



Annual Report 2019

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About BHG

Bygghemma Group (BHG) is Europe's leading e-commerce company within home improvement and offers a complete ecosystem of products and services through its two segments – DIY and Home Furnishing.

We offer the market's broadest product offering, with over 500,000 products, at the most competitive prices and strive to create the most attractive online shopping environment through combining an unrivalled product offering with smart technology, leading product expertise, advice and a broad range of services.

BHG has over 30 online destinations – including sites such as www.bygghemma.se, www.trademax.se, www.chilli.se and www.furniturebox.se – and approximately 80 showrooms. The headquarters is in Malmö and BHG is listed on Nasdaq Stockholm, Mid Cap. During 2019, BHG had net sales of SEK 6.2 bn and over 1,500 employees.

The year in brief

KINDLING OUR CORPORATE IDENTITY

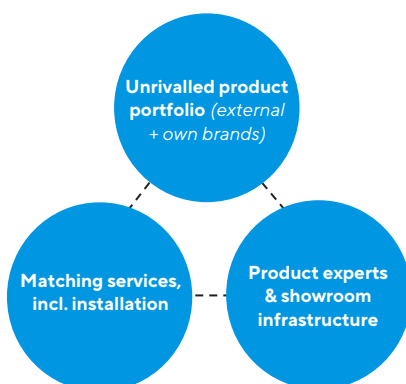
With the aim of better reflecting our promise to our customers – We make living easy – and our product range, we are updating our brand image. At the beginning of 2020, our corporate website, social media platforms, and other Group communication channels received a makeover. This will allow us to better illustrate the complete BHG Ecosystem of online products and services in home furnishings and DIY.

INCREASED MARKET SHARES

In 2019, BHG passed several important milestones. In the first quarter, we achieved our highest earnings to date in the company's history, with an increase in adjusted EBIT of over 70 % on the prior year. In the next quarter, adjusted EBIT reached a three-digit figure for the first time in the Group's history. In the third quarter, we delivered our highest adjusted EBIT margin ever at 5.9 %. And for the year as a whole, sales increased 24.9 % to SEK 6.2 million, adjusted EBIT 58.7 % to SEK 330.1 million, and the adjusted EBIT margin to 5.3 %. Our online market share in the Nordic region increased to an estimated 30 % for both segments (DIY and Home Furnishing) by the end of the year. The trend in Finland was particularly satisfying, with our market-leading position in the region improving even further. Sales in Eastern Europe rose 70 %, which meant that this fast-growing market accounted for around 10 % of BHG's sales in 2019. The other Nordic countries, including the significant Swedish operations, also reported a strong trend for the year. Overall, our position as the largest pure-play online retailer in home improvement in Europe was strengthened in 2019.

IMPORTANT STEPS TOWARD THE IMPLEMENTATION OF OUR ECOSYSTEM

Our own distribution network for last-mile deliveries has proven successful, with a clear improvement in both customer satisfaction and earnings. The necessary infrastructure is in place in the Stockholm, Gothenburg and Öresund regions, and Helsinki will be next in line at the beginning of 2020. In October 2019, we began the expansion of our



central warehouse in Helsingborg. We have also significantly expanded our range of installation services.

Since late spring 2019, we have offered customers popular services such as carry-in, removal and assembly services as well as installation of over 10,000 products. During the autumn of 2019, sales of installation services

increased substantially, and reached a monthly rate of almost 2,000 installations, equivalent to an annual rate of around 20,000. Installation services increase BHG's potential customer base, allowing for a seamless experience from a click of the mouse to a fully installed product at home.

During the year, additional investments were also made in artificial intelligence/machine learning with the aim of further improving the digital customer experience by presenting the market's broadest product range in a simple and intuitive way to customers who are increasingly searching, finding inspiration and completing purchases using their mobile phones, which have a limited screen size.

In 2019, the Group was awarded the "Swedish SEO Prize" for its work with Chilli.se, one of our larger destination stores.

GROWING SHARE OF PROPRIETARY BRANDS

We are continuing to focus on increasing the share of proprietary brands (private label), which for the year accounted for over 40 % of BHG's sales. The offering has been strengthened both organically through proprietary brands like Bathlife, Arredo and Dimma and through the acquisition of Nordiska Fönster and Out11 (Arc E-commerce).

MORE STRATEGIC ACQUISITIONS

A number of important acquisitions were carried out during the year. In January, BHG's leading position in Norway was further strengthened through the acquisition of VVSKupp (Designkupp AS), a leading online retailer primarily within bathroom products. In March, the acquisition of Nordiska Fönster, a well-established retailer of high-quality windows and doors, was completed. In May, we acquired LampGallerian, a successful webstore in Sweden for indoor and outdoor lighting. In July, we acquired Out11, a leading Swedish online retailer within DIY and home furnishings. In December, LSBolagen (Lindström & Söndén AB), a provider of external and proprietary brands within the culinary segment, including wine coolers and outdoor kitchens, was acquired.

The above acquisitions follow BHG's communicated M&A agenda, strengthen BHG's presence within chosen categories and contribute to increasing the share of sales from proprietary brands significantly.





CEO's comments

2019 was the strongest year on record in many ways – a year in which we both delivered on our financial ambitions and took crucial steps to expand our customer offering and make our vision a reality: We make living easy!

The year was characterised by favourable profitability in every quarter, growth that accelerated as the year proceeded – which resulted in organic growth of 19.9 % for the fourth quarter – and high M&A activity.

- Our momentous journey of growth continued, with further enhancements to the market positions of both of our segments: Home Furnishing and DIY. With sales of SEK 6.2 billion in 2019, we are well on our way to reaching our target of SEK 10 billion in sales in the medium term. BHG's organic growth totalled 12.9 % in 2019, and displayed a positive trend throughout the year, reaching 19.9 % during the fourth quarter. Pro-forma organic growth (including the year-on-year performance of recent acquisitions, which typically accelerates once new businesses join the Group) amounted to 16.0 percent for the full year and 20.4 percent in the quarter. We thereby grew significantly faster than the total market, and further strengthened our leading market share in the course of the year.
- We completed six acquisitions during the year: VVSKupp, Nordiska Fönster, Vitvarubolaget, Lampgallerian, Out11 and LSBolagen, thereby further strengthening our already leading market position, and increasing the share of sales of proprietary brands considerably.
- BHG's adjusted EBIT for the year of SEK 330.1 million and EBIT margin of 5.3 % has represented record-high results. Our success was attributable to an increased focus on our four strategic cornerstones (see below) – which accelerated the expansion of our product range and the share of proprietary brands – along with improved curation and a higher average order value (AOV), while our culture continued to be characterised by strong cost control.
- We also substantially strengthened our customer value proposition during the year – what we call “the BHG Ecosystem”. We continued to supplement our product range, which was already the broadest in the market, by expanding our advisory and service offering as well as our network of showrooms, our own deliveries and the roll-out of installation services, which now cover a large part of our DIY product range.

BHG's four strategic cornerstones consist of:

- **An unbeatable product range:** The expansion of our range continued in 2019 and we added around 150,000 items to our already market-leading portfolio of well-known external brands and proprietary brands. By the end of the year, our product portfolio had reached over 500,000 unique products for and related to the home.
- **Additional economies of scale:** Growth for the year amounted to 25 %, around half of which was organic growth and the other half related to company acquisitions. This strong growth means that we have maintained our position as the online market leader and that we can thus leverage greater economies of scale than our competitors, enabling us to match the market's lowest price points while maintaining favourable and sustainable profitability. Our scale also allows us to systematically introduce a higher share of proprietary brands in our DIY segment, and to benefit from the margin expansion opportunities this entails.
- **Digital leader, especially within online searches:** With an increase in digital traffic of almost 80 % compared with the preceding year, and particularly high traffic in the fourth quarter with over 200 million hits, BHG's destinations enjoyed the broadest digital footprint in the market by far. Our digital footprint also allows us to apply state-of-the-art technology, such as machine learning in, order to optimise various aspects of our operations.
- **“The BHG Ecosystem”:** We strengthened our customer offering in 2019 through the continued roll-out of our last-mile deliveries in the Home Furnishing segment and a significant expansion of our installation services in the DIY segment. “The BHG Ecosystem” – the combination of the market's broadest assortment of external and proprietary brands, product expertise and infrastructure in the form of showrooms, our



Adam Schatz,
President and CEO



own last-mile deliveries and a broad range of services, including installation services – creates an even more seamless customer offering, from surfing and placing an order to delivery and installation.

In the second half of the year, we also began work to upgrade our corporate identity in order to better reflect our growth, business model and development as a corporate group. All of our future communication, including this report, will reflect our evolution: from a Swedish online DIY retailer to the largest Nordic online retailer and Europe's leading online retailer within Home improvement, from offering primarily external brands to a current portfolio with a high and growing share of proprietary brands – over 40 % – and finally the fact that we have supplemented the market's leading product portfolio through the addition of a number of supporting components. This initiative therefore reflects our commitment to supplying a complete online ecosystem of products and services for the home to customers in the Nordic region and certain European markets, which can be summarised as follows: We make living easy by offering our customers an ecosystem of affordable products, expertise and services revolving around the home.

The first quarter of 2019 was our strongest quarter to date, partially due to a record-high gross margin as a result of measures taken in 2018 in the Home Furnishing segment to expand our selection, mix and curation, and the increase in our average order value that came as a result. Our presence in the DIY segment in Norway was also significantly strengthened through the acquisition of VVSKupp in the first quarter. We also added two category catalysts – that is, operations that significantly strengthen our presence in a given category – to our Swedish DIY operations through the acquisitions of Vitvarubolaget and Nordiska Fönster in Sweden.

In the second quarter, we reported our highest adjusted EBIT to date, SEK 102.3 million, achieving a three-digit figure for the first time in the Group's history. We also delivered a record-high operating cash flow as well as improved growth. Furthermore, we acquired Lampgallerian, thereby substantially strengthening our presence and expertise within the lighting category.

Growth accelerated further in the third quarter, reaching 31.0 %, with organic growth of 14.7 %, meaning that we returned to our established goal of growing organically by approximately 15 % over an economic cycle.

BHG's rapid internationalisation continued, with favourable growth in all of our geographic regions, but especially in Finland, Denmark and Eastern Europe. Outll was acquired, contributing to an increase in our share of sales of proprietary brands within important categories such as home furnishings and garden products.

The main trends from the third quarter – namely accelerated sales – continued in the fourth, and organic growth reached 19.9 % – our highest result since 2017 – together with an adjusted EBIT margin of 5.5 %, which was almost as high as in the seasonally strong second quarter. LSBolagen was acquired in the fourth quarter, further strengthening BHG's portfolio of proprietary brands, and ended an active year with respect to M&A.

In conclusion, 2019 saw BHG strengthen its position as the leading e-commerce company in the Nordic region. Our strong increase in sales went hand in hand with strong and growing EBIT margins and favourable cash conversion.

The situation that emerged after the end of the financial year as a result of the spread of the corona virus poses a serious challenge to the society in which we operate. We have taken a number of measures to ensure the health and safety of our employees, partners and customers and also to ensure that we can continue to serve our customers through these turbulent times. We continue to monitor developments closely. Despite the uncertainty, I am convinced that we are well equipped to handle the situation, both financially and operationally.



During 2019, with the CFO-role as my base, I have had the pleasure of working with Martin Edblad – who recently left the position as acting President and CEO and assumed a newly created position as heading up Strategy and M&A, two areas that are central for securing our continued growth – the rest of the management team and our many colleagues. I am convinced that the strategy that we have put in place is the right one and now, as I since late February have stepped into the role of President and CEO, my focus will be on working with the organisation to further strengthen our customer offering: a complete ecosystem consisting of the market's leading online product portfolio of external and proprietary brands as well as services for the home.

Finally, I would like to thank our customers for choosing us to help them achieve their dream homes. I would also like to thank my 1,565 dedicated, hard-working and competent colleagues. We are entering 2020 in a stronger position than ever, fully dedicated to delivering on our plans and goals. We look forward to the next phase of our journey!

Malmö, 27 March 2020

Adam Schatz
President and CEO, Bygghemma Group



Business model

We offer a broad ecosystem of products and services in home improvement (DIY and Home furnishings). The operations are scalable, with low tied-up capital and limited inventory levels.

The business model is based on building blocks such as category dominance, price matching, a first-class online customer experience, the market's best professional service and support, and cost efficiency.

BREADTH OF RANGE AND CATEGORY DOMINANCE

Category leadership is important for building competitive advantages. We have the broadest and most complete range in the market, with over 500,000 unique items that are produced by a solid network of suppliers and sub-suppliers in the Nordic region, Eastern Europe and Asia. We have over 30 webstores, including leading destinations in DIY and home furnishings such as Bygghemma.se, Trademax.se and Furniturebox.se as well as category and export stores such as Golvpoolen.se, Badshop.se and Stonefactory.se.

Our proprietary brands (private label) now account for over 40 % of BHG's sales. 90 % of the products in the Home Furnishing segment consist of proprietary brands. We have further strengthened our private label offering in DIY, both organically with proprietary brands like Bathlife, Arredo and Nordiska Fönster and through the acquisition of Out11, which has raised our share of proprietary brands to 10 %. Bygghemma's proprietary brands typically have a higher gross margin than external brands. As a result, a higher share of proprietary brands provides positive margin effects. Our range is also continuously supplemented with quality brands from third party suppliers.

ADVANCED TRAFFIC GENERATION AND DYNAMIC PRICING

All of our stores aim to meet the demands of customers who search for products in our areas online, regardless of whether they are looking to buy from a general department store or a niched specialist. Internal expertise in web design, advanced algorithms, and organic and inorganic web traffic generation (SEO/SEM) ensures our dominance in the online market for DIY and home furnishings in the Nordic region. In 2019, the Group was awarded the "Swedish SEO Prize" for its efforts related to organic visibility and growth in searches for the retail destination Chilli.se.

The prices of comparable products in the market are monitored on a daily basis. We adjust the prices of our products dynamically to match the market's best prices at any given moment.

FIRST-CLASS ONLINE CUSTOMER EXPERIENCE

We constantly work to develop the user experience for our online customers to become the best in the market. When purchasing a product from a BHG destination, customers should perceive the process as smooth, from surfing and placing the order to delivery and the possible need for installation, with the whole process just one click away.

In 2019, investments in artificial intelligence/machine learning were strengthened with the aim of showing the customer the products that are most relevant to them personally. Analyses of user behaviour also create opportunities to optimise revenue and margins.

THE MARKET'S BEST PROFESSIONAL SERVICE AND SUPPORT

Optimal deliveries

By making deliveries using our own drivers and vehicles all the way to the customer ("last-mile" deliveries), around 70 % of all of our purchased products in the Home Furnishing segment are delivered to the home of the end customer within two days of the order being placed. The last-mile model, which also allows for deliveries on evenings and weekends, is a highly appreciated service that has resulted in increased customer satisfaction. Our own distribution network is already in place in the Stockholm and Gothenburg regions, and will be launched in the Öresund region at the beginning of 2020.

The majority of deliveries of DIY products consist of what is called "drop shipping", carried out by third party distributors directly from the supplier, enabling low tied-up capital and limited inventory levels.

Increased service offering

In 2019, we significantly increased our range of services such as carry-in, removal and assembly services as well as the installation of over 10,000 products – everything from shower screens, flooring and windows to heat pumps and robotic lawn mowers. The investment has been well received by the market.

Showrooms

Aside from our webstores, we have a broad network of physical showrooms throughout the Nordic region where customers are offered professional product advice and the chance to see, feel and try out our products. Our customers can also contact our product experts to receive service over the phone, a service that is available 14 hours a day, every day of the week.

COST EFFICIENCY ACROSS THE BOARD

Conserving resources is deeply rooted in our DNA. This covers everything from how we communicate with our suppliers and how we choose to travel to how we build our digital and physical infrastructure.

Our online-based business model is built on a collective competence in digital platforms and IT for all our online stores and showrooms. Through the scope of our sales, marketing and other areas, we can benefit from significant economies of scale.

CASH FLOW-POSITIVE PAYMENT MODEL

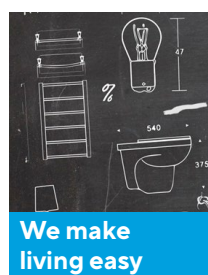
Direct fulfilment remains the primary delivery model, even if BHG's increasing share of proprietary brands – as a result of the strong sales growth within the Home furnishing segment and the private label-parts of the DIY segment – lead to a

somewhat higher share of products in inventory. This enables a next-to-unlimited product range at a low cost and with a negative working capital, as the customers typically pay for their orders at checkout and Bygghemma pays the suppliers afterwards.

Strategic goals

BHG's overall goal is to make life simpler for our customers, in line with our vision, "We make living easy". With the market's broadest product portfolio, the most competitive prices and a large range of services that includes product advice and installation, we want to create the very best online customer experience.

Our vision



The core of our strategy

- Unrivalled product offering
- Scale to be able to match market prices - while staying profitable
- Digital dominance: The best online shopping experience
- Market-leading expertise, support and services

OUR STRATEGIC TOOLS

Continuous category and range expansion

The ability to offer the market's broadest product range is a core part of the strategy. By continuously expanding the range, we make it possible for our customers to find "everything" they need in both of our segments by visiting our online destinations. In addition, having the market's leading product range enables economies of scale in terms of organic traffic generation (SEO) as well as digital marketing (SEM). The ambition is to continue building a leading position in all relevant categories in DIY and home furnishings, mainly by broadening the range and adding new brands, but also through the acquisition of established local category leaders in the market.

Scalability, economies of scale and proprietary brands

Our online-based model is based on economies of scale, which are expected to increase further as the company grows. Our more than 30 proprietary online stores and 80 showrooms are supported by a shared cost base and infrastructure in the form of digital platforms and IT, marketing, purchasing and other areas in which economies of scale can be achieved. This structure creates the prerequisites for matching the competitors' lowest prices,

while at the same time retaining high operating margins and strong cash conversion. Scalability also makes it possible to introduce a higher share of proprietary brands (private label). Proprietary brands account for nearly half of the sales, and because they generally have a higher gross margin than external brands, a higher percentage of proprietary brands generates positive margin effects. The combination of external and proprietary brands makes the customer value proposition more complete.

Offering the best digital customer experience

We endeavour to offer our customers the very best purchasing experience by being on the cutting edge when it comes to online expertise and technology. Computer monitors and mobile screens are limited in space. Using artificial intelligence, we can optimise the way in which the products that are most relevant for the customer are displayed, thereby easily providing access to the market's broadest product range. Thanks to our product range, digital expertise and customer destinations, we dominate search engines, both organically and in terms of purchased traffic.

Market-leading expertise, support and services

We continuously develop our customer offering by supplementing product sales with an ecosystem of related services – such as home deliveries, product advice and installation services – as well as the market's best professional service and support and a broad network of physical showrooms throughout the Nordic region.

Continued growth through successful acquisitions

We have extensive experience of successfully identifying and integrating acquisitions in the Nordic home furnishings market. We actively seek out additional companies to acquire in order to further strengthen our category expertise, expand our product range and improve our operational capacity. Following an acquisition, we achieve operational synergies through optimised terms of delivery and the implementation of best practice, particularly in terms of digital marketing. We also make the BHG Group's platform available to the acquired companies in order to further accelerate growth.

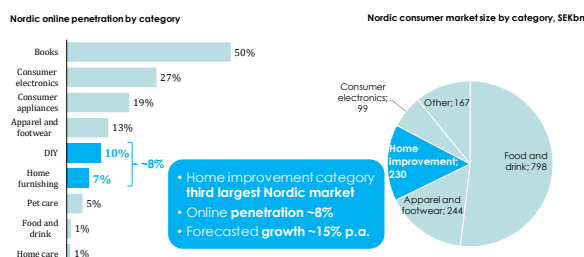
The market

The consumer market for DIY (do it yourself) and home furnishings (jointly defined as the market for home improvement) in the Nordic region amounts to over SEK 230 million per year. With the advent of the online market, consumers have been granted access to an almost infinite selection of products with just a few clicks of the mouse. As a result, the online market for home improvement has grown substantially in the past few years. These segments are thus following the same journey as those within industries such as books and consumer electronics.

BHG also operates in a number of Eastern European geographies within the Home Furnishing segment. As these geographies are less digitally mature, growth is markedly higher than in the Nordics.

RAPID GROWTH IN THE ONLINE MARKET

Online sales of DIY products in the Nordic region currently account for 10 % of all sales in the industry, and online sales of home furnishings in the Nordic region for 7 % of all sales in the industry. These are substantially lower figures than, for example, sales of books (50 % of which occur online) and consumer electronics (27 % online).



Based on independent studies, BHG's management estimate that the online market for home improvement will grow approximately 15 % per year in the Nordic region in the medium term. Assuming that BHG retains its market share of around 30 % of the online market, this means that BHG's sales will grow to SEK 10 billion organically within three to four years, meaning not including potential acquisitions. Additionally, BHG has the potential to grow quicker than the total market by gaining further market share, which has historically been the case.

The rest of the online market is made up of the online offerings of established offline retailers as well as smaller, pure-play and niche online players.

The rapid growth of the online home improvement market is attributable to several factors, including:

An almost infinite selection

Online retailers can optimise their selection based on customer preferences by utilising big data and algorithms to pinpoint consumer behaviour, providing consumers with a focused and relevant offering. Online retailers can also display their entire product range on webstores with no limitations when it comes to shelf space, thereby increasing the likelihood that their customers will find the right product.

Competitive prices

Online retailers who have achieved a critical mass can offer attractive prices as a result of economies of scale in purchasing and a higher degree of operational efficiency. Retailers with a large network of physical stores are typically characterised by a higher share of fixed costs, such as store rental and personnel costs, which can lead to channel conflicts and difficulties in maintaining the same price levels in physical stores and online. Additionally, online retailers, which are not limited by physical product catalogues, can apply dynamic pricing based on supply and demand.

Availability and convenience

In recent years, spending time online has become an increasingly common everyday behaviour and a higher priority when people allocate their time. The ability to order goods at any time, anywhere, from a relevant selection of products and services results in increased convenience for online shoppers. Over 70 % of BHG's visitors surf and place orders on their mobile phones or tablets.

As the online market matures, the demand for related services such as customer service and support is increasing, which is also creating clear competitive advantages for these companies in relation to companies that purely provide online sales. BHG foresees a trend where online sales in DIY will go from price comparisons with a focus on product availability to a market in which the customer experience becomes increasingly important. By being on the cutting edge of online expertise and technology, we strive to offer the very best customer experience with a seamless and smooth process, from surfing and placing the order to delivery and the possible need for installation, with the whole process just one click away.

Expanding the selection of services like product advice and help with installations is therefore assessed as a vital element for success in the online market. For many of BHG's products, for example in windows and flooring, customers may even consider the company's extensive professional expertise to be a prerequisite for making a purchase. BHG's customer service and product expertise are currently available over the phone 14 hours a day, every day of the week. We have also substantially expanded our installation services to allow for a smooth purchasing process all the way from surfing and placing an order to delivery and installation. We have also established a broad network of physical showrooms throughout the Nordic region, and complemented the distribution of products from third party suppliers with our own distribution network using our own cars and drivers, who offer related services upon delivery.

THE DIY MARKET IN THE NORDIC REGION

The total DIY market is expected to grow in line with GDP over a business cycle, while the online share is expected to continue expanding.



Online penetration is expected to increase to approximately 30% of the total market in the coming years according to BHG own estimates.

The DIY segment includes products for building, renovating and maintaining homes and gardens. The Nordic consumer market for DIY consists of sales from stores categorised as DIY retailers, which includes both traditional building material retailers and webstores, but excludes sales to companies and professional tradesmen.

Trends and drivers

Several factors and drivers determine demand in the DIY market in Sweden, Finland, Norway and Denmark, such as the rate of activity for DIY projects, developments with respect to disposable income, home ownership and sales in the housing market. There is also a long tradition in the Nordic countries of “doing the work yourself”, which is mainly driven by the relatively expensive cost of engaging tradesmen and the fact that many households own a second home. Interest in DIY products has increased in the Nordic region since the mid-1990s, which is also reflected in the large number of television programmes and other media related to DIY. The DIY market has also historically been characterised by relatively low investments in online shopping, in part because of a market structure featuring strong retailers and product brands.

Market structure and market competition

The Nordic DIY market can be divided into five segments: online players, traditional store chains, DIY chains, niche players/OEMs and B2B distributors. The various segments differ in terms of the level of their presence online, the combination of proprietary and external brands, and business models.

Online players

Players in this category primarily focus on DIY products or on selected subcategories within DIY, such as doors or windows. The companies cater mainly to consumers and several players use physical stores or showrooms to complement their online offering. Examples of BHG’s brands in this category include Bygghemma.se, Taloon, Netrauta, Frishop, Bygghjemme.no, Polarpumpen, Stonefactory, VVSKupp and Nordiska Fönster.

Traditional store chains

Players in this category include both retail chains and independent stores. Many players also offer a drive-in concept at their physical stores. The customer base comprises a mix of consumers and corporate customers. The offering often includes related services to help customers complete their projects, such as installation.

DIY chains

This category includes retail chains with a wide range of products that include some DIY and home furnishings or, alternatively, selected subcategories such as homes and gardens. The primary focus is consumers as well as products in the low or medium price range. Several players have created a network of stores with economies of scale – for example, through coordinated purchasing and logistics solutions.

Niche players/OEMs

Players in this category often have a strong brand and sell proprietary products to varying degrees through their own channels – both physical stores and webstores – and through retail outlets.

B2B distributors

This category includes distributors that offer large product portfolios with a focus on depth rather than breadth. These players have stores but typically do not target consumers; instead, they have business models adapted to business customers such as professional tradesmen.

HOME FURNISHING MARKET IN THE NORDIC REGION

The total home furnishing market is expected to grow in line with GDP over a business cycle, while the online share is expected to continue increasing. Online penetration is expected to increase to approximately 30% of the total market in the coming years according to BHG own estimates.

Trends and drivers

Several factors and drivers determine demand in the home furnishing market in Sweden, Finland, Norway and Denmark, such as the rate of activity for home furnishing projects, developments with respect to disposable income and sales in the housing market. The growing interest in home furnishings and interior design since the mid-1990s is also a clear factor driving the growth of the home furnishing market in general.

Market structure and market competition

The Nordic home furnishing market can be divided into five segments: online players focused on home furnishings, traditional store chains, established online players in adjacent categories, IKEA and niche players. The various segments differ in terms of the level of their presence online, the combination of proprietary and external brands, and business models.

Online players focused on home furnishings

These players typically originate from online shopping or mail-order operations and primarily sell home furnishing products. These players mainly cater to consumers and, in some cases, also have physical stores or showrooms to back up their online offering. The focus of the product range is on items sold under proprietary brands or no brand. The BHG brands Trademax, Chilli, Furniturebox, Kodin1, WeGot, My Home and Lampgallerian belong to this category.

Traditional store chains

These players include retail chains with a network of physical stores, either retailer owned or via franchise, or, alternatively, independent stores. The product range consists of a mix of proprietary and external brands. These players have gradually increased their presence in the online market and typically have a broad product portfolio that also includes other types of products, such as textiles.

**Established online players in adjacent categories**

As with the category above, these players originate from online shopping or mail-order operations, though the primary focus is on a broader range of products – for example, in home furnishings or fashion. The product range consists of a mix of proprietary and external brands. Several companies have physical stores or showrooms as a complement to their online offering.

IKEA

Has its own category due to its size, market share and long history in the Nordic region.

Niche players

This category includes well-known companies, often with a focus on premium products and/or premium brands in the home furnishing segment. These players mainly have physical stores but have recently begun to establish an online presence.



Financial overview

(SEKm)	2019	2018	2017	2016
Net sales	6,212.5	4,973.7	3,955.5	400.3
Gross profit	1,490.5	1,047.5	820.0	81.7
Gross margin (%)	24.0	21.1	20.7	20.4
Adjusted EBITDA*	475.3	231.1	219.7	10.9
Adjusted EBITDA-margin (%)	7.7	4.6	5.6	2.7
Adjusted EBIT*	330.1	202.7	197.0	9.0
Adjusted EBIT-margin (%)	5.3	4.1	5.0	2.2
Items affecting comparability	-7.5	-77.9	-73.5	-31.4
Operating income	282.0	87.2	91.5	-26.7
Operating-margin (%)	4.5	1.8	2.3	-6.7
Net profit/loss for the period	179.9	55.0	30.9	-30.3
Cash flow from operations	391.1	120.5	141.1	-37.2
Visits (thousands)	184,398	116,120	91,670	9.4
Orders (thousands)	1,940	1,735	1,244	0.1
Conversion rate (%)	1.1	1.5	1.4	1.3
Average order value (SEK)	3,227	2,830	3,153	2,833

* Adjusted for items affecting comparability, see "Relevant reconciliations of non-IFRS alternative performance measures (APMs)"

Bygghemma Group First AB (publ) was established in September 2016 in conjunction with FSN Capitals acquisition of the company, which is why comparable figures for 2015 are not reported.

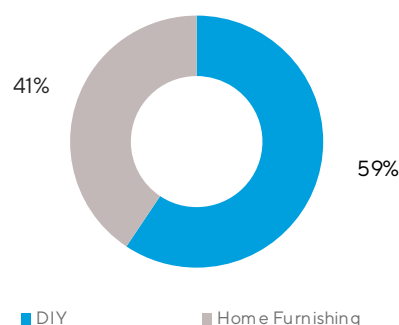


DIY segment

DIY segment

- The segment's net sales increased 20.4 % for the full year, of which organic growth accounted for 10.9 %.
- The gross margin amounted to 21.5 % (19.9) for the full year. The margin was impacted positively by a larger share of sales of proprietary brands.
- Adjusted EBIT amounted to SEK 167.9 million for the full year. Adjusted EBIT, excluding the effects of IFRS 16, amounted to SEK 162.9 million (131.2) for the full year. The adjusted operating margin amounted to 4.4 % (4.3) for the full year.

Net sales per segment



(SEKm)	2019					2018				
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec
Net sales	688.6	1,046.2	1,002.7	963.3	3,700.8	607.2	900.5	798.6	767.5	3,073.8
Gross profit	148.9	214.9	207.6	222.9	794.3	123.6	172.6	155.4	160.5	612.1
Gross margin (%)	21.6	20.5	20.7	23.1	21.5	20.4	19.2	19.5	20.9	19.9
Adjusted gross profit*	148.9	214.9	207.6	222.9	794.3	123.6	172.6	155.4	160.5	612.1
Adjusted gross margin (%)	21.6	20.5	20.7	23.1	21.5	20.4	19.2	19.5	20.9	19.9
Adjusted EBITDA*	32.4	68.1	65.8	69.0	235.4	24.3	49.7	41.2	35.0	150.2
Adjusted EBITDA-margin (%)	4.7	6.5	6.6	7.2	6.4	4.0	5.5	5.2	4.6	4.9
Adjusted EBIT*	18.2	53.0	47.7	49.2	167.9	20.3	44.6	36.1	30.2	131.2
Adjusted EBIT-margin (%)	2.6	5.1	4.8	5.1	4.5	3.3	5.0	4.5	3.9	4.3
Items affecting comparability	-1.4	-0.1	-0.0	0.0	-1.4	-0.3	-0.3	-	-0.3	-0.9
Operating income	9.7	45.6	40.1	41.5	136.9	13.2	37.4	29.2	23.1	102.9
Operating-margin (%)	1.4	4.4	4.0	4.3	3.7	2.2	4.2	3.7	3.0	3.3
Net profit/loss for the period	3.2	22.0	13.3	-10.4	28.1	6.7	23.3	29.4	-43.6	15.8
Cash flow from operations	13.1	164.7	-40.9	-19.8	117.2	44.9	145.3	-28.3	-19.5	142.3
Visits (thousands)	17,337	23,647	20,126	25,362	86,473	14,020	18,247	17,584	15,911	65,762
Orders (thousands)	231	317	283	310	1,141	229	302	284	284	1,099
Conversion rate (%)	1.3	1.3	1.4	1.2	1.3	1.6	1.7	1.6	1.8	1.7
Average order value (SEK)	3,102	3,392	3,364	3,128	3,255	2,604	2,922	2,807	2,611	2,746



MARKET

The Nordic online market for DIY is expected to grow by about 15 % over a business cycle, primarily driven by increasing e-commerce penetration. Fluctuations in estimated average growth depend partly on the growth rate of e-commerce penetration and partly on the overall market trend, which in turn is primarily affected by the number of housing transactions. According to BHG's estimate, the online market for DIY is deemed to have grown by less than 10 % in 2019.

Market development is driven by urbanisation, which in turn results in new construction, and is further boosted by an active housing market, with many purchases and sales of homes. Market development is also enhanced by the long Nordic tradition of carrying out repairs, maintenance and building work in one's own home, as well as the high prevalence of second homes owned. The growing price transparency in the online market has resulted in lower average consumer prices online in comparison with physical stores. A growing number of customers also appreciate the convenience of ordering digitally and having the products – which are often heavy and cumbersome – delivered right to their homes. These factors are resulting in an increase in the number of customers who are attracted to the idea of making purchases online and taking care of DIY tasks themselves.

The DIY segment includes all types of home improvement products, including products for building, renovating and maintaining homes and gardens. The market is largely governed by national preferences and local standards, making it more difficult for global suppliers to enter the market since they primarily offer products adapted to an international market.

The share of sales made up of proprietary brands grew stronger in DIY during the year, both organically and through acquisitions of companies with their own proprietary brands such as Bathlife, Arredo, Nordiska Fönster and Dimma. Private label products accounted for 10 % of sales in the DIY segment in 2019. BHG's proprietary brands typically have a higher gross margin than external brands and a higher share of private label products thus generates positive margin effects.

In addition to strengthening the service offering during the year through the roll-out of a broad base of installation services, we have taken further important steps to strengthen our customer offering by introducing what we call "The BHG Ecosystem". This comprises a combination of the broadest offering of external and proprietary brands, expertise, infrastructure in the form of showrooms and related services, such as our own delivery service.

SIGNIFICANT EVENTS IN 2019

During the year, we carried out an expansion of our installation services in order to offer customers not only the broadest range of DIY products in the Nordic region, but also a wider assortment of services than ever before. With a simple click of a button, our customers can easily order installation for more than 10,000 products, including everything from toilets, shower screens, mixer taps, whirlpool bathtubs, robotic lawn mowers and flooring to heat pumps and doors. During the autumn of 2019, sales of installation services increased substantially, and reached a monthly rate of almost 2,000 installations, equivalent to an annual rate of around 20,000. Installation services increase BHG's potential customer base, allowing for a seamless experience from a click of the mouse to a fully installed product at home.

In January, we consolidated BHG's position in Norway through the acquisition of the VVSKupp (Designkupp AS) webstore. VVSKupp, founded in 2005, is the leading online retailer in Norway, primarily of bathroom products.

In March, we strengthened our position in windows and doors through the acquisition of Nordiska Fönster. Nordiska Fönster, founded in 2011, offers primarily high-quality windows and doors at competitive prices.

In July, we acquired Out11, a leading online retailer in Sweden within DIY and home furnishings, thereby strengthening BHG's position in the rapidly growing market for proprietary DIY and home furnishing brands in the Nordic region.

In November, Bygghemma.se opened three new showrooms in Jönköping, Lomma and Gothenburg. Two of the stores are located next to Golvpoolen stores, which are also part of BHG. This concept will create synergies between the two businesses and create a more attractive destination for customers looking for comprehensive construction and renovation solutions. Bygghemma Sweden also signed an agreement to establish an additional showroom in Uppsala, which will open in the first quarter of 2020. Bygghemma.se will thus have a total of eight showrooms in Sweden.

OPERATIONAL TRENDS

Sales rose 20.4 % between 2018 and 2019 to SEK 3,700.8 million (3,073.8), of which organic growth accounted for 10.9 %. The integration of the companies acquired during the year – VVSKupp (Norway), Nordiska Fönster (Sweden), Lampgallerian (Sweden) and Outl1 (Sweden) – proceeded according to plan. As in previous years, sales in DIY are usually low in the first and last quarters of the year, but stronger in the other two quarters.

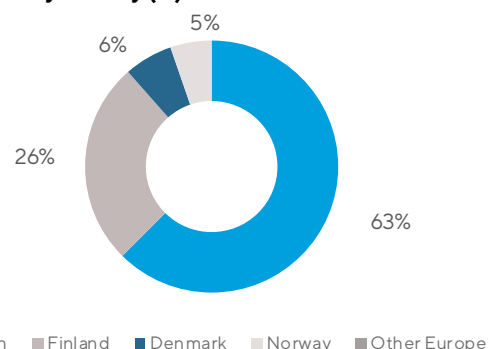
The consolidation of the DIY market continued in 2019, with Bygghemma acting as a driving force and leader within a broad range of product categories for the home.

Finland and Denmark performed particularly well, as did a number of specialist destinations in Sweden such as Outl1, Vitvaruexpertern, Nordiska Fönster, Stonefactory and PolarPumpen, all of which helped to further strengthen our market-leading position. Our largest individual platform, bygghemma.se, also performed well. We estimate that the BHG Group commands a market share of nearly 30 % and thus dominates the online market for DIY in the Nordic region, followed by Bauhaus and Bygghemma.

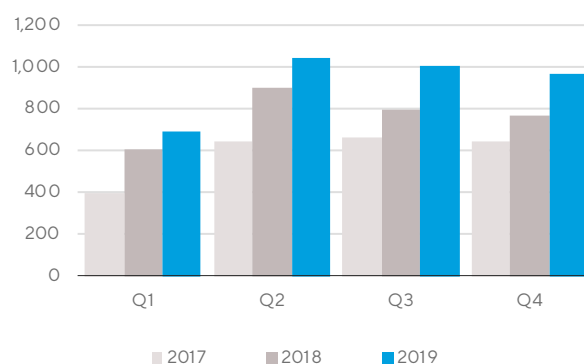
Adjusted EBIT rose 24.2 % to SEK 167.9 million (131.2), with an adjusted EBIT margin of 4.5 % (4.3).

Operating profit increased 28.1 % to SEK 136.9 million (102.9), with an operating margin of 3.7 % (3.3).

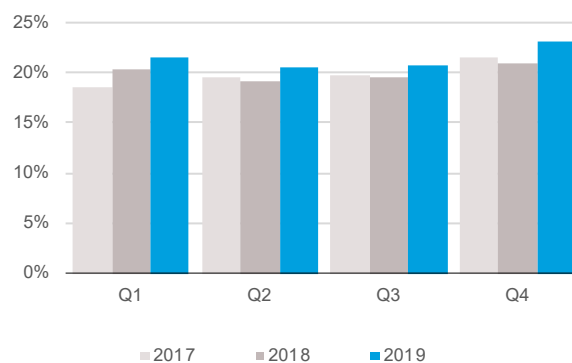
Distribution by country (%)



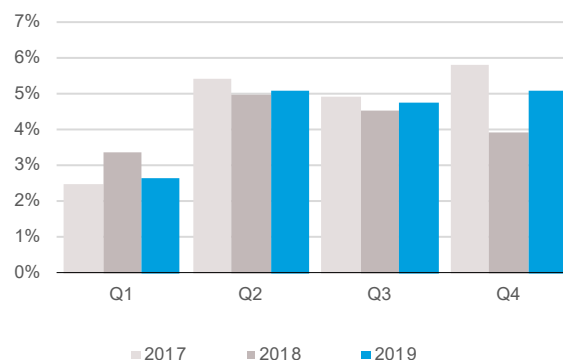
Net sales (SEKm)



Adjusted gross margin (%)



Adjusted EBIT margin (%)



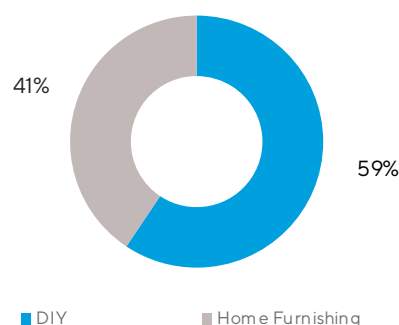


Home Furnishing segment

Home Furnishing segment

- The segment's net sales increased 32.0 % for the full year, of which organic growth accounted for 16.2 %.
- The gross margin increased to 27.5 % (22.8) for the full year. The strengthening of the margin during the year was driven by a structurally higher average order value (AOV), which in turn was achieved through product range expansion, optimised pricing and improved curation, combined with a strong focus on purchasing and logistics.
- Adjusted EBIT amounted to SEK 185.0 million for the full year. Adjusted EBIT, excluding the effects of IFRS 16, totalled SEK 181.7 million (78.8) for the full year. The adjusted operating margin amounted to 7.2 % (4.1) for the full year.

Net sales per segment



(SEKm)	2019					2018				
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec
Net sales	534.1	669.8	643.9	685.3	2,533.1	421.6	524.0	457.0	516.2	1,918.8
Gross profit	151.7	183.4	170.8	191.7	697.5	90.3	120.3	88.7	137.9	437.2
Gross margin (%)	28.4	27.4	26.5	28.0	27.5	21.4	23.0	19.4	26.7	22.8
Adjusted gross profit*	156.9	183.4	170.8	191.7	702.7	97.8	127.4	100.4	142.0	467.6
Adjusted gross margin (%)	29.4	27.4	26.5	28.0	27.7	23.2	24.3	22.0	27.5	24.4
Adjusted EBITDA*	57.5	72.9	59.7	72.6	262.7	13.1	30.9	8.7	35.5	88.3
Adjusted EBITDA-margin (%)	10.8	10.9	9.3	10.6	10.4	3.1	5.9	1.9	6.9	4.6
Adjusted EBIT*	41.1	54.6	38.6	50.7	185.0	11.2	28.8	6.1	32.8	78.8
Adjusted EBIT-margin (%)	7.7	8.2	6.0	7.4	7.3	2.7	5.5	1.3	6.4	4.1
Items affecting comparability	-5.8	-0.2	-	-	-6.0	-8.2	-7.1	-13.3	-6.3	-34.9
Operating income	32.6	51.6	35.9	47.9	168.0	0.5	19.2	-9.8	23.8	33.7
Operating-margin (%)	6.1	7.7	5.6	7.0	6.6	0.1	3.7	-2.1	4.6	1.8
Net profit/loss for the period	23.5	37.5	27.7	-14.2	74.6	-3.6	10.3	-2.2	37.4	41.9
Cash flow from operations	35.2	97.3	95.8	81.0	309.3	-31.4	38.3	-12.0	42.1	37.0
Visits (thousands)	17,545	19,935	27,881	32,564	97,925	11,335	11,579	11,005	16,438	50,358
Orders (thousands)	168	186	218	228	799	159	163	142	172	636
Conversion rate (%)	1.0	0.9	0.8	0.7	0.8	1.4	1.4	1.3	1.0	1.3
Average order value (SEK)	3,166	3,461	3,084	3,082	3,188	2,752	3,071	2,978	3,092	2,976

MARKET

The Nordic online market for furniture and home furnishings is expected to grow by about 15 % over a business cycle, primarily driven by increasing e-commerce penetration. Fluctuations in estimated average growth depend partly on the growth rate of e-commerce penetration and partly on the overall market trend, which in turn is primarily affected by the number of housing transactions. According to BHG's estimate, the online market for furniture and home furnishings in the Nordic region is deemed to have grown by less than about 15 % in 2019.

BHG is also active in a number of geographic markets in Eastern Europe. Overall market growth in these regions is clearly higher than in the Nordic region, since a lower level of digital maturity means that these markets are growing from a low level.

BHG markets its furniture and home furnishing products with a main focus on good quality at attractive prices, with the aim of attracting customers who are seeking value for money. This almost exclusively involves proprietary products and brands produced by closely associated partners in Eastern Europe and Asia. Private label products accounted for approximately 90 % of sales in the Home Furnishing segment in 2019. Bygghemma's proprietary brands typically have a higher gross margin than external brands and a higher share of private label products thus generates positive margin effects.

We are currently active in the Nordic region and Eastern Europe. Since most of the furniture range is not designed according to national tastes, there is also good market potential for online furniture in other European countries. In general, urbanisation and new construction are having a positive impact on the business, since many people choose to buy new furnishings or add to their existing furnishings when they move.

SIGNIFICANT EVENTS IN 2019

The establishment of our own last-mile deliveries progressed well. The necessary infrastructure is now in place in the Stockholm and Gothenburg regions, and the Öresund region is next in line. By conducting our own deliveries, which can also be made in the evening and on weekends, we have been able to optimise many aspects of distribution in the Home Furnishing segment. This service has improved both customer satisfaction and earnings. The service is also well suited to what we call "The BHG Ecosystem", meaning the combination of the broadest offering of external and proprietary brands, expertise, infrastructure in the form of showrooms and related services, such as our own delivery service.

In 2019, we continued to consolidate the home furnishings market by acquiring successful players in categories that complement our existing range. In March, we acquired LampGallerian.se, a leading webstore in Sweden for indoor and outdoor lighting, thereby further strengthening BHG's position as the largest online retailer in home furnishings in the Nordic region. In October, we launched a new lighting brand – Dimma belysningsdesign – as part of our strategy to increase the number of proprietary brands. Dimma will initially be launched on the Group's web platforms bygghemma.se, stonefactory.se and lampgallerian.se.

An expansion of the central warehouse in Helsingborg commenced in October. The expansion will encompass 18,000 m², which means the total warehouse space will increase from 30,400 m² to 48,400 m². The warehouse handles furniture and home furnishing products sold via the online sites Trademax, Furniturebox, Chilli, WeGot, and Kodin1 as well as a network of physical stores with some 70 showrooms.

OPERATIONAL TRENDS

Sales rose 32.0 % between 2018 and 2019 to SEK 2,533.1 million (1,918.8), of which organic growth accounted for 16.2 %.

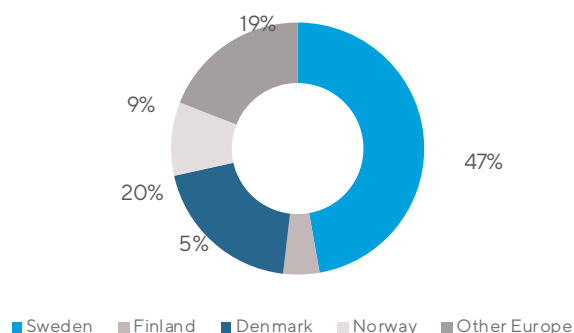
All geographic markets performed well during the year. The Swedish operation had the largest margin improvement, while the Danish, Norwegian and Eastern European operations displayed the highest growth.

Our market share of the Nordic online market in the home furnishings category is estimated at nearly 30 %, which makes us the market leader, followed by Ikea.

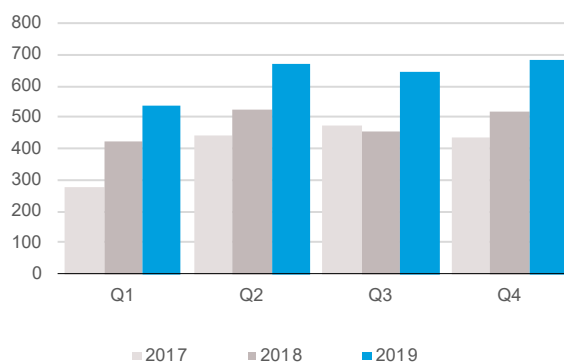
Adjusted EBIT rose 134.7 % to SEK 185.0 million (78.8), with an adjusted EBIT margin of 7.3 % (4.1).

Operating profit increased 388.2 % to SEK 168.0 million (33.7), with an operating margin of 6.6 % (1.8).

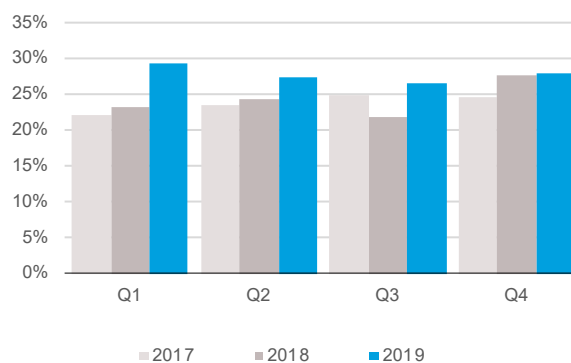
Distribution by country (%)



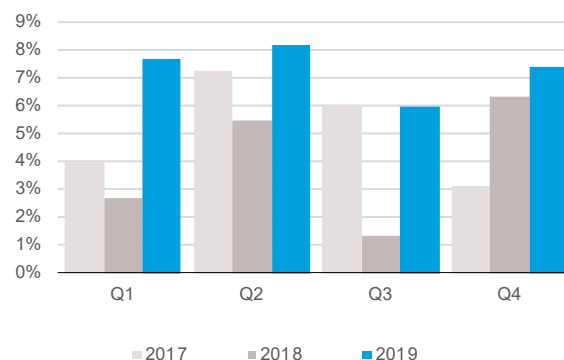
Net sales (SEKm)



Adjusted gross margin (%)



Adjusted EBIT margin (%)



The share

The Bygghemma Group First AB (publ) share is listed on Nasdaq Stockholm Mid Cap under the ticker BHG. The market capitalisation of Bygghemma Group First AB (publ) on Nasdaq Stockholm as of the last trading day of 2019 was SEK 6.3 billion.

	Holding	Holding %	Votes %
FSN Capital*	31,173,853	29.0%	29.0%
EQT	21,432,688	20.0%	20.0%
All-on-green Ett AB/All-on-green Två AB/Danica Pension	5,368,422	5.0%	5.0%
Handelsbanken Fonder	5,305,000	4.9%	4.9%
Arbejdsmarkedets	4,909,800	4.6%	4.6%
Tillaegspension (ATP)			
Janus Henderson Investors	3,763,138	3.5%	3.5%
Capital Group	2,980,102	2.8%	2.8%
Nordea Liv & Pension	2,801,747	2.6%	2.6%
Länsförsäkringar Fonder	2,176,751	2.0%	2.0%
Creades AB	2,105,263	2.0%	2.0%
Swedbank Robur Fonder	1,750,000	1.6%	1.6%
All-on-green Fyra AB/Danica Pension	1,610,527	1.5%	1.5%
All-on-green Sex AB/Danica Pension			
Flying Pig Investment AB	1,288,422	1.2%	1.2%
Fidelity International (FIL)	1,211,236	1.1%	1.1%
Total, 15 largest shareholders by holdings	89,047,433	82.9%	82.9%
Other shareholders	18,320,988	17.1%	17.1%
Total shares issued	107,368,421	100.0%	100.0%

* Data at 31 December 2019 compiled by Monitor. Sources: Euroclear, Morningstar, the Swedish Financial Supervisory Authority, Nasdaq and Millistream.

* FSN Capital's holding is owned through the following funds:

	Holdings %
FSN Capital GP IV Ltd.	7.1%
FSN Capital GP V Ltd.	10.7%
FSN Capital growth GP Limited	11.2%
FSN Capital*	29.0%

* In February 2020, FSN Capital disposed 10 % of its holding. As of March 27, 2020 FSN Capital holds 19,0 %.

Share capital

At 31 December 2019, the number of shares issued was 107,368,421, all of which were ordinary shares. The Group's share capital amounted to SEK 3.2 million at the end of the year. For changes in share capital between 2018 and 2019, refer to page 49.

As of 31 December, there were 4,370,542 warrants outstanding attributable to the Group's incentive programme. The total potential dilution should all outstanding warrants be exercised amounts to 3,9%. For more information, refer to Note 7.

Dividend

The Parent Company paid no dividends in 2018, and the Board of Directors proposes that no dividend be paid for 2019.

Share trend

The share price at the beginning of the year was SEK 32.0. On the last day of trading, the share price was SEK 58.4. The highest price paid, quoted in December, was SEK 59.2, and the lowest price paid, quoted in January, was SEK 30.4. During 2019, 50,920,334 BHG shares were traded on Nasdaq Stockholm, equivalent to a turnover rate of 47.43 %.

Employees

BHG regards its employees as a crucial factor in its operations. Attracting, retaining and developing people, is necessary for the success of BHG and meeting defined goals for growth and business development.

BHG had 1,562 full-time employees at year end, compared with 1 156 at the beginning of 2019. Information on the average number of employees and salary costs can be found in Notes 7 and 8.

Directors' Report

GENERAL INFORMATION ABOUT THE OPERATIONS

BHG is a leading Nordic online-based provider of home improvement products. Its business operations comprise two segments: DIY and Home Furnishing.

The DIY segment comprises sales of building materials and related products, and includes the main web stores www.bygghemma.se, www.netrauta.fi, www.taloon.com, www.frishop.dk, www.badshop.se, www.talotarvike.com, www.bygghjemme.no, www.golvshop.se, www.byghjemme.dk, www.byggshop.se, www.stonefactory.se, www.golvpoolen.se, www.polarpumpen.se, www.vitvaruexperten.com, www.nordiskafonster.se, www.VVSKupp.no, www.out11.se as well as 20 showrooms in Sweden, Finland, Norway and Denmark.

The Home Furnishing segment comprises sales of furniture, home furnishings and related products, and includes the main web stores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se, www.baldai.lt, www.moobel1.ee, www.lampgallerian.se as well as 55 showrooms in Sweden, Finland and Denmark.

SIGNIFICANT EVENTS

Earnings and financial position

Net sales

Net sales rose 24.9 % to SEK 6,212.5 million (4,973.7), of which organic growth accounted for 12.9 %.

Pro-forma organic growth (including the year-on-year performance of recent acquisitions, which typically accelerates once new businesses join the Group) amounted to 16.0 %, which is a testament to our ability to boost growth in recently acquired companies by leveraging BHG's skills, scale and infrastructure. BHG has a market share of close to 30 % in the Nordic region for both segments.

Net sales in the DIY segment increased 20.4 %, and organic growth amounted to 10.9 %. Many of BHG's destinations had a very strong year. At the geographic level, BHG's Finnish and Danish businesses performed particularly well.

Net sales in the Home Furnishing segment increased 32.0 %, and organic growth accelerated to 16.2 %. A particularly strong performance was noted in BHG's Eastern European operations.

The Group's webstores received 184.4 million (116.1) visits during the year, generating 1,940 thousand (1735) orders. Traffic from mobiles and tablets accounted for 70.6 % (65.4) of the total number of visits to the Group's webstores, an increase of 8.0 % compared with the preceding year. Mobiles and tablets accounted for 68.4 % (63.0) of visits in the DIY segment and 76.7 % (71.4) of visits in the Home Furnishing segment.

The Group's average order value (AOV) continued to develop well, particularly given the campaign-intensive Black

Friday period, and amounted to SEK 3,227 (2,830). This increase was the result of an extensive expansion of the Group's range, improved product displays and technical solutions, including machine learning, which helped drive the Group's sales towards its established commercial objectives, such as higher price points. The decrease in conversion rate is a direct result of the significant increase in overall visits as well as AOV.

Gross margin and SG&A

To provide further margin transparency, we supplement the information about our gross margin with a breakdown by product margin in order to facilitate an easier comparison with our industry peers, which typically only report their gross margins, while our gross margin pertains to our contribution margin after all direct selling expenses (fully loaded contribution margin), such as freight, inventory management and payments. The product margin amounted to 35.2 %. The fully loaded contribution margin amounted to 24.0 % (21.1).

The gross margin was favourably affected by the structural increase in AOV during the year as well as a continued focus on cost and process efficiencies within purchasing and logistics. Other factors that positively affected the gross margin include the continued strong growth of the Home Furnishing segment as well as the private label portfolio in the DIY segment, both of which enjoy higher gross margins than the Group's average.

The Group's selling, general and administrative costs (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 1,020.3 million. Excluding the effects of IFRS 16, SG&A amounted to SEK 1,130.0 million (846.8), corresponding to 18.2 % (17.0) of net sales. The increase in SG&A is attributable to ongoing shifts in the product mix, including an increase in the share of home furnishing sales as well as a larger share of proprietary brands. The Group is well positioned to benefit from scale effects going forward, which will allow net sales to grow at a faster pace than SG&A over time.

Including items affecting comparability for the year, SG&A amounted to SEK 1,022.7 million (894.3), corresponding to 16.5 % (18.0) of net sales.

Earnings

The operating margins in both segments exceeded the margins reported in the preceding year, particularly in the Home Furnishing segment.

The Group's adjusted EBIT amounted to SEK 330.1 million for the year. Excluding IFRS 16 effects, adjusted EBIT increased to SEK 321.7 million (202.7), corresponding to an EBIT margin of 5.2 % (4.1).

Items affecting comparability amounted to SEK 7.5 million (77.9) and were primarily attributable to the implementation of the last-mile project. The items affecting comparability charged to full-year 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 1.4 million. As of the third quarter of 2019, expenses relating to the ongoing execution of the Group's base M&A agenda are treated as part of the ordinary course of business and are thus not regarded as affecting comparability.

The Group's operating income amounted to SEK 282.0 million. Excluding IFRS 16 effects, the Group's operating income amounted to SEK 273.6 million (87.2) and the operating margin totalled 4.4 % (1.8).

Amortisation of acquisition-related intangible fixed assets amounted to SEK 40.6 million (37.5) 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 or in the corresponding period in the preceding year.

The Group's net financial items amounted to SEK -48.9 (-35.7) million and were attributable to reassessed earn-outs of SEK -18.1 million as well as the Group's financing arrangements with SEB. Interest expenses amounted to SEK -29.9 million, of which SEK -9.7 million related to IFRS 16.

The Group's profit before tax was SEK 233.1 million (51.5).

Profit after tax amounted to SEK 179.9 million. Excluding the effects of IFRS 16, profit after tax amounted to SEK 180.9 million (55.0).

The effective tax rate was -22.8 % (+6.7), corresponding to SEK -53.2 million (+3.5).

Cash flow

The Group's cash flow from operating activities was SEK 391.1 million (120.5). Cash flow from operating activities was mainly driven by the Group's EBITDA as well as a low working capital position, which is the result of a high proportion of direct deliveries from suppliers, relatively limited inventory levels as well as low levels of accounts receivable (due to a high share of card purchases and factoring without regress).

The Group's cash flow to investing activities amounted to SEK -348.1 million (-126.8), and during the period was mainly attributable to the acquisitions of VVSKupp, Nordiska Fönster, Vitvarubolaget, Lampgallerian, Outll and LSBolagen as well as to payments of deferred earn-outs related to acquisitions completed during the 2014-2017 period and to IT investments related to the web platform and logistics solution.

Cash flow from financing activities was SEK -2.4 million (73.5), attributable to the repayment of a revolving credit facility as well as an increase in an 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 358.2 million, and operating cash flow excluding IFRS 16 effects was SEK 233.6 million (185.4), corresponding to a cash conversion (in relation to adjusted EBITDA) of 63.9 %. The Group's cash-generating capabilities are a result of the growth in EBITDA, a favourable working capital position, and the Group's relatively low capex requirements. The rapid increase in the share of the DIY segment attributable to proprietary brands led to an increase

in working capital during the period as a result of the need to keep a higher inventory position for these products. This effect was exacerbated by the timing of the acquisition of Arc E-commerce, which coincided with the start of the seasonal build-up of inventory ahead of the spring and summer peak season.

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 270.3 million (226.9), which is primarily explained by the positive cash flow generated by the Group during the period and 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 547.6 million at the end of the period, compared with SEK 473.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 1.5x, which is at the low end of the medium-term financial target range.

The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred 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 554.5 million at the end of the period, compared with SEK 320.3 million at the beginning of the year.

The Group's unutilised credit facilities amounted to SEK 577.1 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, compared to the beginning of the year, amounted to SEK 6,018.2 million (4,851.9). This change is mainly attributable to the effect of the implementation of IFRS 16 as of 1 January 2019 as well as the year's acquisitions.

The Group's equity at the end of the reporting period amounted to SEK 2,925.1 million (2,814.4) compared with the start of the year.

KINDLING OUR CORPORATE IDENTITY

With the aim of better reflecting our promise to our customers – We make living easy – and our product range, we are updating our brand image. At the beginning of 2020, our corporate website, social media platforms, and other Group communication channels received a makeover. This will allow us to better illustrate the complete BHG Ecosystem of online products and services in home furnishings and DIY.

INCREASED MARKET SHARES

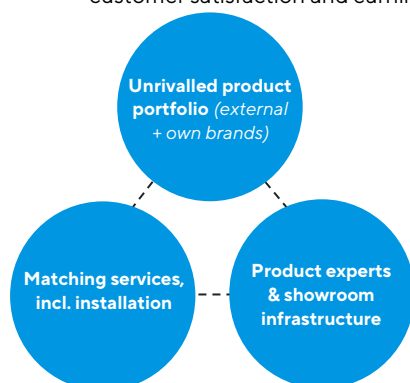
In 2019, BHG passed several important milestones. In the first quarter, we achieved our highest earnings to date in the company's history, with an increase in adjusted EBIT of over 70 % on the prior year. In the next quarter, adjusted EBIT reached a three-digit figure for the first time in the Group's history. In the third quarter, we delivered our highest adjusted EBIT margin ever at 5.9 %. And for the year as a whole, sales increased 24.9 % to SEK 6.2 million, adjusted EBIT 58.7 % to SEK 330.1 million, and the adjusted EBIT margin to 5.3 %. Our online market share in the Nordic region increased to an estimated 30 % for both segments (DIY and Home Furnishing) by the of the year.

The trend in Finland was particularly satisfying, with our market-leading position in the region improving even further. Sales in Eastern Europe rose 70 %, which meant that this fast-growing market accounted for around 10 % of BHG's sales in 2019. The other Nordic countries, including the significant Swedish operations, also reported a strong trend for the year. Overall, our position as the largest pure-play online retailer in home improvement in Europe was strengthened in 2019.

IMPORTANT STEPS TOWARD THE IMPLEMENTATION OF OUR ECOSYSTEM

Our own distribution network for last-mile deliveries has proven successful, with a clear improvement in both customer satisfaction and earnings. The necessary

infrastructure is in place in the Stockholm, Gothenburg and Öresund regions, and Helsinki will be next in line at the beginning of 2020. In October 2019, we began the expansion of our central warehouse in Helsingborg. We have also significantly expanded our range of installation services.



Since late spring 2019, we have offered customers popular services such as carry-in, removal and assembly services as well as installation of over 10,000 products. During the autumn of 2019, sales of installation services increased substantially, and reached a monthly rate of almost 2,000 installations, equivalent to an annual rate of around 20,000. Installation services increase BHG's potential customer base, allowing for a seamless experience from a click of the mouse to a fully installed product at home.

During the year, additional investments were also made in artificial intelligence/machine learning with the aim of further improving the digital customer experience by presenting the market's broadest product range in a simple and intuitive way to customers who are increasingly searching, finding inspiration and completing purchases using their mobile phones, which have a limited screen size.

In 2019, the Group was awarded the "Swedish SEO Prize" for its work with Chilli.se, one of our larger destination stores.

GROWING SHARE OF PROPRIETARY BRANDS

We are continuing to focus on increasing the share of proprietary brands (private label), which for the year accounted for over 40 % of BHG's sales. The offering has been strengthened both organically through proprietary brands like Bathlife, Arredo and Dimma and through the acquisition of Nordiska Fönster and Outl1.

MORE STRATEGIC ACQUISITIONS

A number of important acquisitions were carried out during the year. In January, BHG's leading position in Norway was further strengthened through the acquisition of VVSKupp (Designkupp AS), a leading online retailer primarily within bathroom products. In March, the acquisition of Nordiska Fönster in Ängelholm AB, a well-established retailer of high-

quality windows and doors, was completed. In May, we acquired LampGallerian.se, a successful webstore in Sweden for indoor and outdoor lighting. In July, we acquired Outl1, a leading Swedish online retailer within DIY and home furnishings. In December, LSBolagen, a provider of external and proprietary brands within the culinary segment, including wine coolers and outdoor kitchens, was acquired.

The above acquisitions follow BHG's communicated M&A agenda, strengthen BHG's presence within chosen categories and contribute to increasing the share of sales from proprietary brands significantly.

EXPECTED FUTURE DEVELOPMENT

The total Nordic market for home improvement products – which includes DIY and home furnishings – is the third largest retail category (after food and drink, and apparel and footwear), valued at just over SEK 230 billion. While the total market for home improvement products is relatively stable, it is characterised by a transition from offline towards online sales.

Online penetration in home improvement products remains relatively low compared to other popular retail categories such as consumer electronics, apparel and consumer appliances. The trend of increasing online penetration has primarily been driven by changing consumer behaviour and technological improvements, which have benefited and are expected to continue benefiting online retailers such as BHG.

The home improvement categories yield a high contribution margin per order as a result of a high average order value, attractive gross margins after fulfilment and distribution costs, and low return rates.

BHG expects online DIY and home furnishing sales in the Nordic region to be characterised by continuing strong growth, with an estimated average CAGR of 15 % in 2020–2024. Market growth in the less mature Eastern European markets is expected to be significantly higher in this period.

The company's financial targets remain unchanged since its listing on Nasdaq Stockholm: The financial targets are based on the accounting policies for leases which the Group applied in 2018 and earlier, with all leases recognised in accordance with IAS 17 instead of IFRS 16.

Net sales growth

Increase net sales by an average of 20–25 % per year over the medium term, with approximately 15 percentage point of this increase comprising organic growth. The company's ambition 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 of about 7 % over the medium term. Achieve cash conversion (operating cash flow as a percentage of adjusted EBITDA) in line with adjusted EBITDA as a result of the business model.

Capital structure

Net debt 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.

RISKS

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, seasonal 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 with respect to e-commerce. BHG is also exposed to interest-rate risk. The prospectus that was published in conjunction with the listing of Bygghemma Group First AB on Nasdaq Stockholm in 2018 contains a detailed description of the risks associated with BHG's activities. The most material risks for BHG are described below.

BHG's industry and operations are affected by the general economic climate and other macroeconomic effects

BHG conducts operations primarily through online sales in the Swedish, Norwegian, Finnish and Danish home improvement markets, and since the fourth quarter of 2018, in a number of Eastern European markets. The home improvement market and BHG's sales are dependent on the health and stability of the general economy. Adverse changes in general economic conditions in Sweden and globally, such as periods of lower economic growth or recessions, inflation or deflation, a general downturn in the market and changes in the purchasing power of enterprises and consumers could affect demand for the products that BHG provides. In addition to the speed with which e-commerce penetration is increasing, sales of many of BHG's product categories are impacted by the activity level in home improvement projects. Economic fluctuations impact the new-build and renovation market, which may lead to waning interest in home improvement activities such as DIY or home furnishings and have a negative impact on BHG's sales. If any of the above conditions were to materialise, this could have a negative effect on demand for BHG's products and thereby have an adverse impact on Group operations, financial position and earnings.

BHG operates in a competitive environment

The Swedish, Norwegian, Finnish and Danish home improvement markets are highly competitive. BHG's competitors in the DIY segment can be divided into various categories, including online players, traditional store chains and niche players. BHG's competitors in the Home Furnishing segment can be divided into various categories, including online players, traditional store chains and players. These groups of competitors primarily offer their products in stores or showrooms and, to varying extents, online. BHG also runs

the risk of new competition from domestic and international traditional or online companies. Other examples of such potential competitors are general online retailers with an established Nordic presence that decide to increase their sales in product categories that are also offered by BHG, one of which could be the Home Furnishing segment. Additional examples are newly established companies, existing competitors in traditional markets or suppliers of the company that also start focusing on the online market for DIY products and home furnishings.

BHG considers the main factors for competition to be online presence, product range, product availability, pricing strategy, customer service, payment solutions and credit services for customers, logistics solutions and services, inventory, the ability to advise customers and provide installation services, and the location of stores and showrooms. BHG's competitors could pursue aggressive measures to increase their market shares, including creating new online sales channels, attempting to copy the BHG concept and pricing products below cost to attract customers. There is a risk that BHG will be unable to respond effectively and defend its position against such competition. Increased competition from existing and/or potential competitors could therefore lead to lower sales, profits and margins, which could have an adverse impact on BHG's operations, outlook, financial position and earnings.

Consumer demand for home improvement products is seasonal

The Group companies have a product mix comprising a variety of products for indoor and outdoor use. Sales of products for outdoor use, including outdoor furniture and garden equipment, are affected by certain seasonal and weather variations. Deviations from normal weather conditions, such as unusually harsh weather, could negatively affect the company's sales and earnings in different quarters. For example, an unusually severe or long winter or a particularly rainy or extremely dry summer could have a negative effect in this regard. If weather variations were to be more extensive than usual, this could have an effect on the company's operations, earnings and financial position.

IT and GDPR-related risks

The Group companies use various IT platforms, both for internal purposes and to offer customers an attractive online shopping environment. Operational disturbances in these platforms could make the Group's internal procedures difficult and result in a stoppage in the external operating environments. This type of IT-related risks could have an adverse impact on the Group's operations, outlook, financial position and earnings.

Since the EU General Data Protection Regulation replaces the earlier Personal Data Protection Act, IT and business processes could, in the event that personal data is processed incorrectly, have an adverse impact on the Group's operations, outlook, financial.

**Financial risks**

The following financial risks have been identified, and are described in Note 25.

- Financing and liquidity risk
- Market risk – interest-rate risk
- Credit risk
- Market risk – currency exchange risk

BOARD OF DIRECTORS



Henrik Theilbjørn Born 1961.

Chairman of the Board and Board member

Primary employment: Board activities.

Other significant assignments: Chairman of the Board of Boozt AB, ELKA Rainwear, Kelly Invest A/S, PWT Holding A/S, PWT Group A/S, DAY A/S, Shamballa Jewels A/S, Rabens Saloner A/S, Traede Aps, Wagner China Aps and Wagner (Yantai) CO. Ltd. As of November 2009, Board member of Option Holding AB, Sahva A/S, SIGNAL A/S and Signal Ejendomme ApS. CEO, founder and Board member of EMMADS Invest A/S.

Education/background: Henrik Theilbjørn holds an MSc in Economics from Aarhus University and an Executive MBA from the Scandinavian International Management Institute (SIMI). Henrik Theilbjørn has extensive experience in the apparel, fashion, home furnishing and lifestyle industries as well as the offline and online retail markets. Former assignments include CEO of IC Group A/S.

Holdings in Bygghemma Group First AB: Henrik Theilbjørn owns, indirectly through companies, 71,522 shares and no warrants in the company.



Johan Giléus Born 1965.

Board member

Primary employment: CFO of InDex Pharmaceuticals Holding AB, which is listed on Nasdaq First North Growth Market Stockholm.

Other significant assignments: Board member of InDex Pharmaceuticals AB and Index Diagnostics AB, and Board member and CEO of Gileus Consulting AB and Gileus Invest AB.

Education/background: Johan Giléus studied business administration at Stockholm University. Johan Giléus has worked within finance and accounting throughout most of his career, and is currently an independent financial advisor. Johan Giléus worked at Deloitte for approximately 25 years, where he served as a partner and head of the Transaction Services function (M&A) as well as a Board member of Deloitte Sweden. Johan Giléus has extensive experience of accounting and financial reporting in publicly traded companies as well as other matters pertaining to the stock market, risk management and strategic transactions.

Holdings in Bygghemma Group First AB: Johan Giléus owns no shares and no warrants in the company.



Ingrid Jonasson Blank Born 1962.

Board member

Primary employment: Board activities.

Other significant assignments: Chairman of the Board of Stor & Liten AB. Board member of Ambea AB (publ), Bilia AB, Fiskars Oyj, Forenom Group, Ingrid Jonasson Blank AB, Kjell Koncern AB, Kjell HoldCo AB, Kulturkvarteret Astrid Lindgrens Näs AB, Martin & Servera Aktiebolag, Must ja Mirri Group, Nordic Morning Group Oy, Orkla ASA, Royal Unibrew AS and ZetaDisplay AB. Deputy Board member of Matas Sverige AB.

Education/background: Ingrid Jonasson Blank holds an MSc in Business Administration and Economics from the Gothenburg School of Economics and has also completed the Executive Management Programme at the Stockholm School of Economics as well as the Ahold Leadership Program at Harvard Business School and Oxford University. Ingrid Jonasson Blank has been employed by the ICA Group for more than 30 years and held several different positions, primarily within marketing and communication. She previously served as Vice President at Ica Sverige AB, with responsibility for marketing.

Holdings in Bygghemma Group First AB: Ingrid Jonasson Blank owns 25,844 shares and no warrants in the company.



Bert Larsson Born 1955.

Board member

Primary employment: Consultant through Numbers of Stockholm AB and Numbers Interim Management AB.

Other significant assignments: Chairman of the Board of Max Garden AB, Numbers Interim Management AB, XL-BYGG Bergslagen AB and Warmup Scandinavia AB.

Board member of Genesis IT AB, Numbers Of Stockholm Aktiebolag, Qvalitetscenter Skog & Trädgård QST i samverkan Ekonomisk förening, S Fastigheter i Luleå AB and Sunparadise Group AG.

Education/background: Bert Larsson is a chemical engineer who graduated from Berzelius College. Bert Larsson has extensive experience from the home improvement and construction material markets, including sales to customers both online and offline through various board assignments and operational positions.

Holdings in Bygghemma Group First AB: Bert Larsson owns 17,340 shares and no warrants in the company.



Christophe Le Houédec Born 1972.

Board member

Primary employment: CEO and co-founder of Ayolab, a Paris-based start-up company.

Other significant assignments: CEO and co-founder of Ayolab, a Paris-based start-up company.

Education/background: Christophe Le Houédec holds an engineering degree from Ecole des Mines de Paris. Christophe Le Houédec has worked within manufacturing, supply chain and logistics throughout most of his career, and has held various senior positions, including as an engineer at Groupe Renault (1995-1997), Supply Chain Manager at Groupe Danone (1997-2005), Senior Consultant within Operations Strategy and Manufacturing Efficiency at The Boston Consulting Group (2005-2007), Logistics Director Nordics at Schneider Electric (2007-2011) and Director of Amazon France, primarily within Supply Chain and Logistics Services (2011-2017).

Holdings in Bygghemma Group First AB: Christophe Le Houédec owns no shares and no warrants in the company.



Peter Möller Born 1972.

Board member

Primary employment: Private investor

Other significant assignments: Board member of Gimara Invest AB and Issake Invest AB.

Education/background: Peter Möller holds an MSc in Economics and Business Administration from both the Stockholm School of Economics and the Wharton School at the University of Pennsylvania in the US. Peter Möller has extensive experience of corporate development from FSN Capital Partners AB. He also has previous experience from Goldman Sachs, where he worked with mergers and acquisitions, and Permira, where he worked with investments.

Holdings in Bygghemma Group First AB: Peter Möller owns no shares or warrants in the company.



Niklas Ringby Born 1980.

Board member

Primary employment: Partner and Co-Head of EQT Public Value.

Other significant assignments: Partner and Co-Head of EQT Public Value and Chairman of Public Value's Investment Committee. Part of EQT's Extended Executive Committee.

Education/background: Niklas Ringby holds an MSc in Economics and Business Administration from the Stockholm School of Economics, including studies in the Carlson School of Management MBA programme at the University of Minnesota. Niklas also holds an MSc in Industrial Engineering and Management from the Royal Swedish Institute of Technology, including studies at ETH in Zurich. Niklas Ringby is a Partner and Co-Head of EQT Public Value and Chairman of Public Value's Investment Committee. Niklas is also part of EQT's Extended Executive Committee. He has worked at EQT Partners since 2010 and at Boston Consulting Group prior to that. Between 2010 and 2018, Niklas was part of the EQT Equity advisory team, most recently as Partner. He has been involved in a number of investments, including Atos, Dometic, Granngården, IFS, Evidensia and Independent VetCare (IVC). Niklas has served as a Board member of Dometic, Evidensia and IVC.

Holdings in Bygghemma Group First AB: Niklas Ringby owns no shares or warrants in the company.



Tom Tang Born 1976.

Board member

Primary employment: Chief Technology Officer – Digital, Sainsbury's Argos

Other significant assignments: None

Education/background: Tom Tang holds a bachelor's degree in computer science and an MBA. Tom Tang has worked within IT, software engineering and technology throughout most of his career, and has held several senior positions, including as Manager, IT & Corporate Strategy at Ford Motor Company (2005–2007), Senior Manager, Software Development & Program Management at Amazon (2007–2011), Division Vice President, Software Engineering at Sears Holding (2011–2015), Senior Vice President, Software Development at TraFone Wireless (2015–2016), Director, Software Development & Technology at Sainsbury's Argos (2016–2018) and Chief Information Officer, Sainsbury's Argos (2018–2019)

Holdings in Bygghemma Group First AB: Tom Tang owns no shares or warrants in the company.



SENIOR EXECUTIVES



Adam Schatz Born 1974.

President and CEO and head of Home Furnishing segment

CFO between 1 of April and 20 February 2020. As of 20 February 2020 CEO and President and head of Home Furnishing segment.

Education and background: Adam Schatz holds an MBA in Finance from the Stockholm School of Economics and a BA in Philosophy from Lund University.

Adam Schatz previously worked as CFO and Deputy CEO at Axiell Group AB. Prior to that, he held various executive positions at GambroAB/Baxter International Inc. He was also President and Head of Investments for TeknoSeed AB. Adam Schatz began his career as an analyst at Goldman Sachs.

Holdings in Bygghemma Group First AB: Adam Schatz owns 14,200 shares and 92,030 warrants in the company.



Jesper Flemme Born 1979.

Acting CFO

Head of Financial Controlling & Group Reporting between 2016 and 20 February 2020. As of 20 February 2020 acting CFO.

Education and background: Jesper Flemme holds a master's degree in economics from Lund University. Jesper Flemme previously worked as Group Financial Controller at CDON Group (now Qliro Group), and has worked as a consultant at Addedo and within audit at Deloitte.

Holdings in Bygghemma Group First AB: Jesper Flemme owns, indirectly through companies, 3,550 shares and 124,271 warrants in the Company.



Mikael Olander Born 1963.

COO and head of the DIY segment and M&A

President and CEO since 2012, and head of the DIY segment since 2013. As of 1 April 2019, COO and head of the DIY segment and M&A.

Education/background: MBA from the Anderson School of Management, UCLA and a BSc in Business Administration and Economics from Louisiana State University.

Mikael Olander was CEO of Bygghemma Group from 2012 to 2018; prior to that, he was CEO of CDON Group (publ), now Qliro Group, from 2010 to 2012. Prior to that, Mikael was head of the Internet Retailing business unit at MTG (publ), which includes CDON.com, Nelly.com, Gymgros-sisten.com, Tretti.se and Lekmer.se.

Holdings in Bygghemma Group First AB: Mikael Olander owns, indirectly through companies, 5,368,422 shares and no warrants in the Company.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The annual general meeting held on 15 May 2019 adopted the following guidelines for remuneration to senior executives.

General

Under these guidelines senior executives refers to the CEO and the five additional persons in the executive management of the Company. The aim of the guidelines is to ensure that the Company can attract, motivate and retain senior executives, both within the Company and its subsidiaries, within the context of the Company's peer group, which comprises Nordic online and offline retailers. The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders' interests. Remuneration to the senior executives shall consist of a fixed and variable salary, as well as the possibility to participate in a long-term incentive program, including share based instruments such as synthetic options and employee stock options, and pension schemes. These components shall create well-balanced remuneration reflecting the individual's competence, responsibility and performance, in both the short and long term, and the Company's overall performance.

Fixed salary

The senior executives' fixed salary is to be competitive and based on the individual senior executive's competences, responsibilities and performance. Fixed salary may also be lower than what may be regarded as marketable for comparable companies. In order for the salary to be regarded as marketable and motivate senior executives, they shall be given the opportunity to receive variable salary and participate in long-term incentive programs.

Variable salary

The senior executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration for the CEO will not exceed a maximum of 200 % of the fixed annual salary and will not exceed 200 % of the other senior executives' fixed annual salary. The variable remuneration shall be based on the performance of the senior executives in relation to predetermined and measurable goals and targets aimed at promoting the Company's long term value creation, which are to be established and documented annually.

Other benefits

The Company shall provide other benefits to senior executives in accordance with local practice. Such other benefits may include a company car and company healthcare. Occasionally, for a limited period, housing allowance could be granted where appropriate.

Pension

The senior executives are entitled to pension contributions based on those that are customary in the country in which they are employed. Pension contributions will be secured through premium payments to insurance companies.

Notice period and severance pay

The maximum notice period in any senior executive's contract may be no more than twelve months during which time salary payment will continue. The Company does not allow any additional contractual severance payments.

Consultancy fees

If a board member carries out work on behalf of the Company, besides duties falling within the scope of the assignment as a board member, consultancy fees and other remuneration for such work may be discharged after a board resolution.

Derivations from the guidelines

In special circumstances, the board of directors may deviate from the above guidelines, for example additional variable remuneration in the case of exceptional performance. In such a case the board of directors shall explain the reason for the deviation at the following annual general meeting.

THE BOARD OF DIRECTORS' PROPOSAL REGARDING GUIDELINES FOR THE DETERMINATION OF REMUNERATION TO SENIOR EXECUTIVES

General

The CEO and the two additional individuals in the company's executive management fall within the provisions of these guidelines. The guidelines are forward-looking, meaning that they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

How the guidelines' promote the company's business strategy, long-term interests and sustainability

In short, the company's business strategy is to leverage its leading position in the online home improvement market to continue benefiting from the market's underlying growth as a result of increasing online penetration and to couple organic expansion with further active consolidation measures, such as M&A.

For more information regarding the company's business strategy, please see the company website www.byggghemmagroup.com.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration.

These guidelines enable the company to offer the executive management a competitive total remuneration package.

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines.

The long-term share-related incentive plan proposed by the board of directors and submitted to the 2020 Annual General Meeting for approval is excluded for the same reason. The proposed plan essentially corresponds to existing plans. The plans include senior executives, key individuals and employees in the company. The plans are conditional upon the participant's own investment and holding periods of several years. For more information regarding these incentive plans, please see www.bygghemmagroup.com.

Variable cash remuneration covered by these guidelines should aim to promote the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The fixed cash salary shall be individual and based on the responsibility and role of the senior executive, as well as the executive's competence and experience in the relevant position.

Variable cash remuneration may not amount to more than 200 per cent of the fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration is to be made by the Board of Directors based on a proposal from the Remuneration Committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), is to be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium-defined pension are to amount to not more than 100 percent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium-defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium-defined pension may not amount to more than 100 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Premiums and other costs relating to such benefits may not amount to more than 100 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish rules, pension benefits and other benefits may be duly adjusted to ensure compliance with mandatory rules or established local practice, taking into account, to the greatest extent possible, the overall purpose of these guidelines.

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years. When termination of employment is initiated by the executive, the notice period may not exceed nine months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration is to be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria are to be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, for example by being clearly linked to the business strategy or promote the executive's long-term development.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The extent to which the criteria for awarding variable cash remuneration have been satisfied is to be evaluated/determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation insofar as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation is to be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors is to prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines are to remain in force until new guidelines are adopted by the General Meeting. The Remuneration Committee is also responsible for monitoring and evaluating programmes for variable remuneration for executive management, the application of the guidelines for executive remuneration and the current remuneration structures and remunerations levels in the company. The members of the Remuneration Committee are independent of the company and its executive management.

The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

PARENT COMPANY

Bygghemma Group First AB (publ) is the Parent Company of the Group. The company does not engage in the sale of goods and services to external customers.

The Parent Company holds shares in its subsidiaries, as specified in Note 15.

The Parent Company's net sales totalled SEK 0.9 million (2.4). The Group's CEO and COO are employed by the Parent Company. The Parent Company posted an operating income of SEK -21.4 million (-32.3). The loss for comparison period was mainly due to costs attributable to the listing on Nasdaq Stockholm. The profit for the period amounted to SEK 7.5 million (-2.1). The Parent Company's cash and cash equivalents totalled SEK 17.2 million at the end of the reporting period, compared with SEK 6.6 million at the beginning of the year.

The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2019 financial year. The basis for this proposal is the high availability of investments in profitable growth, not least through continued acquisitions.

APPROPRIATION OF PROFITS

Bygghemma Group First AB

559077-0763

Appropriation of profits (SEK)

At the disposal of the annual general meeting

Retained earnings	58,649,302
Share premium reserve	2,667,441,766
Profit/loss for the year	7,456,367
	2,733,547,435

The Board of Directors proposes
to be carried forward

2,733,547,435
2,733,547,435

SUSTAINABILITY REPORT

Being Europe's largest e-commerce company within home improvement comes with both responsibilities and opportunities. We believe that sustainable growth is about assuming responsibility for all of our stakeholders: our customers, employees, investors and suppliers and the society that we live in.

This Sustainability Report covers the Parent Company, Bygghemma Group First AB (corporate registration number 559077-0763), including its subsidiaries (see note 15) and was prepared in accordance with the provisions of Chapter 6 and 7 of the Swedish Annual Accounts Act. In addition, the Global Reporting Initiative (GRI) standards for sustainability reporting have been used to provide guidance for the report, including for the performance indicators that have been prepared.

Business model

BHG is Europe's largest e-commerce company within home improvement and provides over 500,000 products as well as various services within DIY and Home Furnishing. BHG includes more than 30 proprietary online stores and over 70 showrooms.

The Group's head office is located in Malmö, together with certain Group-wide functions such as finance and accounting, legal and IT. The head office negotiates and decides on significant supplier agreements and supports the subsidiaries in tendering other supplier agreements in order to achieve economies of scale and ensure compliance with the Group's purchasing guidelines.

The Group has no manufacturing plants of its own. Instead, all products are purchased directly from suppliers or commercial agents in the Nordic region, Eastern Europe and Asia. Freight deliveries are primarily shipped from Asia and delivered by truck from Europe. All product deliveries to end customers in the DIY segment are conducted by external distributor companies, while an increasing share of deliveries in the Home Furnishing segment are carried out through our own last-mile service. 66 % of deliveries to end customers within DIY are distributed directly by external producers, and 34 % are distributed via BHG's various warehouses, including the central warehouse in Höör. 63 % of deliveries in the Home Furnishing segment in the Nordic region are distributed by external producers via BHG's central warehouse in Helsingborg and 37 % directly by the producer to the end customer. 100 % of deliveries in the Home Furnishing segment's operations in Eastern Europe are distributed via our own storage warehouses through our last-mile service.

Starting point for sustainable development

The UN Global Compact (UNGC) is based on ten generally accepted principles concerning human rights, labour conditions, the environment and anti-corruption. All major global business and CSR organisations are part of the initiative, including the GRI (Global Reporting Initiative), ETI (Ethical Trading Initiative), ICC (International Chamber of Commerce) and OECD (Organisation for Economic Co-operation and Development). BHG's Code of Conduct and Sustainability Report are based on these ten principles.

Governance and responsibility

The Board has overall responsibility for the Group and thus is also responsible for all sustainability aspects related to the operations. A number of specific sustainability aspects have been discussed during the year's Board meetings, and the full Sustainability Report was discussed at one of these meetings.

The CEO is responsible for enacting the decisions and strategies of the Board. The Group's Head of New Operations, who reports directly to the CEO, is responsible for leading and coordinating the Group's sustainability work and producing documentation for decisions, conducting analyses, and managing the preparation of sustainability reports. BHG's ambition is to involve all its employees so that they feel a sense of ownership over the sustainability aspects related to their own assignments. To achieve this, we conducted training in 2018 within our focus areas for sustainability, the Code of Conduct and business ethics guidelines.

Policy documents and guidelines

The Board has adopted guidelines addressing such aspects as environmental issues, respect for human rights, labour conditions and anti-corruption that apply to the Group as a whole and decided on a Code of Conduct that applies to all employees as well as the Group's suppliers. The Code, which is based on the Ten Principles of the UN Global Compact, places particular emphasis on clarifying the company's position on issues concerning respect for the environment, human rights and labour conditions as well as sound business relationships and anti-corruption. All employees underwent





training on the guidelines in the Code of Conduct in 2018, and all new employees receive a copy of the Code as an appendix to their employment contract. No significant changes were made to the policies or the Code of Conduct in 2019. The Code of Conduct is available on the Group's website, www.bygghemmagroup.com/sustainability.

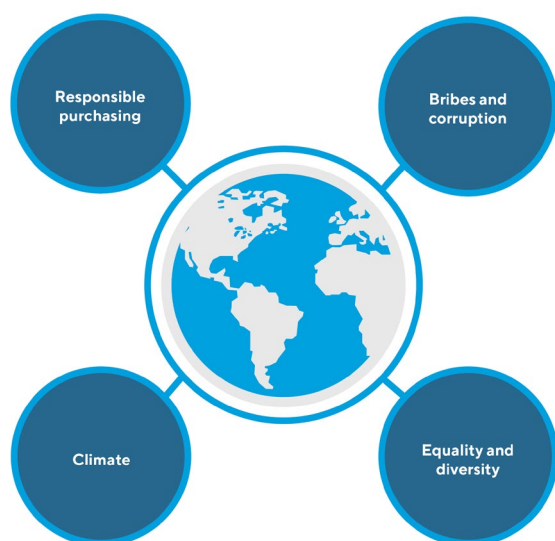
Materiality analysis

The Board of Directors and company management have conducted an overall analysis to determine which aspects of sustainability are most essential for BHG's operations. The analysis was based on risks and opportunities connected to sustainability in areas such as the environment, corporate social responsibility, HR issues, respect for human rights, business ethics and anti-corruption. The results of the materiality analysis are presented on the following pages.

The Ten Principles of the UN Global Compact

The Global Compact is a UN initiative with the aim of creating international principles on human rights, labour, the environment and anti-corruption targeted at companies. The principles are based on the UN Universal Declaration of Human Rights, the ILO's fundamental conventions on human rights and rights at work, the Rio Declaration and the UN Convention against Corruption.

	UN principles	Examples of BHG's commitments
 HUMAN RIGHTS	<p>The companies are to:</p> <ul style="list-style-type: none"> • support and respect international human rights and • ensure that their own companies are not involved in violations of human rights 	<ul style="list-style-type: none"> • All employees have studied the Code of Conduct, either during recruitment or training (employed prior to 2018). • BHG's Code of Conduct has been sent to all suppliers with significant purchase volumes and all new suppliers must sign the Code of Conduct, or prove that they have their own equivalent code of conduct.
 LABOUR	<p>The companies are to:</p> <ul style="list-style-type: none"> • uphold freedom of association and acknowledge the right to collective agreement negotiations • eliminate all forms of forced labour • abolish child labour • counteract discrimination in recruitment and work duties 	<ul style="list-style-type: none"> • BHG's Code of Conduct regulates interactions between customers, suppliers and employees
 ENVIRONMENT	<p>The companies are to:</p> <ul style="list-style-type: none"> • support the prudence rule as regards environmental risks • take the initiative to increase environmental awareness • promote the development of environmentally friendly technology 	<ul style="list-style-type: none"> • BHG engages in an ongoing dialogue with our logistics solutions partners in order to boost the efficiency of our deliveries and returns. • BHG works on continuously carrying out energy-saving measures at our warehouses, showrooms and offices in partnership with property owners.
 ANTI-CORRUPTION	<p>The companies are to:</p> <ul style="list-style-type: none"> • combat all forms for corruption, including blackmail and bribery 	<ul style="list-style-type: none"> • Anti-corruption is part of our Code of Conduct for Suppliers. • In 2018, all employees received information on our business ethics guidelines and preventive work against corruption and bribes, as did all new employees from 2019 and onwards.

BHG's foremost sustainability issues in respect of the Ten**Principles of the UN Global Compact****Responsible purchasing**

For the most part, BHG purchases products through intermediaries, and not directly from the plants where the products are manufactured. There are over 500,000 different products, which provides a challenge when assessing each individual product from a sustainability perspective. We also have high ambitions when it comes to ensuring ethical purchasing of products, traceability and supplier compliance with the requirements in the Group's Code of Conduct and other standards. As such, all of the Group's business partners and agents are evaluated and the Code of Conduct is included in supplier agreements. Our business partners and agents, in turn, conduct regular site visits to subcontractors and on-site audits to ensure compliance with our sustainability policies.

In cases where the Group is a direct importer, a new process for assessing new suppliers has been implemented, with a detailed checklist and self-assessment in relation to the Group's sustainability policies. In this way, we can analyse data and monitor results before a decision is taken on any supplier partnership. An overall summary of risks and preventive measures is presented below.

We provide all suppliers with significant purchasing volumes with a copy of the Code of Conduct. New suppliers must sign the Code of Conduct, or prove that they have their own equivalent code of conduct. In 2019, we monitored our sustainability efforts through self-assessments and/or site visits to suppliers' manufacturing plants in low-cost countries where the risk of deviations is assessed as being the greatest.

KPIs	2019	2018
Proportion of suppliers evaluated or who have signed the Code of Conduct	83 %	95 %
Proportion of assessments conducted	65 %	93 %

Bribes and corruption

In 2018, all employees received information on our business ethics guidelines and preventive work against corruption and bribes, as did all new employees from 2019 and onwards. Anti-corruption is also part of our Code of Conduct for Suppliers. The Board of Directors is responsible for compliance with policies and guidelines. Responsibility for certain policies and guidelines has been delegated to various functions in BHG. Any deviations from the Code of Conduct and the Group's business ethics guidelines can be reported anonymously through the Group's whistleblower system.

KPIs	2019	2018
Number of cases of corruption	0	0

Climate

Logistics is one of the areas where our company has the greatest climate impact. CO₂ emissions make up a significant portion of BHG's total emissions. We engage in an ongoing dialogue with our logistics solutions partners in order to boost the efficiency of our deliveries and returns. A higher fill factor and smarter packaging and loading can reduce both emissions and the use of packing material. In addition, we have created our own logistics systems in Stockholm and Gothenburg, and continue to expand in the Öresund region and Helsinki in order to optimise transport to the end customer, thereby reducing CO₂ emissions.

The return of delivered products presents a challenge from an environmental perspective since this increases the amount of transport and, as a result, CO₂ emissions. At approximately 3 %, the share of returns for BHG is currently low in comparison to almost all e-commerce retailers. The combination of e-commerce, where products are transported collectively to the customer, and a low return rate creates a sustainable business model.

Energy-saving measures are carried out continuously at our warehouses, showrooms and offices in partnership with property owners. As part of these efforts, we have initiated an expansion of our central warehouse in Helsingborg in order to enhance the efficiency of our logistics. The existing property was put into operation in 2018 and is environmentally adapted and certified through Green Building. Average energy consumption for heating at the warehouse is currently 9 kWh per m²/year, which can be compared with the Swedish National Board of Housing, Building and Planning requirement of a maximum 45 kWh. The expansion is being carried out by Catena in partnership with BHG's logistics partner, Nowaste Logistics, and is expected to be completed in September 2020, thereby contributing to more effective distribution management and a reduction in energy consumption for the warehouse.

KPIs	2019	2018
Greenhouse gas emissions (WTW, CO ₂ -ekv kg)/ number of deliveries	2.02 kg	2.56 kg



Equality and diversity

BHG strives for diversity and an equitable gender distribution in its operations. The goal is for women and men to each represent 50 % of the total number of employees and 50 % of the number of managers. The Group's diversity goal also includes a more equitable distribution as regards employees with non-Swedish backgrounds.

Other priority areas include health and safety. Local health and safety work is conducted in various ways. In certain major workplaces, this is carried out in accordance with various certifications, such as AFS 2001. The goal is to ensure a healthy work environment, reduce sick leave and prevent workplace injuries. On-the-job training and other forms of competence development are also important parts of the development of all employees in their respective roles in BHG.

KPIs	2019	2018
Total proportion of women and men	39/61	48/52
Proportion of women and men managers	42/58	20/80
Sick leave	4 %	4 %
Average age	2019	
Under 25 years	25 %	
25- 34 years	48 %	
35-44 years	15 %	
45-54 years	8 %	
Over 55 years	4 %	

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN 2030 Agenda for Sustainable Development and 17 Sustainable Development Goals (SDGs) represent an ambitious agenda that has been adopted by various countries around the world. Achieving the SDGs will require the cooperation of governments, civil society and the business community.

At Bygghemma Group, we contribute to the SDGs through our sustainability agenda and the way in which we conduct our operations. Bygghemma Group's target areas are directly linked to a number of the SDGs (5, 7, 8, 12, 13).



5. Gender equality is a prerequisite for sustainable and peaceful development. Equality also entails ensuring an equitable distribution of power, influence and resources. At Bygghemma Group, we consider equality and diversity to be important success factors, since a mix of female and male employees from different backgrounds can contribute to more innovative work groups, which in turn can help our operations to develop. We aim to have an even distribution of women and men among our employees both in general and at the management level.

7. Access to sustainable, reliable and renewable energy and clean fuel is a prerequisite for being able to address more of the challenges currently facing the world, such as poverty, climate change and inclusive growth. At Bygghemma Group, we continuously implement energy-saving measures in order to reduce our consumption of the world's energy, thereby contributing to Goal 7.3: "By 2030, double the global rate of improvement in energy efficiency."

13. Climate change is a real and undeniable threat to our entire civilisation. As a result of the continued increase in greenhouse gas emissions, we risk an increase in average global warming levels. Bygghemma Group is well aware of the climate challenges facing the world and engages in an ongoing dialogue with our logistics partners in order to boost the efficiency of our deliveries and returns.



8. Decent work promotes sustainable economic growth and is positive for society as a whole. At Bygghemma Group, we are careful when it comes to choosing our suppliers in order to ensure that they do not violate human rights, such as the right to decent work. We are also an attractive workplace, with a low average age among our employees.

12. Achieving sustainable development requires that we utilise the world's resources efficiently and sustainably. For Bygghemma Group, efficient use of resources is not just a matter of sustainability, but also impacts our profitability, which means that we conduct our operations in a way that conserves natural resources through energy efficiency enhancements.

CORPORATE GOVERNANCE REPORT

Bygghemma Group First AB (publ) ("Bygghemma") is a Swedish public limited liability company listed on Nasdaq Stockholm since 27 March 2018. Bygghemma's corporate governance is based on Swedish legislation, Nasdaq Stockholm's Rulebook for Issuers and good practice in the securities market. Since its listing, BHG applies the Swedish Corporate Governance Code (the "Code"). The governance of Bygghemma is also based on internal regulations, such as the Board's rules of procedures, CEO instructions, policy documents and the Group's Code of Conduct.

BHG does not deviate from the Code in any regard.

More information about the Code is available at www.bolagsstyrning.se. Bygghemma's Articles of Association and Code of Conduct are available at www.bygghemmagroup.com.

Shares and shareholders

By the end of 2019, Bygghemmas share capital consisted of 107,368,421 ordinary shares with one vote each, distributed between approximately 1,500 shareholders. The two largest shareholders were FSN Capital which represented 29.03 % and EQT which represented 19.96 % of the shares. There were no limitations on how many votes each shareholder could cast at the Annual General Meeting.

Further information regarding ownership structure and share development, can be found on the pages 23.

The General Meeting of Shareholders

The General Meeting is the highest decision-making body. At a General Meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, allocation of profit, discharge from liability for Board members and the CEO, election of Board members and auditors, and remuneration to the Board members and auditors. The General Meeting also resolves on guidelines for remuneration to senior executives and any amendments to the Articles of Association.

An Annual General Meeting is to be held within six months after the end of each financial year. Besides the Annual General Meeting, Bygghemma may convene Extraordinary General Meetings. According to the Articles of Association, General Meetings are to be convened through an announcement in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by publishing the notice on the website. At the time of notice, an announcement that the notice has been issued is to be published in Svenska Dagbladet.

To participate in a General Meeting, a shareholder must be registered in the share register maintained by Euroclear Sweden AB not later than five week-days prior to the meeting and notify Bygghemma of its intention to participate (including any assistants) in the General Meeting not later than on the date set forth in the notice of the meeting. Shareholders may attend a General Meeting in person or by proxy and may also be accompanied by a maximum of two assistants. Shareholders can normally register for a General Meeting in several different ways, as stated in the notice of the General Meeting.

Shareholders who wish to have a matter addressed at the General Meeting must submit a written request to the Board.

Normally, the request must have reached the Board no later than seven weeks prior to the General Meeting.

The General Meeting may be held in Malmö or Stockholm.

General Meetings 2019

In 2019, the Annual General Meeting and an Extraordinary General Meeting were held.

At the Annual General Meeting on 15 May 2019:

- the income statement and balance sheet as well as the consolidated income statement and balance sheet were adopted and it was resolved that the result would be treated in accordance with the proposal of the Board in the Annual Report, and that the Board and CEO should be discharged from liability;
- it was resolved that the Board is to consist of seven Board members and no deputy Board members;
- it was resolved that remuneration is to be paid to the Board members as follows: SEK 400,000 to the Chairman, SEK 200,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee;
- Henrik Theilbjørn, Peter Möller, Ingrid Jonasson Blank and Bert Larsson were re-elected as Board members and Johan Giléus, Christophe Le Houédec and Tom Tang were elected as new Board members. Henrik Theilbjørn was re-elected as Chairman;
- Öhrlings PricewaterhouseCoopers AB was re-elected as auditor up until the end of the 2020 Annual General Meeting;
- the Board's proposal of principles for establishment of a Nomination Committee was adopted;
- the Board's proposal for guidelines for remuneration to senior executives was adopted;
- an incentive programme through issuance of warrants to senior executives, employees and other key persons in the Group (LTIP 2019/2022) was implemented; and
- the Board was authorized to acquire up to 10 % of the shares.

At the Extraordinary General Meeting on 19 December 2019, it was resolved:

- that the Board is to consist of eight Board members and no deputy Board members; and
- that Niklas Ringby would be elected as a new Board member.

Nomination Committee

The purpose of the Nomination Committee is to submit proposals in respect of the Chairman of General Meetings, Board members, including who should be Chairman, remuneration to each Board member as well as remuneration for committee work, election of and remuneration to the external auditors, and changes to the principles for establishment of a Nomination Committee.

At the Annual General Meeting on 15 May 2019m it was resolved that the Nomination Committee prior to the 2020 Annual General Meeting is to comprise four members, one of whom should be the Chairman of the Board.

Members are to be appointed by the three largest shareholders – based on the share register maintained by Euroclear as of 30 September 2019 – with the shareholders offered the possibility to appoint one member each. The Chairman of the Nomination Committee is to be the committee member representing the largest shareholder in terms of votes, unless the members agree to appoint another Chairman.

A shareholder who has appointed a member of the Nomination Committee always has the right to dismiss the member and appoint a replacement. If a member leaves the Nomination Committee prior to completion of the committee's work, the shareholder who appointed the departing member has the right to appoint a new member of the Nomination Committee. If a significant change in Bygghemma's ownership structure occurs more than two months before the Annual General Meeting, and a shareholder, who after such a material change in ownership becomes one of Bygghemma's three largest shareholders, makes a request to the Chairman of the Nomination Committee to appoint a member of the Nomination Committee, the committee is to invite the shareholder to appoint a member of the Nomination Committee. This member shall replace the member appointed by the shareholder who, after the ownership change, is no longer one of the three largest shareholders.

No fees are paid to the members of the Nomination Committee. However, the Nomination Committee is entitled to charge Bygghemma with reasonable expenses for recruitment consultants or other consultants required for the committee to fully execute its assignment.

Shareholders are entitled to submit proposals to the Nomination Committee regarding nominations to the Board.

Ahead of the 2020 Annual General Meeting, the names of the members of the Nomination Committee are:

- Fredrik Åtting (Chairman), appointed by EQT,
- Johan Steen appointed by FSN Capital,
- Kristian Ford, appointed by Mikael Olander, and
- Henrik Theilbjørn, in his capacity of Chairman of the Board.

In its work, the Nomination Committee applies, rule 4.1 of the Code as its equality policy. Additional information is available in the Nomination Committee's reasoned opinion regarding the Nomination Committee's proposal to the 2020 Annual General Meeting.

Board of Directors

The Board is the second highest decision-making body after the General Meeting. The Board is responsible for the management and organization of Bygghemma, which means that the Board is responsible for, among other tasks, establishing targets and strategies, ensuring that procedures and systems are in place for the evaluation of set targets, continuously evaluating Bygghemma's earnings and financial position, and evaluating executive management. The Board is also responsible for ensuring that annual reports and interim reports are prepared on time. The Board also appoints the CEO.

Board members are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to Bygghemma's Articles

of Association, the Board, insofar as it is elected by the General Meeting, is to consist of at least three members and at most ten members with no deputy members.

In accordance with the Code, the Chairman of the Board is elected by the General Meeting and has a special responsibility for managing the Board's work and ensuring that the Board's work is well organized and effectively implemented. The Board follows written rules of procedure, which are revised annually and adopted by the statutory Board meeting every year, or otherwise as required. Among other matters, the rules of procedure govern Board practice, functions and the division of work between the Board members, the CEO and the established committees. In connection with the statutory Board meeting, the Board also establishes work instruction for CEO, including instructions for financial reporting.

The Board meets according to an established annual schedule. In addition to these meetings, further meetings can be convened to address issues which cannot be postponed until the next scheduled Board meeting. In addition to Board meetings, the Chairman of the Board and the CEO continuously discuss the management of Bygghemma.

The Board's work is evaluated annually through established procedures whereby all Board members answer questions about the results of the work of the Board and the committees. The Chairman of the Board is responsible for the evaluation and ensures that the results are presented and discussed in the Board and the Nomination Committee. The evaluation of the Board's work during the year was presented and discussed at the Board meeting on 21 January 2020.

During the year, the Board held 15 meetings.

The Board members' independence and attendance are shown in the table on page 42.

Remuneration paid to the Board members is presented in Note 7.

The Board is presented in more detail on pages 29-31.

Audit Committee

The Audit Committee comprises three members: Johan Giléus (Chairman), Henrik Theilbjørn and Bert Larsson. The Audit Committee is mainly a preparatory body and prepares proposals for the Board. The Audit Committee works according to rules of procedure adopted by the Board. Its main duties are to, without prejudice to the general duties and responsibilities of the Board:

- monitor Bygghemma's financial reporting,
- monitor the efficiency of Bygghemma's internal control and risk management with regard to financial reporting,
- remain informed about the audit of the Annual Report and consolidated accounts,
- inform the Board of the results of the audit and of the manner in which the audit contributed to the reliability of the financial reporting and the committee's specific functions,
- review and monitor the auditor's impartiality and independence and note, in particular, whether the auditor provides Bygghemma with services other than audit services,

- approve the auditor's advisory services and adopt a policy for the auditor's advisory services,
- assist in the preparation of proposals for the General Meeting's decision regarding the election of an auditor,
- evaluate the need for an internal audit function each year, and
- assure the quality of the year-end report and interim reports prior to Board decisions.

During the year, the Audit Committee held six meetings.

Remuneration Committee

The Remuneration Committee comprises three members: Henrik Theilbjørn (Chairman), Ingrid Jonasson Blank and Christophe Le Houédec. The Remuneration Committee is mainly a preparatory body and prepares proposals for the

Board. The Remuneration Committee works according to rules of procedure adopted by the Board. The main duties of the Remuneration Committee are to:

- prepare the Board's decisions on matters related to the principles for remuneration, remuneration and other terms of employment for senior executives,
- monitor and evaluate programmed for variable remuneration to company's senior executives, both ongoing and those concluded during the year,
- monitor and assess the application of the guidelines for remuneration of senior executives approved by the Annual General Meeting and the applicable remuneration structures and levels in the company.

During the year, the Remuneration Committee held two meetings.

Board members independence and attendance 1 January 2019 - 31 December 2019

Name	Position	Member since	Independent in relation to		Precedence		
			The company and its management	Larger shareholders	Board meetings	Audit Committee	Remuneration Committee
Henrik Theilbjørn	Chairman	2017	Yes	Yes	15/15	6/6	2/2
Peter Möller	Member	2016	Yes	No	15/15	3/3	-
Bert Larsson	Member	2016	Yes	Yes	15/15	3/3	1/1
Ingrid Jonasson Blank	Member	2017	Yes	Yes	15/15	-	1/1
Johan Giléus	Member	2019 (May)	Yes	Yes	9/10	3/3	-
Christophe Le Houédec	Member	2019 (May)	Yes	Yes	8/10	-	1/1
Tom Tang	Member	2019 (May)	Yes	Yes	10/10	-	-
Niklas Ringby	Member	2019 (Dec)	Yes	No	-	-	-

CEO and senior executives

The CEO answers to the Board and is responsible for the continuous management of Bygghemma and the day-to-day operations. The division of work between the Board and the CEO is set forth in the rules of procedure for the Board and the work instruction for the CEO. The CEO is also responsible for preparing reports and compiling information from senior executives for the Board meetings and for presenting such materials at Board meetings. According to the instructions for financial reporting, the CEO is responsible for the financial reporting of Bygghemma and, accordingly, is to ensure that the Board receives adequate information to enable the Board to continuously evaluate Bygghemma's financial position.

The CEO and other senior executives are presented on page 32.

Auditors

The auditor is to review the company's annual report and accounting as well as the management of the Board and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the Annual General Meeting.

In accordance with the Articles of Association, Bygghemma is to have one auditor or registered audit firm. Bygghemma's auditor is Öhrlings PricewaterhouseCoopers

AB, with authorised public accountant Eva Carlsvi as auditor in charge.

Appointment of the auditors for services other than auditing is carried out in accordance with the audit services policy established by the Audit Committee. According to Bygghemma's assessment, the advisory services provided by Öhrlings PricewaterhouseCoopers AB during the year did not compromise the firm's independence.

The auditor has participated in all of the Audit Committee's meetings and in one Board meeting. In connection with the Board meeting on 21 January 2019, the auditor met with the Board without the attendance of any employees (including senior executives).

Information on full remuneration to the auditors is stated in note 6.

Remuneration to Board members

Fees and other remuneration to Board members, including the Chairman, are decided at the Annual General Meeting. The Annual General Meeting on 15 May 2019 resolved that the following remuneration is to be paid for the period until the next Annual General Meeting: SEK 400,000 to the Chairman of the Board, SEK 200,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee.

Remuneration to CEO and other senior executives

The Annual General Meeting on 15 May 2019 adopted guidelines for remuneration to Senior Executives. The guidelines stipulate that the remuneration is to be based on conditions that are market competitive and well balanced. In addition, the remuneration should contribute to sound ethics and a good corporate culture and be aligned with the shareholders' interests. Remuneration to the senior executives is to consist of a fixed and variable salary as well as the possibility to participate in a long-term incentive programme, including share-based instruments such as synthetic options and employee stock options, and pension schemes. These components shall create well-balanced remuneration reflecting the individual's competence, responsibility and performance, in both the short and long term, and Bygghemma's overall performance.

The senior executives' fixed salary is to be competitive and based on the individual senior executive's competences, responsibilities and performance. Fixed salary may also be lower than what may be regarded as marketable for comparable companies. In order for the salary to be regarded as marketable and motivate senior executives, motivate senior executives are to be given the opportunity to receive variable salary and participate in long-term incentive programmes. The contracted variable remuneration may not exceed a maximum of 200 % of the fixed annual salary for the CEO and 200 % of the fixed annual salary for the other senior executives. The variable remuneration is to be based on the performance of the senior executives in relation to predetermined and measurable goals and targets aimed at promoting long-term value creation, which are to be established and documented annually.

Bygghemma provides other benefits to senior executives in accordance with local practice. Such other benefits may include a company car and company healthcare. Occasionally, for a limited period, a housing allowance may be granted where appropriate. Senior executives are entitled to pension contributions based on the customary practice in the country in which they are employed.

No senior executive is entitled to severance pay in addition to salary and benefits during the notice period. The notice period may not exceed 12 months.

In special circumstances, the Board may deviate from the guidelines. In such a case, the Board must explain the reason for the deviation at the following Annual General Meeting.

Control environment

The Board has the overall responsibility for the internal control in relation to financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies, guidelines and steering documents governing financial reporting.

These documents primarily comprise the rules of procedure for the Board, work instruction for the CEO, instructions for financial reporting and instructions for the committees established by the Board. The Board has also adopted attestation instructions and a Finance Policy. Bygghemma also has a Financial Manual, which contains principles, guidelines and procedure descriptions for accounting and financial reporting.

In addition, the Board has adopted several IT-related policies where matters such as data recovery are addressed. Furthermore, the Board has established an Audit Committee whose main task is to monitor the financial reporting, and the effectiveness of the internal control and risk management as well as to review and monitor the auditor's impartiality and independence.

The responsibility for the day-to-day work of maintaining the control environment rests primarily with the CEO, who on a regularly basis reports to the Board in accordance with established instructions. Bygghemma's finance department plays an important role in ensuring that the financial reporting provides reliable information. It is responsible for the financial information being complete, correct and published in a timely fashion.

Each local entity within BHG is organized with its own Board and, as applicable, CEO, with responsibility for control of the local business according to guidelines and instructions from Group level. Each local entity has its own administration, which takes care of bookkeeping and financial reporting.

The local entities primarily report to the CEO and CFO. In addition to internal monitoring and reporting, the external auditors report to the CEO and the Board throughout the financial year.

Risk assessment and control activities

Risk assessment includes identifying and evaluating the risk of material errors in the accounting and reporting at Group level as well as in the subsidiaries. Risk assessment is carried out regularly and in accordance with established guidelines focusing on individual projects. The Board is responsible for the internal control and for monitoring management. This is carried out through both internal and external control activities as well as through examination and monitoring of the policies and steering documents. Within the Board, the Audit Committee is primarily responsible for continuously assessing the risk situation, after which the Board performs an annual review of the risk situation.

Bygghemma actively performs different control activities in order to identify, address and rectify risks in all parts of the organization, and to ensure and improve internal control in operations. As part of the work related to internal control risk, the key risks are assessed, evaluated and compiled on a yearly basis. Each identified risk is assessed based on its probability and potential impact/effect on operations. This work primarily concerns strategical and operational risks, but financial and legal risks as well as other key risks are also processed. Uniform accounting and reporting instructions apply to all entities within BHG. The guidelines for internal control are followed up in all entities during the financial year. The local entities' financial development is continuously monitored through monthly reporting, which focuses mainly on revenues, earnings and order book. This reporting also includes legal and operational follow-up, with a focus on individual projects. Other key components of the internal control are the annual business planning process and budget and forecast processes.

**Information and communication**

Bygghemma has information and communication channels to ensure the correctness of the financial reporting and to facilitate reporting and feedback from the operations to the Board and management, for example, by making corporate governance documents such as internal policies, guidelines and instructions regarding financial reporting available and known to the employees concerned. Financial reporting is carried out in a Group-wide system with pre-defined reporting templates.

Bygghemma's financial reporting complies with Swedish laws and regulations and the local laws in each country where operations are conducted. Bygghemma's information to shareholders and other stakeholders is provided through the annual report, interim reports and press releases.

Monitoring

The compliance and effectiveness of the internal control are constantly monitored. The CEO ensures that the Board continuously receives reports on the development of the

activities, including the development of the results and financial position, as well as information regarding important issues and events. The CEO also reports on these matters at every ordinary Board meeting.

The Board and the Audit Committee examines the annual report and interim reports and conducts financial evaluations in accordance with an established plan and model. The Audit Committee monitors the financial reporting and other related matters and regularly discusses these matters with the auditors.

During the monitoring of the compliance and effectiveness of the internal control activities, the Board has found that these are, in all material respects, properly applied in the Group and determined that an internal control function, considering the format of the risk assessment and control activities, is the most effective method for monitoring the internal control. The Board has therefore decided not to establish a separate internal audit function.



Consolidated income statement

(SEKm)	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating income			
Net sales	4	6,212.5	4,973.7
Other operating income	9	0.4	0.3
		6,212.8	4,974.0
Operating expenses			
Cost of goods sold		-4,721.9	-3,926.2
Personnel costs	7, 8	-493.4	-420.4
Other external costs and operating expenses	6, 26	-525.5	-469.6
Other operating expenses	9	-5.0	-4.6
Depreciation and amortization of tangible and intangible fixed assets	13, 14	-185.0	-65.8
		-5,930.8	-4,886.7
Operating income		282.0	87.2
Financial items			
Financial income	10	8.1	32.7
Financial expenses	10, 20	-57.0	-68.4
		-48.9	-35.7
Profit/loss before tax		233.1	51.5
Tax			
Income tax	11	-53.2	3.5
PROFIT/LOSS FOR THE YEAR		179.9	55.0
Attributable to:			
Equity holders of the parent		176.2	54.1
Non-controlling interest		3.6	0.9
PROFIT/LOSS FOR THE YEAR		179.9	55.0
Earnings per share before dilution, (SEK)	12	1.64	0.04
Earnings per share after dilution, (SEK)	12	1.64	0.04


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEKm)	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Profit/loss for the year		179.9	55.0
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences for the year		5.8	7.2
	12, 19	5.8	7.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		185.7	62.2
Attributable to:			
Parent company shareholders		181.6	62.4
Non-controlling interest		4.1	-0.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		185.7	62.2



Consolidated statement of financial position

(SEKm)	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
Intangible fixed assets	13		
Development expenses		125,9	77,4
Trademarks		855,4	827,3
Customer relationships		304,9	312,0
Goodwill		2 896,7	2 590,7
Other intangible fixed assets		7,4	8,6
		4 190,2	3 815,9
Tangible fixed assets	14		
Equipment		21,6	11,7
Leased fixed assets		459,2	-
Buildings and land		10,7	11,3
Leasehold improvements		18,3	11,2
		509,8	34,2
Financial fixed assets			
Other financial fixed assets		6,6	5,4
		6,6	5,4
Deferred tax asset	11	13,5	6,0
Total fixed assets		4 720,1	3 861,5
Current assets			
Inventories	16		
Finished goods and merchandise		650,0	500,7
Advances to suppliers		18,4	4,2
		668,4	504,9
Short term receivables			
Accounts receivable	17	84,1	79,7
Other current receivables, non-interest-bearing		142,0	59,5
Prepaid expenses and accrued income	18	133,3	119,4
		359,5	258,6
Cash and cash equivalents	25		
Cash and cash equivalents		270,3	226,9
		270,3	226,9
Total current assets		1 298,1	990,4
TOTAL ASSETS		6 018,2	4 851,9



(SEKm)	Note	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
Equity	19		
<i>Equity attributable to owners of the parent</i>			
Share capital		3,2	3,2
Other capital contributions		2 667,4	2 667,4
Reserves		14,7	9,4
Retained earnings		204,3	103,0
		2 889,7	2 783,1
<i>Non-controlling interest</i>			
Non-controlling interest		35,4	31,3
Total equity		2 925,1	2 814,4
Non-current liabilities	25		
<i>Interest-bearing</i>			
Liabilities to credit institutions	20	813,6	694,9
Non-current lease liabilities	26	339,7	-
Other liabilities	22, 25	507,0	278,3
		1 660,3	973,3
<i>Non-interest-bearing</i>			
Deferred tax liability	11	249,6	234,3
Other provisions	21	23,0	1,9
		272,7	236,3
Long term liabilities to Group companies		1 933,0	1 209,5
Current liabilities	25		
<i>Interest-bearing</i>			
Current lease liabilities	26	118,9	-
Other liabilities	22, 25	47,5	42,0
		166,3	42,0
<i>Non-interest-bearing</i>			
Advance from customers		98,7	75,9
Accounts payable		534,7	497,9
Tax liabilities		32,6	13,6
Other liabilities		169,4	68,8
Accrued expenses and prepaid income	23	158,4	129,8
		993,8	786,0
Total current liabilities		1 160,1	828,1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6 018,2	4 851,9

For information concerning pledged assets and contingent liabilities, see Note 24.

Consolidated statement of changes in equity

(SEKm)	Not e	Share capital	Other capital contributi ons	Translations reserve	Retained earnings incl. Profit/loss for the year	Total	Non- controlling interest	Total equity
Opening balance, 1 January 2018		2.4	2,323.1	1.1	48.5	2,375.1	-	2,375.1
Comprehensive income for the year								
Profit/loss for the year					54.1	54.1	0.9	55.0
Other comprehensive income				8.3		8.3	-1.1	7.2
		-	-	8.3	54.1	62.4	-0.2	62.2
New share issue *		0.9	344.3			345.2		345.2
Warrants	7				4.6	4.6		4.6
Remeasurement of liabilities to non-controlling interest	22				-4.2	-4.2		-4.2
Transactions with non-controlling interest	5					-	31.5	31.5
		0.9	344.3	-	0.4	345.6	31.5	377.1
Closing balance, 31 December 2018		3.2	2,667.4	9.4	103.0	2,783.1	31.3	2,814.4
Effects from changed accounting standards					-10.4	-10.4	-0.0	-10.5
Comprehensive income for the year								
Profit/loss for the year					176.2	176.2	3.6	179.9
Other comprehensive income				5.4		5.4	0.4	5.8
		-	-	5.4	176.2	181.6	4.1	185.7
Warrants	7				6.0	6.0		6.0
Remeasurement of liabilities to non-controlling interest	22				-70.5	-70.5		-70.5
		-	-	-	-64.5	-64.5	-	-64.5
Closing balance, 31 December 2019		3.2	2,667.4	14.7	204.3	2,889.7	35.4	2,925.1

* Transaction-related costs of approximately SEK 8.1 million (SEK 6.3 million after tax) attributable to the issue of new ordinary shares are recognised net after tax directly in shareholders' equity, as a reduction of the share issue proceeds.



Consolidated statement of cash flows

(SEKm)	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating operations			
Profit before tax		233.1	51.5
Adjustments for items not included in cash flow	27	211.6	79.6
Income tax paid		-34.4	-33.2
		410.2	97.9
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-90.4	-98.5
Increase (-)/decrease (+) in other current receivables		-41.1	-31.1
Increase (+)/decrease (-) in accounts payable		-7.9	110.5
Increase (+)/decrease (-) in other current liabilities		120.2	41.8
		-19.2	22.7
Cash flow from operating activities		391.1	120.6
Investing activities			
Investment in operations	5	-251.4	-58.4
Investments in tangible fixed assets	14	-73.6	-8.9
Divestment of tangible fixed assets	14	1.3	0.1
Investments in intangible fixed assets	13	-24.4	-59.5
Divestment of financial fixed assets		-	0.3
Cash flow from/ to investing activities		-348.1	-126.3
Financing activities			
New share issue		-	343.4
Issue of warrants		6.0	4.6
Loans raised	25, 28	307.4	693.9
Amortization of loans	25, 26, 28	-315.7	-968.5
Cash flow to/from financing activities		-2.4	73.5
Cash flow		40.6	67.7
Cash and cash equivalents at the beginning of the year		226.9	156.1
Translation differences in cash and cash equivalents		2.8	3.1
Cash and cash equivalents at the end of the year	28	270.3	226.9



Parent Company income statement

(SEKm)	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating income			
Net sales	4	0.9	2.4
		0.9	2.4
Operating expenses			
Personnel costs	7, 8	-15.4	-15.9
Other external costs and operating expenses	6, 26	-6.9	-18.7
Other operating expenses		-0.0	-0.0
		-22.2	-34.7
Operating income		-21.4	-32.3
Financial items			
Financial income	10	0.1	0.7
Financial expenses	10, 20	-1.8	-0.6
		-1.7	0.1
Profit/loss after financial items		-23.1	-32.2
Appropriations			
Group contributions received		33.0	29.5
		33.0	29.5
Profit/loss before tax		9.9	-2.6
Tax			
Income tax	11	-2.5	0.5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7.5	-2.1

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



Parent Company balance sheet

(SEKm)	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Intangible fixed assets	13		
Development expenses		0.3	0.1
Other intangible fixed assets		0.1	0.2
		0.5	0.2
Financial fixed assets			
Participations in Group companies	15	2,691.6	2,691.6
Receivables in Group companies		-	29.0
		2,691.6	2,720.6
Deferred tax assets	11	-	2.3
Total fixed assets		2,692.0	2,723.1
Current assets			
Short term receivables			
Receivables in Group companies		32.9	72.7
Other receivables		0.4	1.3
Prepaid expenses and accrued income	18	7.5	0.2
		40.8	74.2
Cash and cash equivalents	25		
Cash and cash equivalents		17.2	6.6
		17.2	6.6
Total current assets		57.9	80.8
TOTAL ASSETS		2,749.9	2,803.9



(SEKm)	Note	31/12/2019	31/12/2018
EQUITY AND LIABILITIES			
Equity	19		
<i>Restricted equity</i>			
Share capital		3.2	3.2
		3.2	3.2
<i>Unrestricted equity</i>			
Share premium reserve		2,667.4	2,667.4
Retained earnings		58.6	54.8
Profit/loss for the year		7.5	-2.1
		2,733.5	2,720.1
Total equity		2,736.8	2,723.3
Liabilities to credit institutions		-	30.0
Total non-current liabilities		-	30.0
Current liabilities			
Accounts payable		0.2	0.7
Liabilities to Group companies		0.0	43.2
Tax liabilities		0.1	-
Other liabilities		0.2	0.1
Accrued expenses and prepaid income	23	12.6	6.6
Total current liabilities		13.2	50.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITY		2,749.9	2,803.9

Parent Company statement of changes in equity

(SEKm)	Not e	Share capital	Share premium reserve	Retained earnings	Profit/loss for the year	Total equity
Opening balance, 1 January 2018		2.4	2,323.1	49.9	0.2	2,375.6
Comprehensive income for the year						
Appropriation of profits according to decision on annual general meeting				0.2	-0.2	-
Profit/loss for the year					-2.1	-2.1
		-	-	0.2	-2.3	-2.1
New share issue*		0.9	344.3			345.2
		0.9	344.3	4.6	-	349.8
Closing balance, 31 December 2018		3.2	2,667.4	54.8	-2.1	2,723.3
Comprehensive income for the year						
Appropriation of profits according to decision on annual general meeting				-2.1	2.1	-
Profit/loss for the year					7.5	7.5
		-	-	-2.1	9.6	7.5
Warrants	7			6.0		6.0
		-	-	6.0	-	6.0
Closing balance, 31 December 2019		3.2	2,667.4	58.6	7.5	2,736.8

* Transaction-related costs of approximately SEK 8.1 million (SEK 6.3 million after tax) attributable to the issue of new ordinary shares are recognised net after tax directly in shareholders' equity, as a reduction of the share issue proceeds.



Parent Company statement of cash flows

(SEKm)	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating operations			
Profit before tax		9.9	-2.6
Adjustments for items not included in cash flow	27	-32.9	-29.5
Income tax paid		-0.1	-0.0
		-23.1	-32.2
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		-6.2	18.9
Increase (+)/decrease (-) in accounts payable		-0.5	0.6
Increase (+)/decrease (-) in other current liabilities		6.1	-13.3
		-0.6	6.2
Cash flow from operating activities		-23.7	-26.0
Investing activities			
Shareholders' contribution paid out		-	-339.5
Investments in intangible fixed assets	13	-0.3	-0.2
Loans to group companies		-	-24.0
Reimburse of loans group companies		29.0	-
Cash flow from/ to investing activities		28.7	-363.7
Financing activities			
New share issue		-	343.4
Issue of warrants		6.0	4.6
Loans raised	25, 28	27.6	30.0
Amortization of loans		-57.6	-
Group contributions received		72.7	-
Group contributions paid		-43.2	-
Cash flow to/from financing activities		5.5	378.0
Cash flow		10.5	-11.7
Cash and cash equivalents at the beginning of the year		6.6	18.3
Cash and cash equivalents at the end of the year		17.2	6.6

Supplementary disclosures

NOTE 1 GENERAL INFORMATION

Bygghemma Group First AB (publ) is registered in Malmö, Sweden. The company's address is Hans Michelsensgatan 9, SE-211 20 Malmö, Sweden. The consolidated income statement and balance sheet at 31 December 2019 include the Parent Company and its subsidiaries.

Bygghemma Group is a leading Nordic online-based provider of home improvement products. Bygghemma Group has continuously increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY and home furnishings.

The DIY segment comprises sales of building materials as well as related products, and includes the main webstores www.bygghemma.se, www.netrauta.fi, www.taloon.com, www.frishop.dk, www.badshop.se, www.talotarvike.com, www.bygghjemme.no, www.golvshop.se, www.byghjemme.dk, www.byggshop.se, www.stonefactory.se, www.golvpoolen.se, www.polarpumpen.se, www.vitvaruexperten.com, www.nordiskafonster.se, www.VVSKupp.no and www.out11.se as well as 20 showrooms in Sweden, Finland, Norway and Denmark.

The Home Furnishing segment comprises sales of furniture, home furnishings and related products, and includes the main webstores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se, www.baldai.lt, www.moobel1.ee and www.lampgallerian.se as well as 55 showrooms in Sweden, Finland and Denmark.

Bygghemma Group First AB (publ) has been listed on Nasdaq Stockholm since 27 March 2018. For information about the company's owners, see page 23.

This annual report was approved for publication by the Board of Directors and the CEO on 27 March 2020.

OTE 2 ACCOUNTING AND MEASUREMENT POLICIES

2.1 Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application in the EU. Recommendation RFR 1 Supplementary Accounting Rules for Groups from the Swedish Financial Reporting Board has also been applied in the preparation of these consolidated financial statements.

The Parent Company applies the same accounting policies as the Group except in the cases specified below under the section "Parent Company accounting policies".

The Parent Company's functional currency is Swedish kronor (SEK), which also constitutes the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million.

The accounting policies stated below have been applied consistently to all periods presented in the consolidated financial statements.

2.1.1 Disclosures concerning IFRS and interpretations that became effective in 2019

IFRS 16 Leases. The Group applies IFRS 16 Leases as of 1 January 2019. The change in standards primarily entail that leases recognised as operating leases according to previous accounting policies (IAS 17) are now recognised as a right-of-use asset in the statement of financial position, which represents the Group's right to use the premises, and as a lease liability, which represents an obligation to make lease payments.

The effect of the transition to IFRS 16 on the Group is described further in Note 31.

No other amendments to IFRS or IFRIC interpretations that came into effect in 2019 had a material impact on the Group's financial statements.

2.1.2 New IFRS that have not yet been applied

The new or amended IFRS or IFRIC interpretations that will come into effect in the coming financial year were not applied in advance when preparing the financial statements. Introductions or changes with future application will not be applied in advance.

None of the IFRS or IFRIC interpretations that have yet to come into effect are expected to have any material impact on the Group's financial statements.

2.1.3 Voluntary change of accounting policy regarding liabilities to non-controlling interests

In connection with certain acquisitions, the Group has entered into agreements with non-controlling interests to acquire their holdings at some point in the future. The agreements include a right to acquire remaining shares but also an obligation for the Group to acquire the remaining shares if the seller exercises the option to sell in the agreement. Taking this into consideration, the Group has determined that all risks and rewards are transferred to the Group in conjunction with the acquisition and the Group recognises no non-controlling interests related to these shares, since they are regarded as being acquired from a financial perspective. The future commitment to acquire shares is recognised as a financial liability, initially at the estimated discounted present value of the future strike amount.

Remeasurements of the financial liability were formerly recognised in profit or loss under net financial items. As of the 2019 financial year, the Group changed its accounting policy and recognises remeasurements of the financial liability in equity.

The change of accounting policy is based on the fact that non-controlling interests are to be recognised directly in equity in conjunction with the application of IFRS 10.

Accordingly, the Group has determined that the recognition of remeasurements of equity better reflects the transaction's financial substance since it pertains to a transaction with non-controlling interests, and has thus chosen to change the accounting policy.

The change in accounting policy was recognised retroactively in accordance with IAS 8, which entails an adjustment of the figures for the 2018 comparative year, specifically of positive SEK 4.2 million to financial items. The effect of SEK 4.2 million was instead recognised directly in equity on the line "Remeasurement of liabilities to non-controlling interests".

For 2019, a remeasurement is recognised directly in equity in an amount of SEK 70.5 million instead of being recognised as financial items.

The change of accounting policy entails an impact on earnings per share before and after dilution of SEK 0.66 for the quarter and SEK 0.66 for the full year (SEK 0.04 and SEK 0.04, respectively).

2.1.4 Measurement basis applied to the preparation of the financial statements

Assets and liabilities are recognised at historical cost, except for financial instruments. Financial assets and financial liabilities are measured at amortised cost with the exception of liabilities for earn-outs, which are measured at fair value.

2.2 Classification

Non-current assets and non-current liabilities consist, in all material respects, of amounts expected to be recovered or paid more than 12 months from the balance-sheet date. Current assets and current liabilities consist, in all material respects, of amounts expected to be recovered or paid within 12 months from the balance-sheet date.

2.3 Operating segment reporting

An operating segment is a part of the Group that conducts operations that can generate revenue and incur costs, and for which independent financial information is available. The earnings of an operating segment are also monitored by the company's chief operating decision-maker to enable them to be assessed and to allow resources to be allocated to the operating segment. The Group's operations are divided into two operating segments:

DIY is a retailer of building materials, and primarily comprises the webstores www.byggghemma.se, www.netrauta.fi, www.taloon.com, www.frishop.dk, www.badshop.se, www.talotarvike.com, www.byggghjemme.no, www.golvshop.se, www.byghjemme.dk, www.byggshop.se, www.stonefactory.se, www.golvpoolen.se, www.polarpumpen.se, www.vitvaruexperten.com, www.nordiskafonster.se, www.VVSKupp.no and www.out11.se as well as 20 showrooms in Sweden, Finland, Norway and Denmark.

Home Furnishing is a retailer of furniture and home furnishings, and primarily comprises the webstores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se,

www.baldai.lt, www.moobel1.ee and www.lampgallerian.se as well as 55 showrooms in Sweden, Finland and Denmark.

2.4 Consolidation policies and business combinations

2.4.1 Subsidiaries

Subsidiaries are companies that are under Byggghemma Group First AB's (publ) controlling influence. Byggghemma Group First AB exerts a controlling influence when it has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To assess whether a controlling influence exists, potential voting shares and whether de facto control exists are taken into account.

2.4.2 Acquisitions

Subsidiaries are recognised in accordance with the purchase method of accounting. When applying the method, an acquisition of a subsidiary is viewed as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value, on the date of acquisition, of the identifiable assets, assumed debts and any non-controlling interests. Transaction fees that arise, except for transaction fees attributable to issues of equity instruments or debt instruments, are recognised directly in profit or loss.

In business combinations where the transferred remuneration, any non-controlling interests and the fair value of previously held participations (step acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are to be recognised separately, the difference is recognised as goodwill. If the difference is negative, known as a bargain acquisition, it is recognised directly in profit or loss.

When an acquisition does not involve 100 percent of the subsidiary, a non-controlling interest arises. In acquisitions where shareholders with non-controlling interests have the option to sell the holding to the Group at some point in the future, the Group does not recognise any non-controlling interests because the liability recognised for the option issued (see section 2.4.4 below) is recognised against non-controlling interests in equity at the time of acquisition. There are two alternative methods for recognising non-controlling interests. These two alternatives are recognising the non-controlling interest's proportionate share of net assets or recognising the non-controlling interest at fair value, which means that the non-controlling interest has a share of goodwill. The Group recognises the non-controlling interests' proportionate share of net assets.

For step acquisitions, the goodwill is established at the same time as the controlling interest arises. Previous holdings are measured at fair value and the change in value is recognised in profit or loss.

For divestments that lead to a loss of controlling influence but where a holding remains, the holding is measured at fair value and the change in value is recognised in profit or loss.

2.4.3 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are recognised as a transaction of equity, meaning between the owner of the Parent Company (within retained earnings) and the non-controlling interest. This is the reason why goodwill does not arise in these transactions. The change in non-controlling interests is based on their proportionate share of net assets.

2.4.4 Put options and call options on acquiring non-controlling interests

In connection with acquisitions, the Group has entered into agreements with non-controlling interests to acquire their holdings at some point in the future. These put options and call options on acquiring non-controlling interests are recognised as a financial liability, initially at the estimated discounted value of the future strike amount, and they reduce the equity of non-controlling interests in the Group when the shares are considered to be acquired. Accordingly, the Group does not recognise non-controlling interests for these entities in subsequent periods and their profit/loss is attributed in its entirety to Parent Company shareholders. Any remeasurements are recognised directly in equity (see section 2.1.3 above regarding change in accounting policy).

2.4.5 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising in intra-Group transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

2.5 Foreign currency

2.5.1 Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences that arise during translation are recognised in profit or loss.

2.5.2 Financial statements for foreign operations

Assets and liabilities in foreign entities, including goodwill and other consolidated surplus values and deficits, are translated from the foreign entity's functional currency to the Group's reporting currency, SEK, at the exchange rate prevailing on the balance-sheet date. Revenue and expenses from a foreign operation are translated to SEK using an average exchange rate which is an approximation of the exchange rates prevailing at the various transaction dates. Exchange-rate differences arising from currency translation in foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity, called the translation reserve. In the event of a foreign operation not being wholly owned, the translation difference is allocated to non-controlling interests based on the proportional ownership. When a foreign entity is divested, the accumulated translation differences attributable to the entity are realised, upon which they are reclassified from the

translation reserve in equity to profit or loss. In the case of a divestment where the controlling interest remains, a proportional share of the accumulated translation difference is transferred from other comprehensive income to non-controlling interests.

2.6 Revenue

2.6.1 Sale of goods via e-commerce platforms

Revenue from the sale of goods via e-commerce platforms is recognised at a certain point in time, usually when the goods have been submitted to a third-party logistics company since control over the goods is transferred at this point. Revenue is recognised after deducting value added tax, discounts and the expected return rate. The majority of total sales are made to consumers who, depending on the country, usually have a right of withdrawal for distance shopping. At the same time as a deduction is made from the revenue for expected returns of goods, a deduction is also made from the cost of goods sold corresponding to the cost of the goods expected to be returned. The revenue reduction for the expected return rate is recognised as a liability for returns under "Accrued expenses and deferred income" in the statement of financial position, while a return asset that reflects the right to receive the returned goods is recognised under "Prepaid expenses and accrued income". The Group reassesses its estimate of expected returns on each balance-sheet date and updates the amount of the asset and the liability accordingly.

The Group's revenue shows seasonal variations. Along with the third quarter, the second quarter normally has the highest sales.

2.7 Leases

2.7.1 Principles from 1 January 2019

The Group primarily leases storage, office and retail premises. Previously, the Group recognised these leases as operating leases and lease payments were recognised on a straight-line basis over the term of the lease. From 1 January 2019, the Group 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 an obligation to make lease payments. Lease payments are divided between repayments of the principal and the interest of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or over the useful life of the asset, if it is shorter than the term of the lease).

On the commencement date for a lease, the lease liability is valued at the current value of unpaid lease payments to date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined. If it cannot be easily determined, the incremental borrowing rate is used instead, which is the case for the majority of the Group's leases. The incremental borrowing rate reflects the Group's credit risk as well as each lease's term, currency and the quality of the underlying asset to be pledged. The interest rate is determined based on officially published swap curves of each currency to which is added a margin that reflects the Group's credit rating and quality of the underlying asset to be pledged. Lease payments include:

- a) fixed payments (including in-substance fixed payments), less any lease incentives
- b) variable lease payments that depend 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 exercising an option to terminate the lease.

For leases with several components – lease and non-lease components – the Group allocates the consideration according to the lease for each component based on the stand-alone price. Non-lease components are not included in lease payments. The Group's sales-based lease payments are limited in scope. They are not based on an index or price and are therefore not included in the lease liability. Sales-based lease payments are expensed during the relevant period.

At the commencement date, the right-of-use asset is measured at cost comprising:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date less any lease incentives received
- c) any initial direct costs, and
- d) an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required.

The lease liability for the Group's premises with index-dependent rent is calculated based on the rent at the end of each reporting period. The right-of-use asset's carrying amount is also adjusted by an equivalent amount. The value of the liability and the asset are adjusted similarly in connection with reassessment of the lease term. This takes place in connection with the most recent termination date before the previously assessed lease term for the lease passing or when significant events occur or situations change outside the Group's control and affects the current assessment of the lease term.

Payments for low-value leases and for short-term leases are expensed on a straight-line basis over the term of the lease. Low-value lease are assets with a value of SEK 50 thousand or less in new condition, and short-term leases have a term of no more than 12 months from the commencement date.

2.7.2 Principles before 1 January 2019

Costs related to operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Benefits received in connection with the signing of a contract were recognised in profit or loss as a straight-line reduction in lease payments over the term of the lease. Variable fees were expensed in the periods in which they arose.

2.8 Financial income and expenses

Financial income comprises interest income on invested funds and is recognised in profit or loss applying the effective interest method.

Financial expenses consist of interest expenses on loans and interest rates on lease liabilities. Borrowing costs are recognised in profit or loss applying the effective interest method.

Exchange rate gains and losses are recognised on a net basis in operating income for operational activities and on a financial basis for financial items.

Gains and losses arising from a change in the fair value of contingent earn-outs are recognised among financial items.

The effective interest rate is the rate that discounts the estimated future receipts and disbursements during the financial instrument's expected term to the recognised net value of the financial receivable or liability. The calculation includes all fees paid or received by the contractual parties, transaction costs or other premiums or deficits.

2.9 Taxes

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is also recognised in other comprehensive income or in equity.

Current tax is tax to be paid or refunded relating to the current year, with the application of the tax rates resolved, or in practice resolved, as of the balance-sheet date. Current tax also includes adjustments of current tax attributable to earlier periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill; nor are they taken into account for differences arising on initial recognition of assets and liabilities that are not business combinations which, at the time of the transaction, do not affect recognised or taxable earnings.

Furthermore, temporary differences related to participations in subsidiaries that are not expected to be transferred within a foreseeable future are not taken into account. The measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules resolved, or in practice resolved, as of the balance-sheet date. Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognised only to the extent that it is probable that it will be possible to utilise them. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Potential additional income tax related to dividends is recognised at the same time as the dividend is recognised as a liability.

2.10 Financial instruments

Financial instruments recognised in the statement of financial position include deposits, accounts receivable, other receivables, accrued income, participations in unlisted companies, cash and cash equivalents on the asset side. The liability side includes liabilities through the Group's credit facility, earn-outs, accounts payable, other liabilities and accrued expenses.

2.10.1 Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes party to the asset or liability in accordance with the instrument's contractual conditions. Accounts receivable are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and a contractual obligation for the company to pay exists, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received.

On some of the Group's e-commerce platforms, customers are offered loans from a financial institution that the Group partners with to finance their purchases. If the customer chooses to utilise such a credit solution, the financial institution receives a receivable from the customer, while the Group receives liquidity from the institution within a couple days of the completed purchases. The Group assumes no credit risk or other risk for the receivables the credit institution has from the customer. Accordingly, the Group recognises no accounts receivable in the statement of financial position if the customer chooses to utilise a credit solution from the financial institution, since in these cases it is the financial institution that is entitled to receive payment from the customer and is entitled to all of the risks and rewards associated with the receivable. However, during the period from the time the purchase is made until the Group receives liquidity from the financial institution, the Group recognises a receivable from the institution for the liquidity amount.

A financial asset is derecognised from the statement of financial position when the rights in the contract are realised, expire or the Group loses control of them. A financial liability is derecognised from the statement of financial position when the obligation in the contract is met or extinguished in another manner.

Acquisitions and divestments of financial assets are recognised on the settlement day. The settlement day is the day on which an asset is delivered to or from the company.

2.10.2 Classification and measurement of financial assets

All financial assets, except the Group's participations in unlisted companies, are measured at amortised cost, since they are held within the framework of a business model wherein the aim is to collect the contractual cash flows, while the cash flows from the assets only comprise payments of the principal and interest.

Participations in unlisted companies are measured at fair value through profit or loss. However, the Group has concluded that the cost of participations in unlisted companies is a fair approximation of their fair value.

2.10.3 Subsequent classification and measurement of financial liabilities

Financial liabilities are classified as either measured at amortised cost or measured fair value through profit or loss. The Group's liabilities for earn-outs attributable to business combinations are measured at fair value through profit or loss. Other financial liabilities are recognised at amortised cost.

Recognition of financial income and expenses is also addressed under accounting policy 2.8 above.

2.11 Tangible fixed assets

Tangible fixed assets are recognised in the Group at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to transporting the asset to the correct site and preparing it for the manner intended by the acquisition. Borrowing costs directly related to the purchase, construction or production of assets that took a significant amount of time to finalise for the intended use or sale are included in cost. The carrying amount of a tangible asset is derecognised from the statement of financial position when it is disposed or divested or when no future financial benefits are expected from the use or disposal/divestment of the asset.

Gains or losses arising from the divestment or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating income/expenses.

2.11.1 Depreciation policies for tangible fixed assets

Depreciation is effected straight line over the estimated useful life of the asset. The depreciation methods, residual values and useful lives used are retested at the end of each year.

The estimated useful lives are:

Buildings	20 years
Equipment	5 years
Leasehold improvements	5 years

2.12 Intangible fixed assets

2.12.1 Intangible fixed assets with an indefinite useful life

2.12.1.1 Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is distributed to cash generating units and is tested, at least annually, for impairment (see accounting policy 2.14). The Group's cash generating units match the operating segments (see accounting policy 2.3).

2.12.1.2 Trademarks

Trademarks are recognised at cost less any accumulated impairment losses. Trademarks are allocated to cash generating units and are tested, at least annually, for impairment (see accounting policy 2.14).



2.12.2 Intangible fixed assets with a definite useful life

2.12.2.1 Development expenditure

Expenditure for development of new or improved products and processes is recognised as an asset in the statement of financial position if the process is technically and commercially useful and the Group has sufficient resources for completion. The carrying amount includes direct costs and, when applicable, salary costs and share of indirect costs. Other expenses are recognised in profit or loss as a cost when they arise. In the statement of financial position, capitalised development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Capitalised development expenditure is mainly related to software and software platforms.

2.12.2.2 Customer relationships

Customer relationships are recognised at cost less accumulated amortisation (see below) and any impairment losses (see accounting policy 2.14).

2.12.2.3 Other intangible fixed assets

Other intangible fixed assets are recognised at cost less accumulated amortisation (see below) and any impairment losses (see accounting policy 2.14).

2.12.3 Amortisation policies for intangible fixed assets

Amortisation is recognised in profit or loss straight line over the intangible fixed asset's estimated useful life, unless the useful life is indefinite. The useful life is retested at least annually. Goodwill and trademarks with an indefinite useful life are tested for impairment annually or as soon as there are indications implying that the asset's value has decreased. Intangible fixed assets with a definite useful life are amortised from the point in time when they become available for use.

The estimated useful lives are:

Development expenditure	5 years
Customer relationships	10 years
Other intangible fixed assets	5 years

2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out principle (FIFO). Net realisable value is the estimated selling price in the operating activities less the estimated cost of completion and sale. Inventory cost is based on cost and includes costs arising in connection with acquisition of goods and bringing the goods to their condition and location. Reserves for obsolescence are included in the cost of goods sold.

2.14 Impairment

The Group's recognised assets are tested at each balance-sheet date to determine if there is an indication of an impairment requirement. IAS 36 is applied for impairment of assets other than financial assets, which are recognised in accordance with IFRS 9.

2.14.1 Impairment of tangible and intangible fixed assets

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated (see below).

The recoverable amount of goodwill, trademarks and intangible fixed assets not yet ready for use is also calculated annually.

If it is not possible to determine essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used, the assets are to be grouped for impairment testing at the lowest level at which it is possible to identify essentially independent cash flows – referred to as a cash generating unit.

An impairment loss is recognised when an asset's or cash generating unit's (group of units) carrying amount exceeds the recoverable amount. An impairment loss is recognised as a cost in profit or loss. If a need for impairment is identified that cannot be attributed to an individual asset but only to a cash generating unit (group of units), the impairment amount is allocated primarily to goodwill. Thereafter, a proportional impairment of other assets included in the unit (group of units) is carried out.

The recoverable amount is the highest of the fair value less selling expenses and value in use. For the purpose of calculating the value in use, future cash flows are discounted using a discount factor that reflects risk-free interest rate and the risk associated with the specific asset.

Impairment losses are reversed if there is an indication that the impairment requirement no longer exists and a change has been made to the assumptions that formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only performed to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognised, less any depreciation/amortisation where relevant, if no impairment loss had been recognised.

2.14.2 Impairment of financial assets

The Group recognises provisions for expected credit losses on financial assets measured at amortised cost. The loss allowance for accounts receivable is measured at an amount corresponding to the expected credit losses throughout the term of the receivable.

A need for impairment of accounts receivable is established using historical experience of customer bad debts for similar claims. The credit losses are measured as the present value of all deficits in the cash flows (meaning the difference between the contractual cash flows and the cash flow the Group expects to receive). Accounts receivable are normally 100 percent impaired 90 days after the repayment date since, according to the Group's assessment, this corresponds to the expected credit loss at this point in time.

The loss allowance reduces the fair value of the assets in the statement of financial position.

2.15 Dividends to owners

2.15.1 Dividends

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

2.15.2 Buyback of own shares

Buybacks of own shares are recognised as a deduction from equity. Proceeds from the divestment of such equity instruments are recognised as an increase in equity. Any transaction costs are recognised directly in equity.

2.16 Employee benefits

2.16.1 Short-term employee benefits

Short-term employee benefits are calculated without discounting and recognised as an expense when the related services are provided.

A provision is recognised for the expected cost of bonus payments when the Group has a valid legal or informal obligation to make such payments as a result of services received from employees and the obligation can be reliably calculated.

2.16.2 Long-term employee benefits

Incentive programme 2018

In 2018, the Group introduced an incentive programme for key employees in the Group. Within the framework of the programme, participants are offered an opportunity to acquire warrants at a price corresponding to the fair value of the warrants on the subscription date. Since the warrants are acquired at fair value, no cost for the programme arises that must be allocated to a particular period under IFRS 2 Share-based Payment. The warrant premium received has been recognised in equity.

Incentive programme 2019

In 2019, the Group introduced a warrant programme that allows employees to acquire shares in the company. Programme participants are offered an opportunity to acquire warrants at a price corresponding to the fair value of the warrants on the subscription date. Participants receive a subsidy from the Group reflecting 50 percent of the options' fair value at the subscription date. An amount corresponding to the subsidy is therefore recognised as share-related remuneration according to IFRS 2. The value of the subsidy is recognised as an employee benefit expense over the vesting period, with an equivalent increase of equity. The warrant premium received has been recognised in equity.

2.16.3 Defined-contribution pension plans

Plans where the company's obligation is limited to the fees that the company has undertaken to pay are classified as defined-contribution pension plans. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company's obligations regarding contributions to defined-contribution plans are recognised as an expense in profit or loss at the rate at which they are vested by employees performing services for the company during a period.

2.16.4 Termination benefits

A cost for termination of employment is only recognised if the company is evidently obliged, without a realistic possibility of withdrawal, due to a formal detailed plan to terminate employment before the usual point in time. When benefits are paid as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

2.17 Provisions

A provision differs from other liabilities because there is uncertainty regarding the date of payment and the amount required for settling the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation due to an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are made in an amount that corresponds to the most reliable estimate of the amount required to settle the existing commitment on the balance-sheet date. Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

2.18 Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

2.19 Parent Company accounting policies

The Parent Company prepares its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. Statements issued by the Swedish Financial Accounting Standard Council for listed companies are also applied. RFR 2 entails that the Parent Company, in the annual accounts for the legal entity, is required to apply all EU-approved IFRS and statements, as far as possible, within the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the connection between accounting and taxation. The recommendation specifies the exceptions and supplements that should be applied in relation to IFRS.

2.19.1 Differences between the accounting policies of the Group and the Parent Company

The differences between the accounting policies of the Group and the Parent Company are stated below. The accounting policies stated below for the Parent Company have been applied consistently for all presented periods in the Parent Company's financial statements.

2.19.1.1 Changed accounting policies

The Parent Company was not affected by the transition to IFRS 16 because RFR 2 states that IFRS 16 does not apply to legal entities.

2.19.1.2 Classification and presentation formats

The Parent Company uses the terms “balance sheet” and “cash flow statement” for the statements designated as the “statement of financial position” and “statement of cash flows” for the Group. The income statement and balance sheet for the Parent Company are prepared according to the stipulations of the Annual Accounts Act while the statement of comprehensive income, statement of changes in equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively.

The differences between the Group statements and the Parent Company’s income statement and balance sheet mainly comprise the recognition of financial income and expenses, equity and the occurrence of provisions as a separate item in the balance sheet.

2.19.1.3 Subsidiaries

Participations in subsidiaries in the Parent Company are recognised according to the cost method. This means that transaction fees are included in the carrying amount of shareholdings in subsidiaries. In the consolidated financial statements, transaction fees attributable to subsidiaries are recognised directly in profit or loss when they arise.

The value of contingent earn-outs is based on the probability that the consideration will be paid. Possible changes in the provision are added to/reduce the cost. In the consolidated financial statements, contingent earn-outs are recognised at fair value with changes in value recognised in profit or loss.

2.19.1.4 Group and shareholder contributions for legal entities

The Parent Company recognises received and paid Group contributions as appropriations in accordance with RFR 2. Shareholder contributions are recognised directly against equity for the recipient and capitalised in shares and participations for the provider if there is no need for impairment.

2.19.1.5 Financial instruments

IFRS 9 is not applied in the Parent Company, which entails that financial instruments are measured at cost. In subsequent periods, financial assets acquired to be held in the short term will be recognised at the lower of cost or market value. In subsequent recognition, financial assets held in the long term will be measured at cost and be tested for impairment.

NOTE 3 IMPORTANT ESTIMATES AND ASSUMPTIONS

Preparing financial statements in accordance with IFRS requires the Board of Directors and executive management to make assessments and estimates that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and costs. The estimates and assumptions are based on historical experience and a number of other factors which under the current conditions seem reasonable. The results of these judgements and

estimates are used to determine the carrying amounts of assets and liabilities that are not otherwise apparent from other resources.

3.1 Significant sources of estimation uncertainty

The sources of estimation uncertainty presented below pertain to those that entail a significant risk of the value of the asset or liability requiring major adjustments during the coming financial year.

The estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised in the period when the change is made if the change affects this period only, or in the period when the change is made and in future periods if the change affects the current period as well as future periods.

3.1.1 Goodwill and other intangible fixed assets

Goodwill and other intangible fixed assets with an indefinite useful life are impairment tested annually or when there are indications of a need for impairment. The impairment testing requires that executive management establishes the fair value of cash generating units based on cash flow forecasts and internal business plans and forecasts. Note 13 contains information on assumptions and risk factors applying to impairment testing of goodwill and other intangible fixed assets with an indefinite useful life.

3.1.2 Insolvency testing of inventories

Inventories are examined each month to determine potential needs for impairment. Impairment losses are recognised in cost of goods sold at an amount which, after careful consideration, is deemed necessary for inventory obsolescence. If actual obsolescence differs from the calculations or if executive management makes future adjustments of the underlying assumptions, the change in valuation may affect profit or loss as well as financial position.

3.1.3 Assessment of return rate

The need for provisions related to future returns is assessed each month. The assessment is based on historical outcomes and actual sales. The need for provision is recognised as a decrease in net sales plus an adjustment of cost of goods sold taking into account the margin on the product.

3.1.4 Measurement of earn-outs

In many of the Group’s business combinations, contingent earn-outs to the seller arise. The earn-outs are largely dependent on the acquired company’s earnings trend. The earn-outs are measured at fair value through profit or loss. Accordingly, an important estimate in determining the fair value of each earn-out is the Group’s assessment of the acquired company’s future earnings trend.

3.1.5 Deferred taxes

The Group recognises deferred tax assets based on loss carryforwards. Management has made assumptions and assessments regarding the business’s future earnings capacity and, based on these, assessed the possibilities of future use of these loss carryforwards.



3.2 Significant judgements in applying the group's accounting policies

3.2.1 Length of lease term

Several of the Group's leases include an extension option. According to IFRS 16, extension options are included in the lease term if the lessee is reasonably certain to exercise them, thus impacting the size of the lease liability and the right-of-use asset that are reported for the lease. See Note 26 for further details of the judgements that the Group applies when judging the length of the lease term.

NOTE 4 OPERATING SEGMENTS

The Group's operations are divided into two segments. Each segment has a segment manager who regularly reports to executive management. The Group's internal reporting is structured to enable executive management to monitor the various segments' sales growth and operating income.

- The DIY segment comprises sales of building materials as well as related products, and includes the main webstores www.byggghemma.se, www.netrauta.fi, www.taloon.com, www.frishop.dk, www.badshop.se, www.talotarvike.com, www.byggghjemme.no, www.golvshop.se, www.byggghjemme.dk, www.byggshop.se,

www.stonefactory.se, www.golvpoolen.se, www.polarpumpen.se, www.vitvaruexperten.com, www.nordiskafonster.se, www.VVSKupp.no and www.out11.se as well as 20 showrooms in Sweden, Finland, Norway and Denmark.

- The Home Furnishing segment comprises sales of furniture, home furnishings and related products, and includes the main webstores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se, www.baldai1.lt, www.moobel1.ee and www.lampgallerian.se as well as 55 showrooms in Sweden, Finland and Denmark.

Subsidiaries are attributed in their entirety to a particular segment.

Other

The Parent Company provides management services to the Group's segments. Such sales occurred at cost price.

2019

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Net sales	3,700.8	2,533.1	26.9	-48.4	6,212.5
Net sales to other segments	6.7	14.8	26.9	-48.4	-
Depreciation, amortization and impairment	-96.9	-88.1	-0.1	-	-185.0
Operating income	136.9	168.0	-22.9	-	282.0
Financial income					8.1
Financial expenses					-57.0
Profit/loss before tax					233.1

2018

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Net sales	3,073.8	1,918.8	20.1	-39.0	4,973.7
Net sales to other segments	7.3	11.6	20.1	-39.0	-
Depreciation, amortization and impairment	-46.3	-19.5	-	-	-65.8
Operating income	102.9	33.7	-49.4	-	87.2
Financial income					32.7
Financial expenses					-68.4
Profit/loss before tax					51.5

No single customer in the Group accounts for more than 10 percent of the Group's revenue.

The Group's segments operate mainly in the Nordic region. Net sales and non-current assets are recognised

below per geographic area. Sales are recognised in those countries where the sales occur.



2019

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Sweden	2,311.6	1,196.1	26.9	-43.4	3,491.3
Finland	964.4	117.1	-	-	1,081.5
Denmark	229.4	498.7	-	-0.7	727.4
Norway	195.4	238.8	-	-0.4	433.8
Other Europe	-	482.3	-	-3.8	478.5
Net sales	3,700.8	2,533.1	26.9	-48.4	6,212.5

2018

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Sweden	2,029.1	1,105.1	20.1	-37.3	3,116.9
Finland	762.4	102.3	-	-	864.7
Denmark	187.3	413.8	-	-1.3	599.9
Norway	95.0	184.9	-	-0.3	279.5
Other Europe	-	112.8	-	-	112.8
Net sales	3,073.8	1,918.8	20.1	-39.0	4,973.7

Fixed assets

(SEKm)	2019	2018
Sweden	4,146.3	3,467.8
Finland	82.5	57.6
Denmark	211.2	169.4
Norway	80.3	-
Other Europe	179.7	155.3
	4,700.0	3,850.1

Contract balances

(SEKm)	2019	2018
Assets		
Refund asset	5.3	5.6
Account receivables	84.1	79.7
Accrued income	9.7	9.3
	99.2	94.6
Liabilities		
Advance from customers	-98.7	-75.9
Refund liability	-8.5	-9.4
Other prepaid income	-0.8	-1.1
	-107.9	-86.4
Contract balances	-8.7	8.2

All contract liabilities recognised at the beginning of the year were recognised as revenue in 2019. No information is presented regarding transaction price allocated to the remaining performance obligations since there were no such obligations with an original expected term of more than one year as of 31 December 2019.

NOTE 5 BUSINESS COMBINATIONS

Subsidiaries are companies that are under Bygghemma Group First AB's (publ) controlling influence. Controlling influence entails a direct or indirect right to shape a company's financial and operational strategies in order to obtain financial benefits. To assess whether a controlling influence exists, potential voting shares that can be immediately utilised or converted are taken into account.

Summary acquisition (SEKm)	Group	
	2019	2018
Acquisition of shares		
Net identifiable assets and liabilities	75.6	13.8
Goodwill	302.5	133.5
Purchase price	378.1	147.3
Cash and cash equivalents	30.4	12.9
Contingent/ deferred purchase price, vendor loans	253.4	107.5
	-94.2	-26.9
Acquisition of operations	-	-1.0
Additional purchase price	-157.2	-30.5
Net cash flow	-251.4	-58.4

Acquisitions in 2019

- In 2019, the Group acquired 95 percent of the shares of Designkupp AB. The acquisition is recognised in the DIY segment.
- In 2019, the Group acquired 60 percent of the shares of Vitvarubolaget i Sundbyberg AB. The acquisition is recognised in the DIY segment.
- In 2019, the Group acquired 100 percent of the shares of Nordiska Fönster i Ängelholm AB. The acquisition is recognised in the DIY segment.
- In 2019, the Group acquired 51 percent of the shares of LampGallerian Växjö AB. The acquisition is recognised in the Home Furnishing segment.
- In 2019, the Group acquired 51 percent of the shares of Arc E-commerce AB. The acquisition is recognised in the DIY segment.

(SEKm)	2019					
	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Contingent/ deferred purchase price, vendor loans	Net cash flow
Acquisition of shares in Designkupp AS	27.5	53.8	81.4	11.3	43.7	-26.4
Acquisition of shares in Nordiska Fönster i Ängelholm AB	5.0	21.8	26.8	0.9	11.8	-14.1
Acquisition of shares in LampGallerian Växjö AB	11.3	38.0	49.4	1.9	34.1	-13.4
Acquisition of shares in Arc E-commerce AB	30.1	176.2	206.4	15.3	151.4	-39.7
Acquisition of shares in Vitvarubolaget i Sundbyberg AB	1.6	12.6	14.2	1.1	12.4	-0.7
Additional purchase price and acquisition of shares in My Home	-	-	-	-	-	-45.0
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-1.3
Additional purchase price, Camola ApS	-	-	-	-	-	-37.8
Additional purchase price, M & M Visions Oy	-	-	-	-	-	-6.7
Additional purchase price, Stonefactory Scandinavia AB	-	-	-	-	-	-10.6
Additional purchase price, Vitvaruexpertern.com Nordic AB	-	-	-	-	-	-1.9
Additional purchase price, WeGot AB	-	-	-	-	-	-5.0
Acquisition of shares in Lindström & Sondén AB	-	-	-	-	-	-48.9
	75.6	302.5	378.1	30.4	253.4	-251.4

Revenue and earnings

Since the acquisition date, the acquisitions have contributed SEK 276.3 million to consolidated revenue and SEK 14.5 million to consolidated after-tax profit. If the acquisitions had been consolidated for the full financial year, the companies would have contributed SEK 408.7 million to consolidated revenue and SEK 18.8 million to consolidated after-tax profit.

Transaction costs

Transaction costs for the acquisitions amounted to SEK 2.7 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Acquired receivables

All receivables are measured at fair value in the acquisition analyses, which matches the amount that the Group is expected to be able to collect.

Acquisition of shares in Designkupp AB

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. VVSkuPP is fully consolidated in the DIY segment and the impact of the acquisition on the Group's balance sheet is presented below.

Revenue and earnings

Since the acquisition date, VVSkuPP has contributed SEK 102.4 million to consolidated revenue and SEK 4.2 million to consolidated after-tax profit. If VVSkuPP had been consolidated for the full financial year, the company would have contributed SEK 113.7 million to consolidated revenue and SEK 3.1 million to consolidated after-tax profit.

Acquired net assets - Designkupp AS (SEKm)	Booked value
Trademarks	9.8
Customer relationships	12.5
Intangible fixed assets	0.1
Tangible fixed assets	0.7
Inventories	9.2
Accounts receivables	1.8
Other receivables	0.0
Cash and cash equivalents	11.3
Deferred tax liability	-5.1
Non-current liabilities	-0.7
Accounts payable	-8.9
Other liabilities	-3.2
Net identifiable assets and liabilities	27.5
Goodwill	53.8
Purchase price	81.4
Liability to non-controlling interest	6.1
Deferred purchase consideration	17.3
Provision of contingent purchase price	20.2
Cash flow	-37.7

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition has strengthened the Group's leading position in the online DIY segment in Norway. In particular, significant synergies are expected to arise with respect to sharing its range, shared purchasing and cross-selling which, along with the company's numerous brands, will strengthen the Group's total offering in the Norwegian market.

Transaction costs

Transaction costs for the acquisition of VVSkuPP amounted to SEK 0.4 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 5 percent of shares. Given the seller's option, Bygghemma recognises a liability corresponding to the present value of the redemption price for an additional 5 percent of the shares in VVSkuPP.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on the fulfilment of certain terms and conditions, such as profitability targets for 2019–2021. The contingent earn-out is capped at NOK 20.0 million.

Acquisition of shares in 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. Nordiska Fönster is fully consolidated in the DIY segment and the impact of the acquisition on the Group's balance sheet is presented below.

Revenue and earnings

Since the acquisition date, Nordiska Fönster has contributed SEK 50.5 million to consolidated revenue and SEK 1.6 million to consolidated after-tax profit. If Nordiska Fönster had been consolidated for the full financial year, the company would have contributed SEK 57.3 million to consolidated revenue and SEK 0.8 million to consolidated after-tax profit.

Acquired net assets -

Nordiska Fönster i Ängelholm AB (SEKm)	Booked value
Trademarks	3.5
Customer relationships	3.5
Intangible fixed assets	1.6
Tangible fixed assets	0.4
Deferred tax asset	0.9
Inventories	1.9
Accounts receivables	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
Net identifiable assets and liabilities	5.0
Goodwill	21.8
Purchase price	26.8
Provision of contingent purchase price	11.8
Cash flow	-14.9

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition has strengthened the Group's leading position in affordable windows and doors in the DIY segment in Sweden. In particular, significant synergies are expected to arise with respect to development and sale of EMV products in the windows and doors category in Sweden, which will strengthen the Group's total offering in the Swedish market.

Transaction costs

Transaction costs for the acquisition of Nordiska Fönster amounted to SEK 1.0 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on the fulfilment of certain terms and conditions, such as profitability targets for 2019–2022. The contingent earn-out is capped at SEK 65.0 million.

Acquisition of shares in LampGallerian Växjö AB

On 10 May 2019, the Group acquired 51 percent of LampGallerian Växjö AB ("LampGallerian"), with an option to acquire the remaining 49 percent in 3–4 years. LampGallerian, a leading online player for indoor and outdoor lighting, had over SEK 40 million in net sales and an operating margin exceeding 6 percent in 2018. The acquisition further strengthens the Group's leading position in the online home furnishings segment in the Nordic region.

Revenue and earnings

Since the acquisition date, Lampgallerian has contributed SEK 36.2 million to consolidated revenue and SEK 2.3 million to consolidated after-tax profit. If LampGallerian had been consolidated for the full financial year, the company would

have contributed SEK 53.8 million to consolidated revenue and SEK 2.5 million to consolidated after-tax profit.

Acquired net assets - LampGallerian Växjö

AB (SEKm)	Booked value
Trademarks	4.1
Customer relationships	2.0
Intangible fixed assets	0.0
Tangible fixed assets	5.4
Inventories	7.0
Accounts receivables	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
Net identifiable assets and liabilities	11.3
Goodwill	38.0
Purchase price	49.4
Liability to non-controlling interest	24.4
Provision of contingent purchase price	9.7
Cash flow	-15.3

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition has strengthened the Group's leading position in the online home furnishings segment in the Nordic region. In particular, significant synergies are expected to arise with respect to sharing its range, shared purchasing and cross-selling which, along with the company's numerous brands, will strengthen the Group's total armature offering in the Nordic market.

Transaction costs

Transaction costs for the acquisition of LampGallerian amounted to SEK 0.2 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 49 percent of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 49 percent of the shares in LampGallerian.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on the fulfilment of certain terms and conditions, such as profitability targets for 2019–2021. The contingent earn-out is capped at SEK 10.2 million.

Acquisition of shares in Arc E-commerce AB

On 29 July 2019, the Group acquired 51 percent of Arc E-commerce AB ("Arc E-commerce"), with an option to acquire the remaining 49 percent in 3-4 years. Arc E-commerce, a leading online retailer in Sweden within DIY and home furnishings, had over SEK 100 million in net sales and an operating income of around SEK 9 million in 2018.

Revenue and earnings

Since the acquisition date, Arc E-commerce has contributed SEK 83.2 million to consolidated revenue and SEK 5.2 million to consolidated after-tax profit. If Arc E-commerce had been consolidated for the full financial year, the company would have contributed SEK 178.0 million to consolidated revenue and SEK 10.9 million to consolidated after-tax profit.

Acquired net assets -	
Arc E-commerce AB (SEKm)	Booked value
Trademarks	9.6
Customer relationships	15.6
Intangible fixed assets	1.4
Tangible fixed assets	0.7
Deferred tax asset	5.8
Inventories	57.9
Accounts receivables	0.4
Other receivables	7.7
Cash and cash equivalents	15.3
Deferred tax liability	-6.9
Provisions	-20.0
Non-current liabilities	-10.0
Accounts payable	-26.8
Other liabilities	-20.6
Net identifiable assets and liabilities	30.1
Goodwill	176.2
Purchase price	206.4
Liability to non-controlling interest	132.6
Provision of contingent purchase price	18.9
Cash flow	-55.0

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition has strengthened the Group's leading position in the DIY segment in Sweden. In particular, significant synergies are expected to arise with respect to EMV products in Asia, which, along with the company's numerous brands, will strengthen the Group's total offering in the Swedish market.

Transaction costs

Transaction costs for the acquisition of Arc E-commerce amounted to SEK 1.0 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 49% of shares. Given the seller's option, Bygghemma recognises a liability corresponding to the present value of the redemption price for an additional 49 percent of the shares in Arc E-commerce.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on the fulfilment of certain terms and conditions, such as profitability targets for 2019-2020. The contingent earn-out is capped at SEK 40.0 million.

Acquisitions in 2018

- In 2018, the Group acquired 80 percent of the shares of Furniture1 UAB (initial acquisition of 30 percent with an option to acquire an additional 50 percent). The acquisition is recognised in the Home Furnishing segment.
- In 2018, the Group acquired 100 percent of the shares of Edututor Oy. The acquisition is recognised in the DIY segment.

2018						
(SEKm)	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Contingent/ deferred purchase price, vendor loans	Net cash flow
Acquisition of shares in Furniture1 UAB	17.3	108.6	125.9	12.5	94.7	-18.7
Acquisition of shares in Edututor Oy	-3.5	24.9	21.3	0.4	12.8	-8.1
Additional purchase price, My Home	-	-	-	-	-	-12.0
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-0.4
Additional purchase price, M & M Visions Oy	-	-	-	-	-	-6.3
Additional purchase price, Stonefactory Scandinavia AB	-	-	-	-	-	-11.8
Acquisition of Hus och Stuga (husochstuga.se)	-	-	-	-	-	-1.0
	13.8	133.5	147.3	12.9	107.5	-58.4

Revenue and earnings

Since the acquisition date, the acquisitions have contributed SEK 122.1 million to consolidated revenue and SEK 2.2 million to consolidated after-tax profit. If the acquisitions had been consolidated for the full financial year, the companies would have contributed SEK 304.3 million to consolidated revenue and SEK -2.3 million to consolidated after-tax profit.

Transaction costs

Transaction costs for the acquisitions amounted to SEK 1.7 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Acquired receivables

All receivables are measured at fair value in the acquisition analyses, which matches the amount that the Group is expected to be able to collect.

Acquisition of shares of Furniture1 UAB

On 5 September 2018, the Group acquired 30 percent of the shares in Furniture1 UAB ("Furniture1"), with an option to acquire up to 80 percent of the shares in the company. Furniture1 is the leading online pure-play retailer of furniture and home furnishings in the Baltics and Eastern Europe. The company was founded in 2008 in Lithuania, currently has operations in Estonia, Latvia, Lithuania, Croatia, Hungary, Bulgaria, Greece, Slovenia and Romania and has 100 employees. The goal of the acquisition is to expand the Home Furnishing segment's leading Nordic position to include the fast-growing online markets in the Baltics and Eastern Europe, and to achieve synergies through shared purchasing and business development, not least within logistics and last-mile deliveries, where Furniture1 holds an advanced position. Management has deemed that a controlling influence exists as a result of the option to acquire an additional 50 percent of the company. Furniture1 is 80 percent consolidated in the Home Furnishing segment and the impact of the acquisition on the Group's balance sheet is presented below.

Revenue and earnings

Since the acquisition date, Furniture1 UAB has contributed SEK 112.8 million to consolidated revenue and SEK 4.1 million to consolidated after-tax profit. If Furniture1 had been consolidated for the full financial year, the company would have contributed SEK 255.6 million to consolidated revenue and SEK 2.9 million to consolidated after-tax profit.

Acquired net assets - Furniture1 UAB (SEKm)

	Booked value
Trademarks	37.5
Customer relationships	9.8
Tangible fixed assets	2.4
Financial fixed assets	0.0
Inventories	5.0
Accounts receivables	11.2
Other receivables	7.9
Cash and cash equivalents	12.5
Deferred tax liability	-7.6
Accounts payable	-18.3
Other liabilities	-11.7
Net identifiable assets and liabilities	48.8
Non-controlling interest	-31.5
Goodwill	108.6
Purchase price	125.9
Liability to non-controlling interest	94.7
Cash flow	-31.2

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition represents an introduction to the fast-growing e-commerce markets for furniture and home furnishings in the Baltics and Eastern Europe, where Furniture1 is the leading online pure-play retailer.

Moreover, significant synergies are expected to arise from the Group's shared purchasing of EMV products in Asia and Eastern/Central Europe, which is expected to improve the company's opportunities to negotiate prices and volumes within the stated areas.

Transaction costs

Transaction costs for the acquisition of Furniture1 UAB amounted to SEK 0.8 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests

The acquisition agreement includes an option that entitles the Group to acquire an additional 50 percent of Furniture1 UAB. This option can be utilised at any time except the closing date and gives the Group a material right to exercise control over Furniture1 UAB, which in turn means that the Group is considered to have a controlling influence over Furniture1 UAB. In accordance with IFRS 10, the company has therefore been consolidated in the Group from 1 September 2018. The redemption price for 50 percent of the shares in Furniture1 UAB is set at an amount corresponding to 10–20 times EBIT in the acquired company. There is no cap for the maximum redemption price. At the same time as the Group has an option to purchase an additional 50 percent of the shares in Furniture1 UAB, the seller also has an option to demand that the Group purchase an additional 50 percent of the shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 50 percent of the shares in Furniture1 UAB.

Acquisition of shares of Edututor Oy

On 23 October 2018, the Group acquired 100 percent of the shares in Edututor Oy, a leading online player in Finland with proprietary brands in grilling, lighting and kitchen products. The acquisition will strengthen the Group's category leadership in these areas. Since it was founded in 2010, Edututor has had a CAGR of around 37 percent. The company conducts sales through a number of online stores, the largest of which are Grillikaupa.com, Led-Valot.fi and Paista.fi. In 2017, Edututor had sales of approximately SEK 45 million with EBIT of about SEK 1.2 million. Edututor is fully consolidated in the DIY segment and the impact of the acquisition on the Group's balance sheet is presented below.

Revenue and earnings

Since the acquisition date, Edututor Oy has contributed SEK 9.3 million to consolidated revenue and SEK -1.9 million to consolidated after-tax profit. If Edututor had been consolidated for the full financial year, the company would have contributed SEK 48.7 million to consolidated revenue and SEK -5.2 million to consolidated after-tax profit.

Acquired net assets - Edututor Oy (SEKm)

	Booked value
Trademarks	3.1
Customer relationships	1.5
Intangible fixed assets	1.2
Tangible fixed assets	0.0
Financial fixed assets	0.3
Inventories	2.7
Accounts receivables	1.5
Other receivables	0.9
Cash and cash equivalents	0.4
Deferred tax liability	-0.9
Non-current liabilities	-8.3
Accounts payable	-3.5
Other liabilities	-2.5
Net identifiable assets and liabilities	-3.5
Goodwill	24.9
Purchase price	21.3
Provision of contingent purchase price	12.8
Cash flow	-8.5

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. It is worth noting that the acquisition has strengthened the Group's leading position in the DIY segment in Finland. In particular, significant synergies are expected to arise with respect to EMV products in Asia, which, along with the company's numerous brands, will strengthen the Group's total offering in the Finnish market.

Transaction costs

Transaction costs for the acquisition of Edututor Oy amounted to SEK 0.3 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on the fulfilment of certain terms and conditions, such as profitability targets for 2019–2021. The contingent earn-out is capped at EUR 2.6 million.

NOTE 6 FEES AND REMUNERATION TO AUDITORS

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
PwC				
Audit engagements	-2.6	-3.0	-0.6	-0.9
Audit-related services	-0.4	-3.7	-0.4	-3.2
Tax consulting	-	-0.9	-	-0.8
Other services	-0.0	-1.1	-	-0.9
	-3.0	-8.7	-1.0	-5.8
Other audit firms				
Audit engagements	-0.7	-0.5	-	-
Audit-related services	-0.0	-0.0	-	-
Tax consulting	-	-0.0	-	-
Other services	-0.0	-0.0	-	-
	-0.7	-0.5	-	-
Total all audit firms	-3.7	-9.3	-1.0	-5.8

Of the above fees to PwC, SEK 2.4 million (8.0) pertains to the Group's fee to Öhrlings PricewaterhouseCoopers AB. For the Parent Company, the entire fee pertains to Öhrlings PricewaterhouseCoopers AB.

NOTE 7 PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Remuneration to senior executives refers to the remuneration expensed in 2019 for the individuals who were included in the group of senior executives during the financial year. Thus, the disclosures do not reflect the change in management communicated on 20 February 2020 after the end of the financial year.

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Salaries	-356.0	-281.5	-8.4	-4.0
Social security contributions	-82.4	-71.4	-3.1	-1.2
Share-based remuneration	-1.6	-10.0	-1.6	-10.0
Pension expenses, defined contribution plans	-27.7	-22.8	-0.6	-0.4
	-467.7	-385.7	-13.7	-15.6

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Senior executives (4 persons)	-9.7	-4.1	-7.9	-2.2
of which variable salary	-6.0	-0.2	-5.0	-0.2
Other employees	-346.3	-277.4	-0.5	-1.8
	-356.0	-281.5	-8.4	-4.0

2019

Remuneration and other benefits (SEKm)	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Board of Directors						
Henrik Theilbjørn	-0.3	-	-	-	-	-0.3
Peter Möller	-	-	-	-	-	-
Ingrid Jonasson Blank	-0.1	-	-	-	-	-0.1
Bert Larsson	-0.1	-	-	-	-	-0.1
Johan Giléus	-0.2	-	-	-	-	-0.2
Tom Tang	-0.1	-	-	-	-	-0.1
Christophe Le Houédec	-0.1	-	-	-	-	-0.1
Niklas Ringby	-	-	-	-	-	-
Martin Edblad, CEO						
Remuneration from parent company	-1.0	-2.0	-	-0.2	-	-3.3
Other senior executives (3 persons)						
Remuneration from parent company	-1.8	-3.0	-	-0.4	-0.4	-5.6
Remuneration from subsidiaries	-0.9	-1.0	-	-0.3	-	-2.1
	-4.8	-6.0	-	-0.9	-0.4	-12.0

Remuneration to the Head of Investor Relations was invoiced in 2019, which is why this is not included in the remuneration or the number of senior executives above. The cost amounted to SEK 1.9 million (1.6).

Accrued variable remuneration to be paid to the CEO and other senior executives after year-end amounts to SEK 2.0 million (0.0) and SEK 3.4 million (0.0), respectively.

The period of notice is a maximum of 12 months for the CEO and nine months for the company. The CEO is not entitled to severance pay.

Remuneration and other benefits (SEKm)	2018					Total
	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	
Board of Directors						
Henrik Theilbjørn	-0.2	-	-	-	-	-0.2
Peter Möller	-	-	-	-	-	-
Ingrid Jonasson Blank	-0.1	-	-	-	-	-0.1
Bert Larsson	-0.1	-	-	-	-	-0.1
Florian Seubert	-0.1	-	-	-	-	-0.1
Lars Nilsson	-0.1	-	-	-	-	-0.1
Mikael Olander, CEO						
Remuneration from parent company	-1.0	-	-	-0.2	-	-1.3
Other senior executives (3 persons)						
Remuneration from parent company	-1.0	-0.2	-	-0.2	-	-1.4
Remuneration from subsidiaries	-1.9	-	-	-0.4	-	-2.2
	-4.4	-0.2	-	-0.8	-	-5.3

Share-based remuneration

Bygghemma Group First AB's (publ) general meetings of shareholders on 15 May 2019 and 26 March 2018 decided to introduce incentive programmes for key employees in the Group.

2019 incentive programme – LTIP 2019

The 2019 incentive programme encompasses 26 employees in the Group. In total, the programme encompasses 1,610,526 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounts to 130 percent of the volume-weighted average price quoted during the five trading days from 24 May 2019 to 31 May 2019. The warrants can be exercised from 1 June 2022 to 31 August 2022.

The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice.

Cost effects of LTIP 2019

Participants receive a subsidy from Bygghemma Group First AB reflecting 50 percent of the options' fair value at the subscription date. An amount corresponding to the subsidy is

therefore recognised as share-related remuneration according to IFRS 2, representing a cost of SEK 1.6 million (0.0) for the company.

Dilution of LTIP 2019

If all of the warrants allotted to key employees had been utilised as of 31 December 2019, the number of shares issued by the company would have increased by 1,610,526 ordinary shares, corresponding to a dilution of 1.5 percent of the capital and votes at year-end 2019.

2018 incentive programme – LTIP 2018

The 2018 incentive programme encompasses 56 employees in the Group. In total, the programme encompasses 2,760,016 warrants, each of which entitles the holder to subscribe for one ordinary share in the company. The subscription price for shares through warrants amounts to 130 percent of the company's listing price on 27 March 2018. The warrants can be utilised as of the publication date of the company's interim report for the first quarter of 2021 until 30 June 2021.

The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice.

Cost effects of LTIP 2018

The programme is an equity-based programme. Since the warrants are acquired at fair value, no cost for the programme arises that must be allocated to a particular period under IFRS 2. The company has financed 50 percent of the warrant premium. The cost for the company amounts to SEK 0.0 million (10.0).

Dilution of LTIP 2018

If all of the warrants allotted to key employees had been utilised as of 31 December 2019, the number of shares issued by the company would have increased by 2,760,016 ordinary shares, corresponding to a dilution of 2.57 percent of the capital and votes at year-end 2019.

Granted warrants	Parent company			
	President and CEO	Senior executives	Other key-employees	Total
Long-term incentive program, 2019	-	115,038	1,495,488	1,610,526
Long-term incentive program, 2018	-	-	2,760,016	2,760,016
Total outstanding as of 31 December 2018	-	115,038	4,255,504	4,370,542

Outstanding warrants	Parent company			
	2019	Weighted redemption price	2018	Weighted redemption price
Outstanding as of 1 January	2,760,016	61.75	-	-
	1,610,526	48.20	2,760,016	61.75
Outstanding as of 31 December	4,370,542	56.76	2,760,016	61.75

Fair value and assumptions regarding warrants	Parent company	
	LTIP 2019	LTIP 2018
Share price	36.70	37.33
Redemption price	48.20	61.75
Expected volatility (%)	28.00	28.00
Expected maturity (years)	3.25	2.95
Risk-free interest (%)	-0.47	-0.34
Fair value	3.72	1.66

Specification of warrants	Parent company			
	Number of options	Value at distribution	Redemption time	Redemption price
Long-term incentive program, 2019	1,610,526	3.72	2022	48.20
Long-term incentive program, 2018	2,760,016	1.66	2021	61.75

NOTE 8 AVERAGE NUMBER OF EMPLOYEES

Group	2019		2018	
	Men	Women	Men	Women
Sweden	353	239	322	239
Denmark	125	46	106	41
Finland	60	94	47	76
Norway	10	6	5	5
Bulgaria	10	4	6	2
Estonia	19	13	16	12
Greece	6	2	1	-
Croatia	26	9	12	6
Hong Kong	2	-	-	-
Hungary	25	8	15	7
Lithuania	49	31	31	24
Latvia	10	6	9	9
Romania	16	4	2	-
Slovenia	8	7	5	5
Total	719	469	577	426
Total average no. of employees	1,188		1,003	

Parent company	2019		2018	
	Men	Women	Men	Women
Sweden	3	-	2	-
Total	3	-	2	-
Total average no. of employees	3		2	

Gender balance among senior executives

Group	2019		2018	
	Men %	Women %	Men %	Women %
Board of Directors	98	2	98	2
CEO and other executives	90	10	89	11
Total	96	4	95	5



	2019		2018	
	Men %	Women %	Men %	Women %
Parent company				
Board of Directors	88	13	83	17
CEO and other executives	100	-	100	-
Total	91	9	86	14

NOTE 9 OTHER OPERATING REVENUE AND OPERATING EXPENSES

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Other operating income				
Gain from sale of fixed assets	0.3	0.0	-	-
Exchange gains on operating receivables/liabilities	0.1	0.3	-	-
	0.4	0.3	-	-
Other operating expenses				
Loss from sale of fixed assets	-1.1	-0.1	-	-
Exchange losses on operating receivables/liabilities	-3.9	-4.5	-0.0	-0.0
	-5.0	-4.6	-0.0	-0.0
	-4.6	-4.4	-0.0	-0.0

NOTE 10 FINANCIAL ITEMS

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Financial income				
Interest income	1.5	0.8	-	-
Interest income, Group	-	-	0.1	0.7
Revalued contingent purchase price	6.4	31.2	-	-
Net exchange differences	-	-	0.0	0.0
Dividend	-	0.1	-	-
Other financial income	0.2	0.6	-	-
	8.1	32.7	0.1	0.7
Financial expenses				
Interest expense, credit institutions	-19.3	-18.2	-1.3	-0.6
Interest expense, leased assets	-9.7	-	-	-
Interest expense, Group	-	-	-	-
Interest expense, other	-0.8	-3.8	-	-
Revalued contingent purchase price	-22.4	-18.5	-	-
Interest contingent purchase price	-2.1	-0.3	-	-
Net exchange differences	-1.7	-1.3	-	-
Other financial expenses	-1.1	-26.3	-0.4	-0.0
	-57.0	-68.4	-1.8	-0.6
	-48.9	-35.7	-1.7	0.1

NOTE 11 TAXES

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Current tax expense				
Current tax expense	-50.9	-19.5	-0.2	-
Adjustment of prior year income tax	-0.6	-0.0	-0.0	-0.0
	-51.6	-19.5	-0.2	-0.0
Deferred tax				
Deferred tax on temporary differences	0.5	20.0	-	-
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	0.8	0.6	-	0.6
Deferred tax expense in loss carry-forwards used during the year	-3.2	-11.1	-2.3	-
Revalued loss carry-forwards	0.2	-0.3	-	-
Effects of changes in tax rate	-	13.8	-	-0.1
	-1.7	23.0	-2.3	0.5
	-53.2	3.5	-2.5	0.5

Tax of SEK 1.8 million attributable to transaction costs in connection with the issue of new ordinary shares has been recognised in equity for the comparative period.

(SEKm)	Group			
	2019	%	2018	%
Profit before tax	233.1		51.5	
Tax as per applicable tax rate for parent company	-49.9	-21.4	-11.4	-22.0
Effect of other tax rates for foreign subsidiaries	3.0	1.3	1.0	2.0
Non-taxable income	0.2	0.1	2.6	5.0
Non-deductible expenses	-5.3	-2.3	-1.2	-2.4
Loss carry-forwards not capitalised	-1.7	-0.7	-1.1	-2.1
Utilisation of previously uncapitalised loss carry-forwards	1.0	0.4	-	-
Revalued loss carry-forwards	0.2	0.1	-0.3	-0.5
Adjustment of prior year income tax	-0.6	-0.3	-0.0	-0.0
Effects of changes in tax rate	-	-	13.8	26.8
Effective tax/tax rate	-53.2	-22.8	3.5	6.7

(SEKm)	Parent company			
	2019	%	2018	%
Profit before tax	9.9		-2.6	
Tax as per applicable tax rate for parent company	-2.1	-21.4	0.6	-22.0
Non-deductible expenses	-0.4	-3.6	-0.0	0.1
Adjustment of prior year income tax	-0.0	-0.0	-0.0	0.2
Effects of changes in tax rate	-	-	-0.1	2.5
Effective tax/tax rate	-2.5	-25.0	0.5	-19.3

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Deferred tax asset				
Loss carry-forwards	2.2	3.7	-	2.3
Temporära skillnader	11.3	2.3	-	-
Other	0.0	0.0	-	-
	13.5	6.0	-	2.3
Deferred tax liability				
Equipment, tools and installations	0.1	0.3	-	-
Intellectual property rights	236.8	231.1	-	-
Untaxed reserves	12.7	2.9	-	-
	249.6	234.3	-	-
Deferred tax, net	-236.1	-228.3	-	2.3

The Group has loss carryforwards of SEK 13.4 million (15.0), for which no deferred tax assets were recognised. Of this amount, SEK 0.6 million falls due in 2023 and SEK 3.1 million falls due in 2024. Other loss carryforwards for which no deferred tax assets were recognised have no expiry date.

NOTE 12 EARNINGS PER SHARE

(SEKm)	Before dilution		After dilution	
	2019	2018	2019	2018
Earnings per share (SEK)	1.64	0.04	1.64	0.04
The amounts used in numerators and denominators are shown below:				
Profit for the year attributable to parent company shareholders	176.2	54.1	176.2	54.1
Deduction preference interest	-	-50.3	-	-50.3
Profit for the year attributable to parent company shareholders of ordinary shares	176.2	3.8	176.2	3.8
Average number of shares	107.4	95.8	107.4	95.8
Earnings per share (SEK)	1.64	0.04	1.64	0.04

The strike price for the outstanding warrants – including the additional amount per warrant which remains to be expensed in accordance with IFRS 2 – was higher than the average share price during 2019. The warrants have therefore not led to any dilution in the calculation of the earnings per share.

NOTE 13 INTANGIBLE FIXED ASSETS

Internally developed intangible fixed assets

	Group		Parent company	
Capitalized expenditures for development (SEKm)	2019	2018	2019	2018
Opening accumulated cost	140.8	91.1	0.1	-
Investments through acquisitions	3.8	1.9	-	-
Investments	69.9	52.2	0.3	0.1
Reclassifications	3.9	-	-	-
Divestments	-2.8	-5.6	-	-
Translations difference	0.5	1.2	-	-
Closing accumulated cost	216.1	140.8	0.4	0.1
Opening accumulated amortization	-62.7	-49.6	-	-
Amortization through acquisitions	-0.8	-0.7	-	-
Amortization for the year	-28.2	-17.3	-0.0	-
Divestments	2.4	5.6	-	-
Translations difference	-0.2	-0.7	-	-
Closing accumulated amortization	-89.5	-62.7	-0.0	-
Opening impairment losses	-0.7	-0.7	-	-
Impairment losses for the year	-	-	-	-
Closing impairment losses	-0.7	-0.7	-	-
Carrying amounts	125.9	77.4	0.3	0.1

The item pertains to costs for the Group's online platform.

Both internal and external costs have been capitalised. No borrowing costs have been capitalised because the projects are short term and thus do not satisfy the criteria for capitalisation.

Acquired intangible fixed assets

Trademarks (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Opening accumulated cost	827.3	784.5	-	-
Investments through acquisitions	27.0	40.6	-	-
Investments	-	2.0	-	-
Translations difference	1.1	0.2	-	-
Closing accumulated cost	855.4	827.3	-	-
Carrying amounts	855.4	827.3	-	-

The item pertains to brands identified as separate assets in connection with the Group's business combinations. For information about business combinations carried out during the year or the comparison year, see Note 5.

Customer relationships (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Opening accumulated cost	387.0	375.6	-	-
Investments through acquisitions	33.6	11.2	-	-
Translation difference	0.3	0.1	-	-
Closing accumulated cost	420.8	387.0	-	-
Opening accumulated amortization	-74.9	-36.7	-	-
Amortization for the year	-41.0	-38.0	-	-
Translation difference	-0.1	-0.2	-	-
Closing accumulated amortization	-116.0	-74.9	-	-
Carrying amounts	304.9	312.0	-	-

The item pertains to customer relationships arising from the Group's business combinations. For information about business combinations carried out during the year or the comparison year, see Note 5.

Goodwill (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Opening accumulated cost	2,590.7	2,451.1	-	-
Investments through acquisitions	302.5	138.9	-	-
Investments	-	0.0	-	-
Translations difference	3.5	0.7	-	-
Closing accumulated cost	2,896.7	2,590.7	-	-
Carrying amounts	2,896.7	2,590.7	-	-

The item pertains to goodwill arising from the Group's business combinations. For information about business combinations carried out during the year or the comparison year, see Note 5.

Other intangible non-current assets (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Opening accumulated cost	14.6	7.0	0.2	-
Investments through acquisitions	0.4	0.0	-	-
Investments	3.7	7.3	-	0.2
Reclassification	-3.9	0.1	-	-
Divestments	-2.2	-0.0	-	-
Translations difference	0.0	0.1	-	-
Closing accumulated cost	12.5	14.6	0.2	0.2
Opening accumulated amortization	-6.0	-5.0	-	-
Amortization through acquisitions	-0.2	-0.0	-	-
Amortization for the year	-1.0	-0.8	-0.0	-
Reclassification	-	-0.1	-	-
Divestments	2.2	0.0	-	-
Translations difference	-0.1	-0.1	-	-
Closing accumulated amortization	-5.1	-6.0	-0.0	-
Carrying amounts	7.4	8.6	0.1	0.2

The item includes costs for registering and establishing the Group's Internet domains. Only external costs have been capitalised. No borrowing costs have been capitalised.

Impairment testing of goodwill

Impairment testing of goodwill and brands is conducted annually, and at any time indications of a value decline are identified. The Group currently has two cash generating units: DIY and Home Furnishing.

Goodwill and trademark per cash-generating unit (SEKm)	Goodwill		Trademark	
	2019	2018	2019	2018
DIY	1,560.0	1,295.4	455.1	432.2
Home Furnishing	1,336.7	1,295.2	400.3	395.1
	2,896.7	2,590.7	855.4	827.3

Impairment testing for cash generating units containing goodwill

Impairment testing of goodwill is conducted annually, and at any time indications of a value decline are identified. When testing, the assets are grouped in cash generating units. The Group's cash generating units match the defined operating segments (DIY and Home Furnishing).

When testing, carrying amounts of cash generating units are compared with recoverable amounts. The recoverable amount of the respective cash generating units is determined by discounting future cash flows in order to determine the value in use. Calculations of future cash flows are based on the strategic plans adopted by executive management for the coming five years (detailed plans). The carrying amount of the cash generating unit includes goodwill, brands with an indefinite useful life and assets with a definite useful life, such as non-current assets, brands and working capital. The value of assets that are amortised is tested for impairment whenever there are indications that the carrying amount may possibly not be recoverable.

Should the carrying amount of an asset or a cash generating unit exceed its estimated recoverable amount, the asset is impaired down to the recoverable amount. Previous impairment losses are reversible if the reasons for the impairment no longer exist. However, a reversal may never exceed what the carrying amount would have been had the impairment loss not been recognised in a prior year. Impairment of goodwill is never reversed.

In conjunction with the annual impairment testing of goodwill, the value in use is recalculated. The value in use of the cash generating units is determined by calculating the value in use. The calculation of value in use is based on the five-year strategy plans that have been adopted by the Board, which are based in turn on assumptions and judgements that are mainly formulated by executive management. The most material assessments and assumptions entail forecasts of organic growth, profit margin, market growth (total market plus the online market) and the discount interest rate used. Assumptions are based on both historical experience and current market information.

Discount interest rate

The discount interest rate used in the present value calculation of expected future cash flows is the current weighted average cost of capital (WACC) established for each operating segment based on the Capital Asset Pricing Model (CAPM), and the assumed long-term capital structure and tax rate, which is currently 9.6 percent (9.6). Assumptions regarding profit margins in both business segments are based on the estimated development in the particular product segments in respect of sales mix and operating margin trend, with current market prices and costs plus real development and cost inflation as the point of departure.

Growth assumptions

The growth assumptions in the forecast period comply with the Group's target of growing in line with the market organically. The market is defined as the online market in the Nordic region for furniture and building materials which, according to available market data, is expected to grow by 15 percent (15) annually over the next five years. Expected sustainable future cash flow for the period beyond the planning horizon for the strategy plan is extrapolated with assumed sustainable growth of 2.5 percent (2.5) (which is established on the basis of assumed nominal GDP growth in the relevant markets).

Sensitivity

The impairment tests that have been conducted show that there is no need for impairment. The impairment tests generally have a margin that entails that any negative changes in individual parameters would reasonably not result in the recoverable amount declining to less than the carrying amount. However, forecast cash flows are uncertain and can also be affected by factors beyond the company's control. Even if the estimated growth rate that was applied after the forecast five-year period had been 1.5 percent instead of management's assessment of 2.5 percent, no need for impairment of goodwill would have arisen. Even if the estimated operating margin that was applied for the forecast five-year period had been 2 percent lower, no need for impairment of goodwill would have arisen. Even if the estimated discount interest rate before tax that was applied for discounted cash flows had been 11.0 percent instead of management's assessment of 9.6 percent, no need for impairment of goodwill would have arisen. Management also assesses that no reasonable changes in other important assumptions would result in the recoverable amount declining to less than the carrying amount.

Summary of material parameters

	2019	2018
CAGR years 1-5	10-15%	10-15%
CAGR after year 5	2.5%	2.5%
Discount interest rate before tax	9.6%	9.6%
Average operating margin	5-6%	5-6%

Impairment testing for cash generating units containing brands

For information on the impairment testing of these cash generating units, refer to the above information on goodwill testing. In addition to being included in the cash generating units tested above, the brands have been tested individually, based on a royalty factor and forecasts of future net sales. The forecasts for the five-year period ahead, the long-term growth rate and the discount interest rate have been conducted in the same way and amount to the same total as that shown above.

Indefinite useful lives

The recognised brands have an indefinite useful life because they pertain to well-known market brands that the Group intends to retain and further develop and that thus may be expected to generate cash flows during an indefinite period ahead.

NOTE 14 TANGIBLE FIXED ASSETS				
	Group		Parent company	
Equipment	2019	2018	2019	2018
Opening accumulated cost	33.7	24.6	-	-
Investments through acquisitions	2.9	3.4	-	-
Investments	16.1	5.7	-	-
Reclassification	-0.6	1.3	-	-
Divestments	-13.4	-1.7	-	-
Translation difference	0.1	0.3	-	-
Closing accumulated cost	38.8	33.7	-	-
Opening accumulated depreciation	-22.0	-16.7	-	-
Depreciation through acquisitions	-1.2	-1.1	-	-
Depreciation for the year	-5.4	-3.9	-	-
Reclassification	0.2	-1.5	-	-
Divestments	11.2	1.4	-	-
Translation difference	-0.1	-0.2	-	-
Closing accumulated depreciation	-17.2	-22.0	-	-
Carrying amounts	21.6	11.7	-	-
	Group		Parent company	
Buildings and land	2019	2018	2019	2018
Opening accumulated cost	12.9	12.1	-	-
Investments	-	0.4	-	-
Divestments	-0.4	-	-	-
Translation difference	0.2	0.5	-	-
Closing accumulated cost	12.7	12.9	-	-
Opening accumulated depreciation	-1.6	-1.2	-	-
Depreciation for the year	-0.3	-0.3	-	-
Translation difference	-0.0	-0.1	-	-
Closing accumulated depreciation	-2.0	-1.6	-	-
Carrying amounts	10.7	11.3	-	-

	Group		Parent company	
	2019	2018	2019	2018
Leasehold improvements				
Opening accumulated cost	30.2	26.9	-	-
Investments through acquisitions	6.8	-	-	-
Investments	8.2	2.8	-	-
Reclassification	0.6	0.3	-	-
Divestments	-3.4	-	-	-
Translation difference	0.0	0.2	-	-
Closing accumulated cost	42.5	30.2	-	-
Opening accumulated depreciation	-19.1	-13.4	-	-
Depreciation through acquisitions	-1.3	-	-	-
Depreciation for the year	-6.7	-5.5	-	-
Reclassification	-0.2	-0.1	-	-
Divestments	3.1	-	-	-
Translation difference	-0.0	-0.1	-	-
Closing accumulated depreciation	-24.3	-19.1	-	-
Carrying amounts	18.3	11.2	-	-

	Group	
IFRS 16 Properties	2019	2018
Opening accumulated cost	-	-
Effects from changed accounting standards	350.3	-
Investments through acquisitions	62.3	-
Investments	151.3	-
Divestments	-12.1	-
Translation difference	-0.4	-
Closing accumulated cost	551.4	-
Opening accumulated depreciation	-	-
Depreciation for the year	-100.0	-
Divestments	3.9	-
Translation difference	0.3	-
Closing accumulated depreciation	-95.8	-
Carrying amounts	455.6	-



IFRS 16 Vehicles	Group	
	2019	2018
Opening accumulated cost	-	-
Effects from changed accounting standards	0.2	-
Investments through acquisitions	0.8	-
Investments	0.2	-
Translation difference	0.0	-
Closing accumulated cost	1.3	-
Opening accumulated depreciation	-	-
Depreciation for the year	-0.4	-
Translation difference	0.0	-
Closing accumulated depreciation	-0.4	-
Carrying amounts	0.9	-

IFRS 16 Other	Group	
	2019	2018
Opening accumulated cost	-	-
Effects from changed accounting standards	2.8	-
Investments	2.8	-
Divestments	-2.8	-
Translation difference	-0.0	-
Closing accumulated cost	2.8	-
Opening accumulated depreciation	-	-
Depreciation for the year	-1.1	-
Divestments	1.0	-
Translation difference	0.0	-
Closing accumulated depreciation	-0.1	-
Carrying amounts	2.7	-

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

Group	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)	Carrying amount Dec 31, 2019	Carrying amount Dec 31, 2018
Bygghemma Second Holding AB	559077-0771	Malmö	50,000	100.0	100.0	2,691.6	2,691.6
						2,691.6	2,691.6
Group	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)		
Bygghemma Second Holding AB	559077-0771	Malmö	50,000	100.0	100.0		
Bygghemma Group Nordic AB	556800-9798	Malmö	6,295,794	100.0	100.0		
Bygghemma Sverige AB	556689-4282	Malmö	1,629	100.0	100.0		
Bygghemma Butik i Sthlm AB	556822-1476	Malmö	1,000	100.0	100.0		
Linoleumkompaniet AB	556599-6484	Stockholm	1,000	100.0	100.0		
Bygghjemme Norge AS	993 392 375	Nøtterøy	3,000	100.0	100.0		
Byghjemme.dk ApS	34901783	Frederica	700,000	100.0	100.0		
TM HBG ASIA LIMITED	2255795	Hong Kong	10,000	100.0	100.0		
Camola ApS	32342396	Frederica	80,000	93.1	93.1		
Stonefactory Scandinavia AB	556786-1454	Linköping	1,260	100.0	100.0		
Vitvaruexperten.com Nordic AB	559010-7792	Sollentuna	111,800	51.0	51.0		
Vitvarubolaget i Sundbyberg AB	556962-3267	Sollentuna	300	60.0	60.0		
Bygghemma Finland Holding AB	559023-3853	Malmö	500	100.0	100.0		
Taloon Yhtiöt Oy	1870108-3	Riihimäki	1,000	100.0	100.0		
M & M Visions Oy	1052664-7	Helsinki	150	100.0	100.0		
Netrauta Finland Oy	2166342-8	Hämeenlinna	11,839	100.0	100.0		
Handelmark OÜ	11607700	Talinn	1	100.0	100.0		
Eduutor Oy	2357972-1	Kangasala	1,322	100.0	100.0		
Arredo Holding AB	556872-6367	Malmö	1,000	100.0	100.0		
Arredo AB	556245-2994	Malmö	3,333	100.0	100.0		
Golvpoolen Helsingborg AB	556859-0458	Lomma	50,000	100.0	100.0		
Lindströms i Lomma VVS Varuhus AB	556545-7149	Lomma	1,000	100.0	100.0		
Gulv og Fliseeksperten ApS	38113844	København	50,000	100.0	100.0		
Frej Jonsson & Co AB	559125-5848	Göteborg	500	100.0	100.0		
Polarpumpen AB	556749-0262	Göteborg	1,000	51.0	51.0		
Svensk Installationspartner AB	556842-1076	Göteborg	500	100.0	100.0		
Pumplagret Sverige AB	556972-5400	Göteborg	500	100.0	100.0		
Designkupp AS	988698571	Grålum	95	95.0	95.0		
Tria VVS AB	556260-7142	Vänersborg	1,000	100.0	100.0		
Nordiska Fönster i Ängelholm AB	556810-2940	Ängelholm	500	100.0	100.0		
Arc E-commerce AB	556945-4274	Haninge	510	51.0	51.0		
Inredhemma Sverige AB	556913-0403	Malmö	500	100.0	100.0		
Home Furnishing Nordic AB	556780-9685	Helsingborg	1,000	100.0	100.0		
TM Finland Oy	2662443-6	Helsinki	1,000	100.0	100.0		
Lampgallerian i Växjö AB	559042-2589	Växjö	255	51.0	51.0		
Inredhemma Danmark ApS	38575945	København	10,879,500	98.0	98.0		
My Home 2 A/S	30601319	Birkerød	500	100.0	100.0		
My Home 3 A/S	30739043	Fårup	500	100.0	100.0		
My Home 4 A/S	30736443	Randers	500	100.0	100.0		
My Home 7 A/S	30526953	Randers	500	100.0	100.0		
My Home 8 A/S	31427800	Fårup	500	100.0	100.0		
Domino Møbler ApS	19176398	Fårup	315,000	100.0	100.0		
Inredhemma Europa AB	38575945	Malmö	50,000	100.0	100.0		
Furniture1 UAB	304742023	Vilnius	89,100	30.0	30.0		
Baldai1 UAB	302935803	Vilnius	100	100.0	100.0		
Eurotrade1 SIA	40103665706	Riga	3,000	100.0	100.0		
ETRI Group OU	12741670	Tallinn	1	100.0	100.0		
Furniture1 KFT	01-09-270625	Budapest	1	100.0	100.0		
Furniture1 DOO	33412662987	Zagreb	1	100.0	100.0		
Eurotrade1 DOO	7104456000	Ljubljana	1	100.0	100.0		
Mebeli24 OOD	204743793	Sofia	100	80.0	80.0		
Furniture1 Hellas IKE	801003026	Aspropyrgos	1,000	80.0	80.0		
Mobilier1 Concept SLR	39413592	Bukarest	465	80.0	80.0		

NOTE 16 INVENTORIES

The Group's cost of goods sold includes impairment losses on inventories of SEK -5.1 million (0.3).

NOTE 17 ACCOUNTS RECEIVABLE

Accounts receivable were recognised after taking into account credit losses arising in the Group during the year of SEK -5.0 million (-3.8). The credit losses pertain to a number of minor accounts. See also Note 25.

Credit exposure (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Accounts receivable not overdue or impaired	52.9	49.4	-	-
Accounts receivable overdue but not impaired	28.8	28.7	-	-
Accounts receivable impaired	11.3	9.3	-	-
Provision for bad debts	-8.8	-7.6	-	-
	84.1	79.7	-	-

No single customer in the Group accounts for more than 10 percent of the Group's accounts receivable. For additional information on credit risks, see Note 25.

The company's accounts receivable are primarily denominated in SEK. The assessment is that the accounts receivable are not exposed to any material currency exposure.

2019 (SEKm)	Group		
	Weighted average loss (%)	Reported value, gross	Loss of reserves
Not overdue	-	52.9	-
Overdue < 30 days	0.0	23.6	0.0
Overdue 30 - 90 days	-53.3	9.1	-4.8
Overdue > 90 days	-53.7	7.4	-4.0
		93.0	-8.8

Provision for bad debts (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Opening balance, 1 January	-7.6	-5.9	-	-
Additional provisions	-8.3	-7.2	-	-
Reversed provisions	5.9	4.2	-	-
Actual losses	1.2	1.3	-	-
Translation difference	-0.0	-0.0	-	-
Closing balance, 31 December	-8.8	-7.6	-	-

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Prepaid rent	5.1	19.2	-	-
Prepaid insurance expenses	2.2	1.1	0.0	0.1
Prepaid personnel expenses	6.2	-	6.2	-
Accrued supplier bonus	92.0	72.1	-	-
Accrued income	9.7	9.3	-	-
Refund asset	5.3	5.6	-	-
Other	12.8	12.1	1.3	0.1
	133.3	119.4	7.5	0.2

NOTE 19 EQUITY

As of 31 December 2019, the share capital consisted of 107,368,421 shares (107,368,421). Each share has a quotient value of SEK 0.03.

CHANGE IN NUMBER OF SHARES IN THE COMPARISON PERIOD

As part of the preparations for the company's IPO on Nasdaq Stockholm, an Extraordinary General Meeting on 9 February 2018 resolved to implement a 1:84 stock split, which increased the number of shares in the company from 2,371,927 to 199,241,868. In connection with this split, the share capital of the company was increased by SEK 18,975 through a bonus issue without issuing new shares. The same meeting subsequently resolved to reduce the share capital by SEK 2,896 by withdrawing 241,332 series A ordinary shares without repayment to the shareholders. The meeting also resolved to convert 20,641,649 series B01 preference shares to series A ordinary shares. The company thereafter had 199,000,536 shares outstanding of various series (68,474,609 series A ordinary shares and 130,525,927 preference shares of different series) and share capital of SEK 2,388,006. The overall purpose of these transactions was to enable the company to have exactly 100,000,000 ordinary shares of one and the same series following settlement of the preference share structure in connection with the IPO, but prior to the offering that formed part of the IPO.

On 26 March 2018, an Extraordinary General Meeting resolved to convert 31,525,391 preference shares of different series into exactly 100,000,000 ordinary shares. At the same time, the meeting resolved to reduce the share capital by SEK 1,188,006 by withdrawing all of the company's remaining 99,00,536 preference shares of different series without repayment to the shareholders, and to subsequently increase the share capital through a bonus issue of SEK 1,800,000 without issuing new shares. Following these decisions, the company's shares outstanding amounted to 100,000,000 ordinary shares and the share capital to exactly SEK 3,000,000.

Bygghemma Group First AB (publ) was listed on the Nordic Mid Cap segment of Nasdaq Stockholm on 27 March under the ticker symbol BHG.

In conjunction with the listing, 7,368,421 new shares were issued by the company. At 31 December, the total number of shares in the company thereby totalled 107,368,421.

Issued shares (numbers)	Ordinary shares		Preference shares	
	2019	2018	2019	2018
Issued shares, 1 January	107,368,421	572,068	-	1,798,925
Cash issue	-	7,368,666	-	689
Stock split	-	47,501,979	-	149,367,962
Redemption of ordinary shares	-	-241,332	-	-
Conversion of preference shares	-	52,167,040	-	-52,167,040
Withdrawing of preference shares	-	-	-	-99,000,536
	107,368,421	107,368,421	-	-

Other capital contributions

The premium reserve arises when shares are issued at a premium, meaning that the shares are paid for at a price that exceeds the quotient value.

Translation reserve

The translation reserve encompasses all exchange-rate differences that arise when translating income statements and balance sheets to SEK in the consolidated financial statements.

(SEKm)	Group	
	2019	2018
Translations difference, 1 January	9.4	1.1
Translations difference for the year	5.4	8.3
Translations difference, 31 December	14.7	9.4

Appropriation of profits

Bygghemma Group First AB
559077-0763

Appropriation of profits (SEK)

At the disposal of the annual general meeting	
Retained earnings	58,649,302
Share premium reserve	2,667,441,766
Profit/loss for the year	7,456,367
	2,733,547,435
The Board of Directors proposes	
to be carried forward	2,733,547,435
	2,733,547,435

NOTE 20 LIABILITIES TO CREDIT INSTITUTIONS

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Loans from banks	813.6	694.9	-	30.0
	813.6	694.9	-	30.0
Liabilities due for payment later than five years after the closing date	-	-	-	-

During 2019, the Group raised new loans of SEK 307.4 (693.9) million and repaid SEK 190.0 (968.5) million.

NOTE 21 OTHER PROVISIONS

Other provisions (SEKm)	Group		Parent company	
	2019	2018	2019	2018
Provisions warranties	22.8	1.4	-	-
Provisions pension (endowment insurance)	0.2	0.2	-	-
Other provisions	0.1	0.4	-	-
	23.0	1.9	-	-

NOTE 22 OTHER INTEREST-BEARING LIABILITIES

Other interest-bearing liabilities pertain to contingent and deferred earn-outs attributable to the Group's acquisitions and liabilities to non-controlling interests.

Changes in value of contingent and deferred earn-outs are recognised in profit or loss, while changes in value of liabilities to non-controlling interests are recognised in equity. See note 2 for information on the change in accounting policy.



2019 (SEKm)	Reported values in equity		Reported values in PnL				Cash flow	
	Reported values opening balance	Added during the period	Changes in net present value	Changes in net present value	Interest expenses	Translation difference	Utilized amounts	Reported values closing balance
My Home	69.1	-	-13.8	-	-	1.8	-45.0	12.2
Camola ApS	37.2	-0.4	11.1	-1.3	-0.2	0.2	-37.8	8.6
Stonefactory Scandinavia AB	8.5	-	0.6	10.5	0.0	-	-10.6	9.0
Polarpumpen AB	51.5	-	-21.5	-	-	-	-	30.0
Vitvaruexperten.com Nordic AB	38.2	-	-13.2	1.9	-	-	-1.9	25.0
Hus och Stuga	1.0	-	-	-	-	-	-	1.0
M & M Visions Oy	-	-	-	6.8	-	-	-6.8	-
Edututor Oy	12.7	-	-	-	0.4	-0.6	-	12.5
Wegot AB	9.5	-	-	-3.8	0.1	-	-5.0	0.8
Frej Jonsson & Co AB	1.2	-	-	-1.2	0.0	-	-	-
Furniture1 UAB	91.5	-	107.2	-	-	-0.2	-	198.5
Arredo Holding AB	-	-	-	3.2	-	-	-1.3	1.9
Designkupp AS	-	43.7	-	-	0.7	-0.2	-	44.2
Vitvarubolaget i Sundbyberg AB	-	12.4	-	-	-	-	-	12.4
Nordiska Fönster i Ängelholm AB	-	11.8	-	-	0.4	-	-	12.2
LampGallerian Växjö AB	-	34.1	-	-	0.1	-	-	34.2
Arc E-commerce AB	-	151.4	-	-	0.6	-	-	152.0
	320.3	253.0	70.5	16.0	2.1	1.0	-108.4	554.5

2018 (SEKm)	Reported values in equity		Reported values in PnL				Cash flow	
	Reported values opening balance	Added during the period	Changes in net present value	Changes in net present value	Interest expenses	Translation difference	Utilized amounts	Reported values closing balance
My Home	62.7	-	0.9	15.1	-	2.3	-12.0	69.1
Camola ApS	34.7	-	0.8	-	0.3	1.4	-	37.2
Stonefactory Scandinavia AB	20.3	-	-	0.2	-0.2	-	-11.8	8.5
Polarpumpen AB	57.9	-	1.5	-7.9	-	-	-	51.5
Vitvaruexperten.com Nordic AB	39.4	-	1.1	-2.3	-	-	-	38.2
Hus och Stuga	-	1.0	-	-	-	-	-	1.0
M & M Visions Oy	3.0	-	-	3.1	-	0.2	-6.3	-
Edututor Oy	-	12.8	-	-	-	-0.1	-	12.7
Wegot AB	17.6	-	-	-8.2	0.1	-	-	9.5
Frej Jonsson & Co AB	14.0	-	-	-12.8	0.0	-	-	1.2
Furniture1 UAB	-	94.7	-	-	-	-3.2	-	91.5
	249.6	108.5	4.2	-12.8	0.3	0.6	-30.1	320.3

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Accrued personnel expenses	94.7	62.7	12.0	1.1
Accrued marketing expenses	8.8	6.6	-	-
Accrued freight expenses	16.5	14.2	-	-
Accrued cost of goods sold	5.1	9.0	-	-
Accrued audit expenses	2.4	2.4	0.3	0.4
Accrued interest expenses	0.2	0.2	-	0.0
Accrued rent	8.9	5.3	-	-
Refund liability	8.5	9.4	-	-
Prepaid income	0.8	1.1	-	-
Other	12.5	18.9	0.3	5.1
	158.4	129.8	12.6	6.6

NOTE 24 PLEDGED ASSETS AND CONTINGENT LIABILITIES

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Guarantees to external parties	22.6	13.7	8.8	-
Financial guarantees on behalf of subsidiaries	-	-	401.3	702.8
Floating charge	6.8	22.3	-	-
	29.4	36.0	410.1	702.8

NOTE 25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**Capital management**

The Group's objective is to have a good financial position that helps to uphold the confidence of investors, creditors and the market, and provides a basis for further business development at the same time as the long-term return generated for the shareholders is satisfactory. The Group's goal for the capital structure is net debt in relation to pro forma rolling 12-month (LTM) adjusted EBITDA in the range of 1.5-2.5x, subject to flexibility for strategic activities. At 31 December 2019, the relationship between net debt and pro forma rolling 12-month adjusted EBITDA was 1.5x (2.1x).

Capital is defined as total equity.

(Mkr)	Koncern	
	2019	2018
Totalt eget kapital	2 925,1	2 814,4

The Group's financing agreements contain customary covenants related to the relationship between EBITDA and net debt.

Financial policy

Through its operations, the Group is exposed to various types of financial risks: market risk, financing and liquidity risk, and credit risk. The Group's financial risk management is centralised to the Parent Company in order to achieve economies of scale and synergies as well as to minimise the management of risks. The Parent Company also functions as the Group's internal bank and is responsible for financing and the financial policy. This includes merging liquidity needs. The financial policy formulated by the Board of Directors includes overall risk management as well as specific areas, such as liquidity risk, interest-rate risk, currency exchange risk, credit risk, insurance risk, use of financial instruments and placement of excess liquidity.

Financing and liquidity risk

The Group's external financing mainly comprises a number of loans raised with the Group's bank, SEB, which were drawn for the refinancing carried out when the Group was listed on Nasdaq Stockholm in 2018. The agreement with SEB has a term of five years and comprises a basic facility of SEK 495 million, an acquisition facility of SEK 300 million, a working capital facility of SEK 240 million and a letter of credit facility of SEK 60 million, amounting to total granted credit facilities of SEK 1,095 million.

In 2019, the Group expanded the acquisition facility with SEB by SEK 300 million to support an ongoing active acquisition strategy. The acquisition facility now totals SEK 600 million and granted credit facilities now amount to SEK 1,395 million. As of the balance-sheet date, the Group had utilised SEK 817.9 million (700.5) of the credit facilities.

The basic facility of SEK 495 million runs until March 2023 and then has to be repaid in full – what is known as a bullet loan. With respect to the acquisition facility, the principal is to be repaid at 12.5 percent per year starting 2021, while the working capital and letter of credit facilities are to be utilised as needed and, consequently, are not subject to any scheduled repayment. These have an average maturity of 3.3 years.

The Group's ability to pay its debts, otherwise fulfil its obligations in accordance and compliance with the terms of the credit agreements, and to refinance its loans and make payments in accordance with other obligations depends on the Group's future earnings. Some aspects of the Group's future earnings depend on economic, financial and competitive factors as well as other factors beyond the Group's control. If the Group does not fulfil its obligations in accordance with the terms of the credit agreements, this could adversely impact the Group's operations, financial position and earnings as well as the Group's ability to receive further financing should it be necessary.

The Group also had significant liabilities regarding earn-outs for completed acquisitions. The amount the Group will need to pay for these earn-outs are primarily based on future EBITDA in the acquired companies. Healthy earnings in the acquired companies means increased liabilities in the Group. At 31 December 2019, earn-outs amounted to SEK 554.5 million (320.3). For measurement of these earn-outs, see below.

Financing and liquidity risk is managed centrally by the Parent Company, which ensures that there is always sufficient cash and cash equivalents available for the Group companies; the Group's liquidity reserve should never fall below 2 percent of the Group's rolling 12-month sales, which was not the case at any time during the year. The availability of cash and cash equivalents for the subsidiaries is partially secured through the use of a joint cash pool for all Group companies. As of 31 December 2019, the Group had SEK 270.3 million (226.9) in liquidity and available loans of SEK 577.1 (394.5) million.

Liquidity management is important for the Group. The Group monitors its liquidity on a daily basis and forecasts of cash assets are evaluated monthly. The Group endeavours to optimise its access to funds by focusing on its operating activities and through active management of working capital as well as by ensuring that there are necessarily large credit facilities with the Group's banks. The aim of the Group's financial policy is to secure sufficient liquid reserves at every given point in time in order to satisfy the Group companies' operational and strategic financial needs.

Market risks – interest-rate risk

Interest-rate risk refers to the risk that financial income and expenses as well as the value of financial instruments could fluctuate due to changes in market rates. Interest-rate risks could lead to changes in market values and cash flows as well as fluctuations in the Group's profit. The Group is exposed to interest-rate risks, primarily through its non-current loans with variable interest rates. As of the balance-sheet date, all non-current liabilities carried variable interest. All facilities carry an IBOR, plus a margin. The margin is adjusted based on the Group's debt/equity ratio, with certain agreement-based intervals for the debt/equity ratio.

According to the Group's financial policy, the Board of Directors must make decisions annually concerning the Group's structuring and distribution of interest-bearing assets and liabilities.

At year-end, the Group's interest-bearing liabilities were broken down as follows:

(SEKm)	Group	
	2019	2018
Loans from banks	813.6	694.9
Lease liabilities	458.5	-
Earnouts/ deferred earnouts	554.5	320.3
	1,826.7	1,015.3

In 2019, a +/- 1-percent change in the variable interest rate on the Group's loans would have impacted consolidated net financial items in an amount of SEK 7.5 million (8.1).

Credit risk

Credit risk involves exposure to losses if a counterparty to a financial instrument is unable to fulfil its obligations. The exposure is based on the carrying amount of the financial assets, most of which consist of accounts receivable, cash and cash equivalents. The Group's cash and cash equivalents comprise bank balances. Most of the bank balances are in banks with a long-term rating of Aa2 from Moody's.

On some of the Group's e-commerce platforms, customers are offered loans from a financial institution that the Group partners with to finance their purchases. If the customer chooses to utilise such a credit solution, the financial institution receives a receivable from the customer, while the Group receives liquidity from the institution within a couple days of the completed purchases. The Group assumes no credit risk or other risk for the receivables the credit institution has from the customer. The Group's cost for the credit solution offered to customers amounted to SEK 7.7 million (7.0).

However, on some of the Group's platforms, the Group itself offers customers loans. The credit risk associated with the Group's accounts receivable is spread over a large number of customers, mainly private individuals. The Group has established a credit policy for managing customer credits. For information concerning credit exposure and impairment of accounts receivable, refer to Note 17.

Market risk – currency exchange risk

The Group's currency exchange risk comprises transaction exposure and translation exposure.

Transaction exposure

Transaction exposure is the risk associated with the Group's earnings and cash flows and arises when the value of receipts and disbursements in foreign currencies changes because of fluctuations in exchange rates. Transactions are not currency hedged.

According to the Group's financial policy, the Group must work actively to match receipts and disbursements in foreign currency, and measure and follow up the currency exposure of the various subsidiaries.

The net flow in foreign currency, defined as sales less purchases per currency, is shown below:

(SEKm)	Group	
	2019	2018
DKK	222.0	213.0
EUR	-990.6	-526.0
NOK	239.4	193.3
USD	-701.0	-335.8

Exposure to foreign currencies entails that the Group is subject to currency exchange risk. For 2019 and assuming all other variables remain unchanged, an exchange rate fluctuation of 10 percent for the various currencies would affect pre-tax profit by the following amounts:

Sensitivity analysis (SEKm)	Group	
	2019	2018
DKK	+/- 22,2	+/- 21,3
EUR	+/- 99,1	+/- 52,6
NOK	+/- 23,9	+/- 19,3
USD	+/- 70,1	+/- 33,6

Translation exposure

Translation exposure is the risk that arises from the translation of net assets in foreign subsidiaries to the reporting currency (SEK). Foreign subsidiaries primarily have operations in Denmark (DKK), Norway (NOK), Finland (EUR) and the Baltics (EUR). The Group is affected by translation of the income statements and balance sheets of foreign subsidiaries into SEK. Such translation exposure is not currency hedged. Because the exchange rate for foreign currencies fluctuates in relation to SEK, there is a risk that future changes in exchange rates could materially and adversely impact the Group's operations, outlook, earnings and financial position.

Foreign net assets, including goodwill and other intangible fixed assets arising from acquisitions, are broken down as follows:

(SEKm)	Group			
	2019	%	2018	%
DKK	305.2	44.8	221.5	39.5
EUR	283.1	41.6	327.2	58.3
NOK	92.5	13.6	12.6	2.2
	680.9	100.0	561.3	100.0

Categorisation of financial instruments

The Group measures earn-outs and shares in unlisted companies at fair value. Measurement of these items belongs to Level 3 of the valuation hierarchy. For all other financial instruments, the carrying amount is a reasonable approximation of the instrument's fair value.

2019 (SEKm)	Carrying amounts				Fair value			
	Financial assets measured at amortized cost	Financial assets measured at fair value through PnL	Financial liabilities measured at fair value through PnL	Financial liabilities measured at amortized cost	Total	Level 2	Level 3	Total
Financial assets measured at fair value								
Shares in unlisted companies		0.7			0.7		0.7	0.7
Financial assets not measured at fair value								
Deposit	5.9				5.9	5.9		5.9
Accounts receivable	84.1				84.1	84.1		84.1
Other receivable	90.7				90.7	90.7		90.7
Accrued income	9.7				9.7	9.7		9.7
Cash and cash equivalents	270.3				270.3	270.3		270.3
Total financial assets	460.8	0.7	-	-	461.4	460.8	0.7	461.4
Financial liabilities measured at fair value								
Earn-outs			106.1		106.1		106.1	106.1
Financial liabilities not measured at fair value								
Liabilities to non-controlling interest				448.4	448.4	448.4		448.4
Credit facilities				817.9	817.9	817.9		817.9
Accounts payable				534.7	534.7	534.7		534.7
Other liabilities				5.3	5.3	5.3		5.3
Accrued expenses				54.4	54.4	54.4		54.4
Total financial liabilities	-	-	106.1	1,860.7	1,966.8	1,860.7	106.1	1,966.8

In the statement of financial position, deposits and participations in unlisted companies are recognised under other financial assets and earn-outs are recognised under other non-current and current liabilities.

For a reconciliation between the carrying amount of earn-outs at the beginning of the period and at the end of the period, as well as liabilities to non-controlling interests, refer to Note 22.

Measurement of fair value

Participations in unlisted companies

Participations in unlisted companies pertain to membership of purchasing organisations. It is estimated that amortised cost reflects the fair value, since these are not transferable in the open market.

Accounts receivable and payable

For accounts receivable and payable with a remaining life of less than six months, the carrying amount is deemed to reflect the fair value. The Group has no accounts receivable or payable with a life exceeding six months.

Earn-outs

The fair value of contingent and deferred earn-outs is calculated by discounting future cash flows with 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.

Credit facilities

The Group's credit facilities carry variable interest. Since the time that the facilities were raised, the Group's assessment is that no changes have occurred in credit margins that would give rise to a material difference between the nominal amount and fair value of the loan.

2018 (SEKm)	Carrying amounts				Fair value			
	Financial assets measured at amortized cost	Financial assets measured at fair value through PnL	Financial liabilities measured at fair value through PnL	Financial liabilities measured at amortized cost	Total	Level 2	Level 3	Total
Financial assets measured at fair value								
Shares in unlisted companies		0.7			0.7		0.7	0.7
Financial assets not measured at fair value								
Deposit	4.7				4.7	4.7		4.7
Accounts receivable	79.7				79.7	79.7		79.7
Other receivable	34.0				34.0	34.0		34.0
Accrued income	9.3				9.3	9.3		9.3
Cash and cash equivalents	226.9				226.9	226.9		226.9
Total financial assets	354.7	0.7	-	-	355.4	354.7	0.7	355.4
Financial liabilities measured at fair value								
Earn-outs			63.3		63.3		63.3	63.3
Financial liabilities not measured at fair value								
Liabilities to non-controlling interest				257.0	257.0	257.0		257.0
Credit facilities				700.5	700.5	700.5		700.5
Accounts payable				497.9	497.9	497.9		497.9
Other liabilities				3.3	3.3	3.3		3.3
Accrued expenses				56.6	56.6	56.6		56.6
Total financial liabilities	-	-	63.3	1,515.3	1,578.7	1,515.3	63.3	1,578.7



Maturity structure of financial liabilities and lease liabilities – undiscounted cash flows (SEKm)	2019				
	Total	0 - 3 mo.	3 mo. - 1 year	1 - 5 years	> 5 years
Credit facilities	865.7	3.1	9.2	853.5	-
Lease liabilities	458.5	26.6	92.3	275.6	64.1
Earnouts	106.1	-	47.5	58.6	-
Liabilities to non-controlling interest	448.4	-	-	448.4	-
Accounts payable	534.7	534.7	-	-	-
Other liabilities	5.3	5.3	-	-	-
Accrued expenses	54.4	54.4	-	-	-
	2,473.3	624.1	149.0	1,636.1	64.1

Maturity structure of financial liabilities and lease liabilities – undiscounted cash flows (SEKm)	2018				
	Total	0 - 3 mo.	3 mo. - 1 year	1 - 5 years	> 5 years
Credit facilities	747.0	3.1	9.2	734.8	-
Earnouts	63.3	4.4	37.6	21.3	-
Liabilities to non-controlling interest	257.0	-	-	257.0	-
Accounts payable	497.9	497.9	-	-	-
Other liabilities	3.3	3.3	-	-	-
Accrued expenses	56.6	56.6	-	-	-
	1,625.2	565.3	46.8	1,013.1	-

NOTE 26 LEASES

The effect of the transition to IFRS 16 on the Group is described further in Note 31. The Group has chosen to apply the modified retrospective approach. This entails that the accumulated impact of the implementation of IFRS 16 was recognised in accumulated profit or loss in the opening balance as of 1 January 2019 without restating comparative figures.

Lessee

The Group leases several types of assets including but not limited to premises and vehicles. No leases include covenants or other limits beyond the collateral for the leased asset.

Right-of-use asset

Additions to right-of-use assets in 2019 amounted to SEK 217.5 million. This amount includes the cost of right-of-use assets acquired during the year and costs arising from revising lease liabilities based on changes to payments resulting from a change in the lease term.

(SEKm)	2019
Premises	455.6
Vehicles	2.7
Other	0.9
Total leased assets	459.2

Lease liabilities

For maturity analysis of lease liabilities, see Note 25 Financial instruments and financial risk management.

Amounts recognised in profit or loss

Reported in Profit & Loss	Group	
	2019	2018
Depreciation right of use asset	-101.5	-
Interest lease liabilities	-9.7	-
Variable lease payments	-0.1	-
Costs for short-term leases	-40.6	-
Costs for low-value leases, not low-value short-term leases	-2.9	-
Total earnings effect attributable to leases	-154.8	-

For disclosures on depreciation per class, see Note 14.

Amounts recognised in the statement of cash flows

Recognised in statement of cash flows	Group	
	2019	2018
Interest	-9.7	-
Amortisation	-115.0	-
Payment of variable, short-term and low-value lease payments	-29.4	-
Total cash flows attributable to leases	-154.0	-

Extension and termination options

Each Group company that has a lease assesses whether it is reasonably certain that an extension option will be exercised (or whether it is reasonably certain that an early termination option will not be exercised), and considers such factors as rent levels, the practical opportunities for the company to move to other premises (including the costs of such a move), how the company's premises impact business operations, the availability of suitable alternatives and any significant improvements made to the property made by the Group.

However, it is normally not reasonably certain at the initial assessment of the length of the lease term that the Group will exercise an extension option, if the date when the option can be exercised is more than seven years after the lease was signed.

Leases in the Group in 2018 and leases in the Parent Company

In 2018, the Group primarily rented office and storage space through leases that were classified as operational leases under the prevailing rules in IFRS (IAS 17) at that time.

The Parent Company rents essentially all of its cars under operating leases.

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Within a year	-	-122.0	-	-
Between one to five year	-	-249.9	-	-
More than five years	-	-83.5	-	-
Total lease- and other commitments	-	-455.4	-	-
Leasing costs during the year	-	-157.1	-0.1	-0.1

NOTE 27 SUPPLEMENTARY DISCLOSURES FOR THE STATEMENT OF CASH FLOWS

Profit/loss items during the year that do not generate cash flow from operating activities.

(SEKm)	Group		Parent company	
	2019	2018	2019	2018
Depreciation, amortization, impairment and scrapping of non-current assets	184.2	65.8	0.1	-
Capital gains disposal of non-current assets	1.6	0.1	-	-
Change in other provisions	6.3	0.2	-	-
Group contributions received	-	-	-33.0	-29.5
Omvärderade tilläggsköpeskillningar	16.0	-12.8	-	-
Unrealized exchange differences	2.3	3.7	-	-
Accrued interest expenses and income	1.2	22.5	-0.0	0.0
	211.6	79.6	-32.9	-29.5
Other supplementary disclosures				
Interest received during the financial year	1.5	0.8	-	-
Interest paid during the financial year	-20.1	-22.0	-1.3	-0.6
	-18.6	-21.3	-1.3	-0.6



NOTE 28 RECONCILIATION OF NET DEBT/CASH

2019 (SEKm)	Opening balance	Cash flows	Changes in non-cash items				Closing balance
			Acquisitions /new lease contracts	Exchange rate difference	Accruals	Effects from changed accounting standards	
Liabilities							
Credit facilities	700.5	106.6	10.8	-	-	-	817.9
Lease liabilities	-	-115.0	207.1	-0.0	-	458.5	550.6
Transaction expenses	-5.6	-	-	-	1.3	-	-4.3
Total liabilities	694.9	-8.4	217.9	-0.0	1.3	458.5	1,364.2
Cash and cash equivalents							
Cash and cash equivalents	-226.9	-10.2	-30.4	-2.8	-	-	-270.3
Total cash and cash equivalents	-226.9	-10.2	-30.4	-2.8	-	-	-270.3
Net debt/ net cash	468.0	-18.6	187.4	-2.8	1.3	458.5	1,094.0

2018 (SEKm)	Opening balance	Cash flows	Changes in non-cash items				Closing balance
			Acquisitions /new lease contracts	Exchange rate difference	Accruals		
Liabilities							
Credit facilities	956.8	-264.5	8.2	-	-		700.5
Property loans	3.3	-3.5	-	0.1	-		-
Transaction expenses	-22.7	-6.6	-	-	23.7		-5.6
Total liabilities	937.5	-274.6	8.2	0.1	23.7		694.9
Cash and cash equivalents							
Cash and cash equivalents	-156.1	-54.8	-12.9	-3.1	-		-226.9
Total cash and cash equivalents	-156.1	-54.8	-12.9	-3.1	-		-226.9
Net debt/ net cash	781.4	-329.4	-4.7	-2.9	23.7		468.0

NOTE 29 RELATED-PARTY TRANSACTIONS

Transactions between Bygghemma Group First AB (publ) and its subsidiaries, which are related to Bygghemma Group First AB (publ), have been eliminated in the consolidated accounts.

All transactions between related parties have been conducted on market conditions and at an arm's length.

Transactions with the owners

The company issued warrants during the year, which contributed SEK 6.0 (4.6) million in equity for the company.

The company carried out a number of new share issues in 2018, which contributed total equity of SEK 345.2 million.

Transactions with Board members and senior executives

There were no transactions with senior executives, apart from those recognised above and in Note 7.

		Parent company				
	Year	Sale of goods/ services to related parties	Purchase of goods/ services from related parties	Other (e.g. interest dividend)	Claims on related parties at December 31	Liability to related parties at 31 December
Subsidiaries	2019	0.9	-	0.1	32.9	0.0
Subsidiaries	2018	2.4	-	0.7	101.7	43.2

NOTE 30 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Acquisition of Lindström & Sondén AB

On 20 December 2019, the Group acquired 100 percent of the shares in Lindström & Sondén AB (LSBolagen.com), a leading online retailer, primarily of wine fridges, outdoor kitchens and range cookers, with proprietary brands and agents for a number of leading European brands. LSBolagen.com had sales of over SEK 100 million in 2018 and operating income (EBIT) of over SEK 6 million. The company will be consolidated from 1 January 2020.

Acquired net assets - Lindströms & Sondén AB (SEKm)	Booked value
Trademarks	6.9
Customer relationships	12.4
Intangible fixed assets	0.4
Tangible fixed assets	0.8
Financial fixed assets	0.5
Inventories	34.6
Accounts receivables	3.6
Other receivables	1.2
Cash and cash equivalents	12.4
Deferred tax liability	-5.4
Provisions	-3.9
Accounts payable	-4.3
Other liabilities	-26.1
Net identifiable assets and liabilities	33.1
Goodwill	45.9
Purchase price	79.0
Provision of contingent purchase price	30.1
Cash flow	-48.9

Acquisition of Hemfint Kristianstad AB

On 14 February, Bygghemma Group ("Bygghemma") acquired 84 percent of Hemfint Kristianstad AB ("Hemfint.se"), a fast-growing online provider of doors, windows, bathroom products and leisure products in Sweden, with a leading portfolio of proprietary brands primarily in the value-for-money segment. In 2018, Hemfint.se had sales of nearly SEK 150 million and operating income (EBIT) of around SEK 3 million. The company will be consolidated from 1 February 2020.

Changes in management

On 20 February 2020 the current CFO, Adam Schatz, was appointed President and CEO and Head of the Home furnishing segment.

Martin Edblad is stepping down from his roles of acting President and CEO and Head of the Home Furnishing segment and has been appointed to a newly created position as Head of Strategy and M&A.

Jesper Flemme was appointed as acting CFO. After the change, group management now consists of CEO Adam Schatz, CFO Jesper Flemme and COO Mikael Olander.

Covid-19

The effects of Covid-19 are currently difficult to assess. The Board therefore wishes to draw attention to Expected Future Development and Risks in the Directors' Report, as well as Financial Risk Management in Note 25. The Board further assesses that there is no impact on the Company's financial position as of December 31, 2019 due to events after the end of the reporting period.

NOTE 31 CHANGED ACCOUNTING POLICIES - IFRS 16

The Group has applied IFRS 16 Leases as of 1 January 2019. IFRS 16 has replaced IAS 17 for the recognition of leases under IFRS. This note describes the effect that the transition to IFRS 16 has had on the Group's financial statements. For new lease recognition policies, see Note 2.

Transition method

The Group has chosen to apply the modified retrospective approach. This entails that the accumulated impact of the implementation of IFRS 16 was 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 previous operating leases are 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.

Relief applied

- In conjunction with the transition rules to IFRS 16, the Group 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 - are not included in the lease liability

and are still recognised as an expense on a straight-line basis over the lease term.

- The Group has also chosen to exclude short-term leases (leases that, on their commencement date, have a lease term of 12 months or less) when calculating the lease liability. These leases are recognised in the same way as low-value leases (see above).
- A single discount interest rate was used for portfolio of leases with reasonably similar characteristics.
- The Group relies on its assessment of whether a lease is onerous as an alternative to reviewing impairment. No leases were likely to incur losses at 1 January 2019.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application and hindsight were used to determine the lease term where the contract contains options to extend or terminate the lease.

Impact on the financial statements

Upon transition to IFRS 16 on 1 January 2019, lease assets of SEK 353 million, lease liabilities of SEK 366 million and a deferred tax asset of SEK 3 million arose, which reduced the Group's net equity by SEK 10 million. The leased assets recognised pertain to the following underlying asset classes:

(SEKm)	01/01/2019
Premises	350.3
Vehicles	2.8
Other	0.2
Total leased assets	353.3

When measuring the lease liability, the Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average rate used was 2.35 percent.

A reconciliation between the operational lease commitments (see Note 26 in the Group's 2018 Annual Report) and the lease liability at 1 January 2019 as well as a reconciliation of the change in the lease liability between 1 January 2019 and 31 December 2019 are given below.

(SEKm)	2019
Operating lease obligations as of 31 December 2018	455.4
Deduct low-value lease	-0.6
Deduct short-term lease	-65.8
Add reasonably certain extension periods	8.0
Operating lease included in IFRS 16	396.9
Discount effect	-30.5
Lease liability as of 1 January 2019	366.4
New leases	217.5
Terminated leases	-10.4
Amortisation	-115.0
Translation differences	-0.0
Lease liability at the end of the period	458.5

Performance measures adjusted for the effect of IFRS 16

The effect of IFRS 16 on select performance measures are given below. The column "2019" shows performance measures based on figures reported according to IFRS, including IFRS 16. The column "2019 excl. IFRS 16" shows how the same performance measures would have looked if the Group had applied the same accounting policies for leases in 2019 as in 2018 (i.e. IAS 17 and not IFRS 16).

(SEKm)	2019		
	2019	Adjustment of effects from IFRS 16	2019 excl. IFRS 16
Net sales	6,212.5	-	6,212.5
Gross profit	1,490.5	-	1,490.5
Gross margin (%)	24.0	-	24.0
Adjusted gross profit	1,495.7	-	1,495.7
Adjusted gross margin (%)	24.1	-	24.1
Adjusted EBITDA	475.3	-109.6	365.8
Adjusted EBITDA margin (%)	7.7	-1.8	5.9
Adjusted EBIT	330.1	-8.4	321.7
Adjusted EBIT margin (%)	5.3	-0.1	5.2
Items affecting comparability	-7.5	-	-7.5
Operating income	282.0	-8.4	273.6
Operating margin (%)	4.5	-0.1	4.4
Net profit/loss for the period	179.9	1.0	180.9
Cash flow from operating activities	391.1	-115.0	276.1
Total assets	6,018.2	-447.1	5,571.1
Interest-bearing debt	817.9	-	817.9
Lease liability	458.5	-458.5	-
Cash and cash equivalents	270.3	-	270.3
Total liabilities and cash	1,546.7	-458.5	1,088.2



Signatures

Malmö, 27 March 2020

Henrik Theilbjørn

Chairman of the Board

Johan Giléus

Board member

Ingrid Jonasson Blank

Board member

Bert Larsson

Board member

Christophe Le Houédec

Board member

Peter Möller

Board member

Niklas Ringby

Board member

Tom Tang

Board member

Adam Schatz

President and CEO

Our audit report was submitted on 27 March 2020

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi

Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Bygghemma Group First AB (publ), corporate identity number 559077-0763

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Bygghemma Group First AB (publ) for the year 2019 except for the corporate governance statement and the statutory sustainability report on pages 40-44 and 35-39 respectively. The annual accounts and consolidated accounts of the company are included on pages 24-94 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 40-44 and 35-39 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been

provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

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

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

Key audit matters

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

Particularity important area**Valuation of intangible assets**

With reference to Note 13.

Goodwill and other intangible assets with an indefinite useful life represents a significant part of Bygghemma's assets. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported.

This impairment test is based on a high level of judgements and assumptions regarding future cash flows. Information is provided in Notes 13 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins, overheads, working capital requirements, investment requirements and discount factor (cost of capital).

It is presented that no impairment requirement has been identified based on the assumptions undertaken.

Recognition of acquisitions

With reference to Note 5.

In the financial year 2019, Bygghemma made five business acquisitions across all business areas. Information on these acquisitions is presented in Note 5.

The total purchase price for the business acquisitions, net of acquired cash and cash equivalents, was SEK 346,6 million, of which SEK 62,3 million refers to identified fair value adjustments in the acquisition analyses for trademarks and customer relationships and SEK 300,1 million refers to goodwill.

The recognition of acquisitions involves a high degree of judgement by management. Significant estimates and judgements refer to the purchase price allocation of fair value in acquisition analyses for assets and liabilities, as well as referring to adjustments for adaptation to the group's accounting principles.

How our audit considered the particularly im-portant area

In our audit, we have evaluated the calculation model applied by management and conducted that the model is compatible with acceptable valuation techniques.

We have reconciled and critically tested essential assumptions against budget and strategic plan for the Company. We have analyzed the accuracy on how previous years assumptions have been met and assessed any adjustments to assumptions compared to previous year, as a result from changes in the business and external factors.

We have tested the sensitivity analysis for key assumptions in order to assess the risk of need for impairment.

We have not noted any need for impairment based on procedures performed.

We have also assessed the correctness of the disclosures included in the financial statements.

Our audit of the acquisitions were partially based on assessment of the acquisition agreements as well as supporting documents for opening balances in the acquired companies. We have also evaluated the implemented adjustments for adaptation to the group's accounting principles.

Our audit has also included an assessment of significant estimates and judgements made in connection with the purchase price allocation of fair value in the acquisition analyses. We have also assessed the basis for the judgements and comparing those judgements with similar acquisitions in the group in previous years.

We have also assessed the correctness of the disclosures of acquisitions included in the financial statements and assessed supporting documentation for the accounting of the acquisitions.

No deviations were noted in our audit.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-23 and 100-105. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website:

www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Bygghemma Group First AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

equity, consolidation requirements, liquidity and position in general.

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 40-44 has been prepared in accordance with the Annual Accounts Act.

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



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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 35-39, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2016

Malmö den 29 March 2020

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant



Relevant reconciliations of non-IFRS alternative performance measures (APM)

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 EBITA, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

Management uses adjusted EBITA and adjusted EBITDA to monitor the Group's underlying earnings capacity and profitability. Adjusted EBITA corresponds to operating income adjusted for amortisation and impairment losses on acquisition-related intangible fixed assets and items affecting comparability. Adjusted EBITDA corresponds to adjusted EBITA adjusted for depreciation, amortisation and impairment losses on tangible and intangible fixed assets.

Group (SEKm)	Group	
	2019	2018
Operating income	282.0	87.2
Acquisition-related costs	1.7	2.0
Integration costs and costs related to warehouse move	-	27.5
Costs in connection with the establishment of own distribution network	5.8	6.3
Costs related to LTIP	-	11.4
Costs related to the process for expanding the shareholder base	-	30.7
Total items affecting comparability	7.5	77.9
Depreciation and amortization of acquisition related intangible fixed assets	40.6	37.5
Adjusted EBIT	330.1	202.7
Adjusted EBIT (%)	5.3	4.1
Depreciation and amortization of tangible and intangible fixed assets	144.4	28.3
Gain/loss from sale of fixed assets	0.8	0.1
Adjusted EBITDA	475.3	231.1
Adjusted EBITDA (%)	7.7	4.6
Net sales	6,212.5	4,973.7
Cost of goods	-4,023.8	-3,314.1
Gross profit before direct selling costs	2,188.6	1,659.6
Gross profit before direct selling costs (%)	35.2	33.4
Direct selling costs	-698.1	-612.1
Gross profit	1,490.5	1,047.5
Gross profit (%)	24.0	21.1
Integration costs and costs related to warehouse move	-	26.3
Costs in connection with the establishment of own distribution network	5.2	4.2
Adjusted gross profit	1,495.7	1,077.9
Adjusted gross profit (%)	24.1	21.7

DIY segment

	DIY	
(SEKm)	2019	2018
Operating income	136.9	102.9
Acquisition-related costs	1.4	0.9
Total items affecting comparability	1.4	0.9
Depreciation and amortization of acquisition related intangible fixed assets	29.6	27.4
Adjusted EBIT	167.9	131.2
Adjusted EBIT (%)	4.5	4.3
Depreciation and amortization of tangible and intangible fixed assets	67.3	19.0
Gain/loss from sale of fixed assets	0.2	0.0
Adjusted EBITDA	235.4	150.2
Adjusted EBITDA (%)	6.4	4.9
Net sales	3,700.8	3,073.8
Cost of goods	-2,641.2	-2,249.2
Gross profit before direct selling costs	1,059.6	824.6
Gross profit before direct selling costs (%)	28.6	26.8
Direct selling costs	-265.3	-212.5
Gross profit	794.3	612.1
Gross profit (%)	21.5	19.9
Adjusted gross profit	794.3	612.1
Adjusted gross profit (%)	21.5	19.9

Home Furnishing segment

	Home Furnishing	
(SEKm)	2019	2018
Operating income	168.0	33.7
Acquisition-related costs	0.2	1.1
Integration costs and costs related to warehouse move	5.8	6.3
Total items affecting comparability	6.0	7.4
Depreciation and amortization of acquisition related intangible fixed assets	11.0	10.2
Adjusted EBIT	185.0	51.3
Adjusted EBIT (%)	7.3	2.7
Depreciation and amortization of tangible and intangible fixed assets	77.1	9.3
Gain/loss from sale of fixed assets	0.6	0.1
Adjusted EBITDA	262.7	60.7
Adjusted EBITDA (%)	10.4	3.2
Net sales	2,533.1	1,918.8
Cost of goods	-1,402.7	-1,082.1
Gross profit before direct selling costs	1,130.3	836.8
Gross profit before direct selling costs (%)	44.6	43.6
Direct selling costs	-432.8	-399.6
Gross profit	697.5	437.2
Gross profit (%)	27.5	22.8
Integration costs and costs related to warehouse move	-	26.3
Costs in connection with the establishment of own distribution network	5.2	4.2
Adjusted gross profit	702.7	467.6
Adjusted gross profit (%)	27.7	24.4

NET DEBT/NET CASH

Management is of the opinion that because the Group's actual net debt/net cash corresponds to the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities, etc. and transaction fees, other non-current and current interest-bearing liabilities should be excluded. 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. Lease liabilities reflect the balance sheet effects of IFRS 16, which came into effect on 1 January 2019.

Net debt totalled SEK 547.6 million at the end of 2019, which corresponded to net debt in relation to LTM adjusted EBITDA of 1.5x. The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred 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 554.5 million at the end of 2019, compared with SEK 320.3 million at the beginning of the year. Lease liabilities reflect the

balance sheet effects of IFRS 16, which went into effect on 1 January 2019, and amounted to SEK 458.5 million at the end of the year, compared with SEK 0.0 million at the beginning of the year.

Net debt / Net cash (SEKm)	Group	
	2019	2018
Non-current interest bearing debt	1,660.3	973.3
Short-term interest bearing debt	166.3	42.0
Total interest bearing debt	1,826.7	1,015.3
Cash and cash equivalents	-270.3	-226.9
Adjustment of lease liabilities	-458.5	-
Adjustment of earnouts and deferred payments	-554.5	-320.3
Adjustment transaction costs	4.3	5.6
Net debt (+) / Net cash (-)	547.6	473.6

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 includes 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 excluding 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 (Δ 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.



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FINANCIAL CALENDAR

5 May 2020	Annual general meeting (Malmö)
23 July 2020	Interim report January-June 2020
29 October 2020	Interim report January-September 2020
29 January 2021	Year-end report 2020





Our new Group Brand

Say 'Bygghemma' and a majority of all people think of power tools and building materials. They think of hardware stores and compare us with the offline DIY crew. But Bygghemma Group is unlike any other DIY company. In fact, we're not a DIY company at all.

Our fastest growing segment is home furnishing, we offer a wide range of leisure products and we are currently pushing the boundaries by offering installation services online. We are a high-tech, data-driven family of dots, set out to

make living easy' for our customers. And we offer products for the home. So we set out to create a new corporate identity to better embody and reflect our Group's strong range of brands and online presence. A new vibrant profile that represents our vast offering today – without losing sight of our heritage. We are proud of our Bygghemma history and DNA.

Our solution is to rebrand as BHG. Matching our stock market ticker – staying connected to our history.

bhg.