fixed assets	38.8	11.3	7.9	102.2	30.6	20.9	28.3
Gain/loss from sale of fixed assets	0.4	0.5	0.0	1.2	1.3	0.0	0.1
<b>Adjusted EBITDA</b>	<b>121.8</b>	<b>92.2</b>	<b>47.9</b>	<b>343.5</b>	<b>266.0</b>	<b>163.3</b>	<b>231.1</b>
<b>Adjusted EBITDA (%)</b>	<b>7.4</b>	<b>5.6</b>	<b>3.8</b>	<b>7.5</b>	<b>5.8</b>	<b>4.4</b>	<b>4.6</b>
Net sales	1,639.0	1,639.0	1,251.1	4,567.8	4,567.8	3,694.0	4,973.7
Cost of goods	-1,075.2	-1,075.2	-851.8	-2,977.1	-2,977.1	-2,488.1	-3,314.1
<b>Gross profit before direct selling costs</b>	<b>563.8</b>	<b>563.8</b>	<b>399.3</b>	<b>1,590.7</b>	<b>1,590.7</b>	<b>1,205.9</b>	<b>1,659.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>34.4</b>	<b>34.4</b>	<b>31.9</b>	<b>34.8</b>	<b>34.8</b>	<b>32.6</b>	<b>33.4</b>
Direct selling costs	-185.6	-185.6	-154.5	-514.5	-514.5	-456.6	-612.1
<b>Gross profit</b>	<b>378.1</b>	<b>378.1</b>	<b>244.8</b>	<b>1,076.2</b>	<b>1,076.2</b>	<b>749.3</b>	<b>1,047.5</b>
<b>Gross profit (%)</b>	<b>23.1</b>	<b>23.1</b>	<b>19.6</b>	<b>23.6</b>	<b>23.6</b>	<b>20.3</b>	<b>21.1</b>
Integration costs and costs related to warehouse move	-	-	11.7	-	-	26.3	26.3
Last-mile project	-	-	-	5.2	5.2	-	4.2
<b>Adjusted gross profit</b>	<b>378.1</b>	<b>378.1</b>	<b>256.4</b>	<b>1,081.4</b>	<b>1,081.4</b>	<b>775.6</b>	<b>1,077.9</b>
<b>Adjusted gross profit (%)</b>	<b>23.1</b>	<b>23.1</b>	<b>20.5</b>	<b>23.7</b>	<b>23.7</b>	<b>21.0</b>	<b>21.7</b>

\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.



## DIY segment

SEKm	Q3			Jan-Sep			Jan-Dec
	2019	2019*	2018	2019	2019*	2018	2018
<b>Operating income</b>	<b>40.1</b>	<b>38.9</b>	<b>29.2</b>	<b>95.4</b>	<b>91.9</b>	<b>79.9</b>	<b>102.9</b>
Acquisition-related costs	0.0	0.0	-	1.5	1.5	0.6	0.9
<b>Total items affecting comparability</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>1.5</b>	<b>1.5</b>	<b>0.6</b>	<b>0.9</b>
Amortisation and impairment of acquisition-related intangible fixed assets	7.5	7.5	6.8	21.9	21.9	20.5	27.4
<b>Adjusted EBIT</b>	<b>47.7</b>	<b>46.4</b>	<b>36.1</b>	<b>118.8</b>	<b>115.3</b>	<b>101.0</b>	<b>131.2</b>
<b>Adjusted EBIT (%)</b>	<b>4.8</b>	<b>4.6</b>	<b>4.5</b>	<b>4.3</b>	<b>4.2</b>	<b>4.4</b>	<b>4.3</b>
Depreciation and amortisation of tangible and intangible fixed assets	17.8	7.1	5.2	47.2	19.6	14.2	19.0
Gain/loss from sale of fixed assets	0.4	0.4	0.0	0.4	0.4	0.0	0.0
<b>Adjusted EBITDA</b>	<b>65.8</b>	<b>53.9</b>	<b>41.2</b>	<b>166.4</b>	<b>135.3</b>	<b>115.2</b>	<b>150.2</b>
<b>Adjusted EBITDA (%)</b>	<b>6.6</b>	<b>5.4</b>	<b>5.2</b>	<b>6.1</b>	<b>4.9</b>	<b>5.0</b>	<b>4.9</b>
Net sales	1,002.7	1,002.7	798.6	2,737.5	2,737.5	2,306.3	3,073.8
Cost of goods	-723.1	-723.1	-586.2	-1,972.6	-1,972.6	-1,699.0	-2,249.2
<b>Gross profit before direct selling costs</b>	<b>279.5</b>	<b>279.5</b>	<b>212.4</b>	<b>764.9</b>	<b>764.9</b>	<b>607.3</b>	<b>824.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>27.9</b>	<b>27.9</b>	<b>26.6</b>	<b>27.9</b>	<b>27.9</b>	<b>26.3</b>	<b>26.8</b>
Direct selling costs	-71.9	-71.9	-57.0	-193.5	-193.5	-155.7	-212.5
<b>Gross profit</b>	<b>207.6</b>	<b>207.6</b>	<b>155.4</b>	<b>571.4</b>	<b>571.4</b>	<b>451.6</b>	<b>612.1</b>
<b>Gross profit (%)</b>	<b>20.7</b>	<b>20.7</b>	<b>19.5</b>	<b>20.9</b>	<b>20.9</b>	<b>19.6</b>	<b>19.9</b>
<b>Adjusted gross profit</b>	<b>207.6</b>	<b>207.6</b>	<b>155.4</b>	<b>571.4</b>	<b>571.4</b>	<b>451.6</b>	<b>612.1</b>
<b>Adjusted gross profit (%)</b>	<b>20.7</b>	<b>20.7</b>	<b>19.5</b>	<b>20.9</b>	<b>20.9</b>	<b>19.6</b>	<b>19.9</b>

\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

## Home Furnishing segment

	Q3			Jan-Sep			Jan-Dec
	2019	2019*	2018	2019	2019*	2018	2018
<b>Operating income</b>	<b>35.9</b>	<b>35.0</b>	<b>-9.8</b>	<b>120.2</b>	<b>117.8</b>	<b>10.0</b>	<b>33.7</b>
Acquisition-related costs	-	-	0.7	0.2	0.2	1.1	1.1
Integration costs and costs related to warehouse move	-	-	12.5	-	-	27.5	27.5
Last-mile project	-	-	-	5.8	5.8	-	6.3
<b>Total items affecting comparability</b>	<b>-</b>	<b>-</b>	<b>13.3</b>	<b>6.0</b>	<b>6.0</b>	<b>28.6</b>	<b>34.9</b>
Amortisation and impairment of acquisition-related intangible fixed assets	2.7	2.7	2.5	8.1	8.1	7.5	10.2
<b>Adjusted EBIT</b>	<b>38.6</b>	<b>37.7</b>	<b>6.1</b>	<b>134.3</b>	<b>131.9</b>	<b>46.1</b>	<b>78.8</b>
<b>Adjusted EBIT (%)</b>	<b>6.0</b>	<b>5.9</b>	<b>1.3</b>	<b>7.3</b>	<b>7.1</b>	<b>3.3</b>	<b>4.1</b>
Depreciation and amortisation of tangible and intangible fixed assets	21.0	4.2	2.7	55.0	10.9	6.7	9.3
Gain/loss from sale of fixed assets	0.1	0.2	0.0	0.8	0.9	0.0	0.1
<b>Adjusted EBITDA</b>	<b>59.7</b>	<b>42.1</b>	<b>8.7</b>	<b>190.1</b>	<b>143.7</b>	<b>52.8</b>	<b>88.3</b>
<b>Adjusted EBITDA (%)</b>	<b>9.3</b>	<b>6.5</b>	<b>1.9</b>	<b>10.3</b>	<b>7.8</b>	<b>3.8</b>	<b>4.6</b>
Net sales	643.9	643.9	457.0	1,847.8	1,847.8	1,402.6	1,918.8
Cost of goods	-359.4	-359.4	-270.8	-1,021.0	-1,021.0	-802.5	-1,082.1
<b>Gross profit before direct selling costs</b>	<b>284.4</b>	<b>284.4</b>	<b>186.2</b>	<b>826.8</b>	<b>826.8</b>	<b>600.1</b>	<b>836.8</b>
<b>Gross profit before direct selling costs (%)</b>	<b>44.2</b>	<b>44.2</b>	<b>40.7</b>	<b>44.7</b>	<b>44.7</b>	<b>42.8</b>	<b>43.6</b>
Direct selling costs	-113.7	-113.7	-97.5	-320.9	-320.9	-300.8	-399.6
<b>Gross profit</b>	<b>170.8</b>	<b>170.8</b>	<b>88.7</b>	<b>505.9</b>	<b>505.9</b>	<b>299.3</b>	<b>437.2</b>
<b>Gross profit (%)</b>	<b>26.5</b>	<b>26.5</b>	<b>19.4</b>	<b>27.4</b>	<b>27.4</b>	<b>21.3</b>	<b>22.8</b>
Integration costs and costs related to warehouse move	-	-	11.7	-	-	26.3	26.3
Last-mile project	-	-	-	5.2	5.2	-	4.2
<b>Adjusted gross profit</b>	<b>170.8</b>	<b>170.8</b>	<b>100.4</b>	<b>511.0</b>	<b>511.0</b>	<b>325.6</b>	<b>467.6</b>
<b>Adjusted gross profit (%)</b>	<b>26.5</b>	<b>26.5</b>	<b>22.0</b>	<b>27.7</b>	<b>27.7</b>	<b>23.2</b>	<b>24.4</b>

\* 2019 figures are reported excluding the effect of IFRS 16 to facilitate comparison with 2018 figures, as 2018 has not been restated for IFRS 16.

**NET DEBT/NET CASH**

Management calculates total net debt/net cash as the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities and transaction fees, excluding other non-current and current interest-bearing liabilities, which reflects the definition of net debt in the Group's financial covenants. The Group's other non-current and current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense and uncertainty with respect to their actual outcome. Lease liabilities reflect the balance sheet effect of IFRS 16, which was adopted on 1 January 2019.

At the end of the third quarter, net debt amounted to SEK 433.1 million, corresponding to net debt in relation to LTM adjusted EBITDA of 1.3x. The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 486.6 million at the end of the quarter, compared with SEK 320.3 million at the beginning of the year. Lease liabilities reflect the balance sheet effect of IFRS 16, which was adopted on 1 January 2019, and amounted to SEK 425.7 million at the end of the quarter, compared with SEK 0.0 million at the beginning of the year.

SEKm	30 Sep		31 Dec
	2019	2018	2018
Non-current interest-bearing debt	1,459.7	986.4	973.3
Short-term interest-bearing debt	188.2	23.6	42.0
<b>Total interest-bearing debt</b>	<b>1,647.9</b>	<b>1,010.0</b>	<b>1,015.3</b>
Cash and cash equivalents	-307.1	-237.5	-226.9
Adjustment lease liabilities	-425.7	-	-
Adjustment of earn-outs and deferred payments	-486.6	-327.3	-320.3
Adjustment transaction costs	4.6	5.9	5.6
<b>Net debt (+) / Net cash (-)</b>	<b>433.1</b>	<b>451.1</b>	<b>473.6</b>

# Definitions

Performance measure	Definition	Reasoning
Number of visits	Number of visits to the Group's webstores during the period in question.	This performance measure is used to measure customer activity.
Number of orders	Number of orders placed during the period in question.	This performance measure is used to measure customer activity.
Gross margin	Gross profit as a percentage of net sales.	Gross margin gives an indication of the contribution margin as a share of net sales.
Gross margin before direct selling costs	Gross profit before direct selling costs – primarily postage and fulfilment – as a percentage of net sales.	An additional margin measure, complementing the fully-loaded gross margin measure, allowing for further transparency.
Gross profit	Net sales less cost of goods sold. Gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Gross profit does not include items affecting comparability.	Gross profit gives an indication of the contribution margin in the operations.
EBIT	Earnings before interest, tax and acquisition-related amortisation and impairment.	Together with EBITDA, EBIT provides an indication of the profit generated by operating activities.
EBIT margin	EBIT as a percentage of net sales.	In combination with net sales growth, EBIT margin is a useful performance measure for monitoring value creation.
EBITDA	Operating income before depreciation, amortisation, impairment, financial net and tax.	EBITDA provides a general indication as to the profit generated in the operations before depreciation, amortisation and impairment.
EBITDA margin	EBITDA as a percentage of net sales.	In combination with net sales growth, EBITDA margin is a useful performance measure for monitoring value creation.
Average order value (AOV)	Total order value (meaning Internet sales, postage income and other related services) divided by the number of orders.	Average order value is a useful indication of revenue generation.
Investments	Investments in tangible and intangible fixed assets.	Investments provide an indication of total investments in tangible and intangible assets.
Adjusted gross margin	Adjusted gross profit as a percentage of net sales.	Adjusted gross margin gives an indication of the contribution margin as a share of net sales.
Adjusted gross profit	Net sales less cost of goods sold. Adjusted gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Adjusted gross profit excludes items affecting comparability.	Adjusted gross profit gives an indication of the contribution margin in the operations.
Adjusted EBIT	Adjusted EBIT corresponds to operating profit adjusted for amortisation and impairment losses on acquisition-related intangible assets, gain/loss from sale of fixed assets and, from time to time, items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	This performance measure is relevant to creating an understanding of the operational profitability generated by the business.
Adjusted sales and administration costs	The difference between adjusted gross profit and adjusted EBITDA, which excludes other specified items.	Sales and administration costs provide an indication of operating expenses, excluding cost of goods sold, thereby giving an indication of the efficiency of the Group's operations.

Adjusted sales and administration costs/net sales	Adjusted sales and administration costs as a percentage of net sales.	Provides an indication of operating expenses as a percentage of net sales, thereby giving an indication of operating leverage.
Items affecting comparability	Items affecting comparability relate to events and transactions whose impact on earnings are important to note when the financial results for the period are compared with previous periods. Items affecting comparability include costs of advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations, capital gains and losses on divestments, material impairment losses and other material non-recurring costs and revenue. Items affecting comparability are reported separately to illustrate the performance of the underlying operations.	Items affecting comparability is a term used to describe items which, when excluded, show the Group's earnings excluding items which, by nature, are of a non-recurring nature in the operating activities.
Cash conversion	Operating cash flow from operating activities as a percentage of adjusted EBITDA	Operating cash conversion enables the Group to monitor management of its ongoing investments and working capital.
Net sales growth	Annual growth in net sales calculated as a comparison with the preceding year and expressed as a percentage.	Net sales growth provides a measure for the Group to compare growth between various periods and in relation to the overall market and competitors.
Net debt	The sum of interest-bearing liabilities, excluding lease liabilities, earnouts and deferred payments and less cash and cash equivalents.	Net debt is a measure that shows the Group's interest-bearing net debt to financial institutions.
Operating cash flow	Adjusted EBITDA including changes in working capital ( $\Delta$ working capital), and less investments in non-current assets (capex).	Operating cash flow is used to monitor cash flow in the operations.
Organic growth	Refers to growth for comparable webstores and showrooms compared with the preceding year, including units with consolidated comparative data for a full calendar year, meaning changes in net sales after adjustment for acquired net sales in accordance with the above definition.	Organic growth is a measure that enables the Group to monitor underlying net sales growth, excluding the effects of acquisitions.
Pro-forma organic growth	Refers to growth for comparable webstores and showrooms compared with the preceding year, including all current units comprising the Group, meaning including year-on-year growth of recent acquisitions.	Pro-forma organic growth is a measure which includes the growth rates of recently acquired companies since joining the Group. This measure thus includes the effect of sales synergies as a result of acquisitions.
Working capital	Inventories and non-interest-bearing current assets less non-interest-bearing current liabilities.	Working capital provides an indication of the Group's short-term financial capacity, since it gives an indication as to whether the Group's short-term assets are sufficient to cover its current liabilities.
Operating margin (EBIT margin)	EBIT as a percentage of net sales.	In combination with net sales growth, operating margin is a useful measure in order to monitor value creation.