Year-End report 1 January - 31 December 2017

SALES EXCEEDED 1 BILLION IN THE FOURTH QUARTER

HIGHLIGHTS

Fourth quarter

- The Group's net sales amounted to SEKm 1,079.7
- The Group's adjusted gross profit* amounted to SEKm 245.7, with an adjusted gross margin of 22.8 %
- The Group's adjusted EBITA* amounted to SEKm 52.7 with an adjusted EBITA margin of 4.9 %
- The Group's operating profit amounted to SEKm 5.2 with an operating margin of 0.5 %
- Profit for the period amounted to SEKm -8.2
- Cash flow from operating activities amounted to SEKm 25.2
- Earnings per share amounted to SEK -47.23 before dilution and SEK -47.23 after dilution
- Three acquisitions completed during the fourth quarter:

  Acquisitions within the home furnishing segment
  - Wegot, a web store for home furnishing in Sweden (Nov)

  Acquisitions within the DIY segment
  - Vitvaruexperten, a leading webstore for white goods (Oct)
  - Frej Jonsson, a destination in the Gothenburg area specialized in bathroom, tile and plumbing (Nov)

Full year

- The Group's net sales amounted to SEKm 3,955.5
- The Group's adjusted gross profit* amounted to SEKm 855.2, with an adjusted gross margin of 21.6 %
- The Group's adjusted EBITA* amounted to SEKm 197.0 with an adjusted EBITA margin of 5.0 %
- The Group's operating profit amounted to SEKm 91.5 with an operating margin of 2.3%
- Profit for the period amounted to SEKm 28.7
- Cash flow from operating activities amounted to SEKm 141.1
- Earnings per share amounted to SEK -64.54 before dilution and SEK -64.54 after dilution
- Seven acquisitions were completed during 2017:

  Acquisitions within the home furnishing segment
  - Furniturebox (Q1), MyHome Møbler (Q2), Wegot (Q4)

  Acquisitions within the DIY segment
  - Arredo and Polarpumpen (Q2), Vitvaruexperten and Frej Jonsson (Q4)

Important information regarding comparative numbers in this report

- Bygghemma Group First AB, the parent company of the Group, was established in Nov 2016 in connection with FSN Capitals' acquisition. The comparative numbers for 2016 relates to Nov and Dec and hence are not comparable on either quarterly or full year basis. Thus, comparative numbers are not disclosed in the comments on the result for the period.

FINANCIAL SUMMARY

	Q4			Jan-Dec		
SEKm (if not otherwise stated)	2017	2016	Δ%	2017	2016	Δ%
Net Sales	1,079.7	400.3	169.7	3,955.5	400.3	888.0
Adjusted gross profit*	245.7	83.0	195.9	855.2	83.0	930.1
Adjusted gross margin (%)	22.8	20.7	9.7	21.6	20.7	4.3
Adjusted EBITA**	52.7	9.0	486.6	197.0	9.0	2093.1
Adjusted EBITA-margin (%)	4.9	2.2	117.5	5.0	2.2	122.0
Operating income	5.2	-26.7	-119.5	91.5	-26.7	-442.6
Operating-margin (%)	0.5	-6.7	-107.2	2.3	-6.7	-134.7
Net profit/loss for the period	-8.2	-30.3	-73.1	28.7	-30.3	-195.0
Earnings per share before dilution, SEK	-47.23	-186.26		-64.54	-186.26	
Earnings per share after dilution, SEK	-47.23	-186.26		-64.54	-186.26	
Cash flow from operations	25.2	-37.2	-167.7	141.1	-37.2	-479.5
Net debt	804.1	611.7	31.5	804.1	611.7	31.5

* Adjusted for items affecting comparability. Items affecting comparability relates to events and transactions that are important to take into consideration when the period's results are compared to previous period's and includes amongst other gains and losses from sales and divestments, costs related to material non-recurring cut-downs, restructurings with action plans with the purpose of reshaping an important part of the operation, material write-downs and other material non-recurring costs and revenues (c.f. *Reconciliation of Alternative Performance Measures* for a more detailed description). Items affecting comparability during 2017 are SEKm 10 in transaction costs relating to acquisition carried out during the year, SEKm 44.7 pertaining to migration of web platform, ERP-system and warehouse solution for Furniturebox and SEKm 18.8 relating to the process for broadening the shareholder base, including preparations for listing on Nasdaq Stockholm. Adjusted gross profit is affected by items affecting comparability of SEK 35.2 million connected to the Furnituebox integration.

** Adjusted EBITA, is defined as operating income before amortisation on acquisition related intangible assets and items affecting comparability (described above).

CEO’s comments on the result

Mikael Olander, Group CEO

During the fourth quarter, we have continued to consolidate our position as the leading online-based provider of home improvement products in the Nordic market and we report our third quarter in a row with more than one billion in net sales, while reporting the highest adjusted gross margin so far.

The sales growth in the quarter and full year is the result of organic sales growth – driven by a continued increase in online penetration in the Nordic markets, in combination with a stable development in the overall market – paired with an active acquisition strategy.

Seven acquisitions were completed in 2017, out of which three were made during the fourth quarter: Vitvaruexperten.com Nordic AB (”Vitvaruexperten”), Frej Jonsson & Co. AB (”Frej Jonsson”) and Wegot AB (”Wegot”).

The slight slowdown of the Swedish housing market has not been reflected in any detectable decrease in demand for the Group’s Swedish businesses during the period. However, the strengthened economy in Finland, which is the Group’s second largest market, seems to have increased the growth rate of the Group’s Finnish businesses.

The acquisition of Furniturebox during the first quarter has meant that we together with our earlier businesses in the home furnishing segment (Trademax, Chilli and Finnish Kodin1) have taken a leading position in the Nordic online home furnishing market. We have further strengthened this position through the acquisition of MyHome Møbler, a leading furniture chain in Denmark with online sales and 31 showrooms, during the second quarter, and through the acquisition of Wegot, a leading online player primarily within sofas and beds in Sweden, during the fourth quarter.

During the fourth quarter the extensive integration project of Furniturebox, which was initiated during the first and the second quarter with the purpose of realizing sales and cost synergies from the acquisition, has intensified. The project will result in Furniturebox being fully integrated into Trademax and Chilli’s online platform, ERP system and warehouse solution. The two organisations will be merged into one under the leadership of Christian Eriksson, head of the home furnishing segment.

The integration project, which is expected to generate total integration costs of SEK 60 million over a period of 18 months, has so far progressed according to plan and has resulted in costs of SEK 44.7 million during 2017 (consisting of items affecting comparability). The project is expected to be finalised by the end of the first quarter 2018.

Our company employs many ambitious, hardworking and dedicated persons. I feel privileged to be part of this team. Together we look forward to continue delivering profitable growth in 2018.

Stockholm, 31 January, 2018

Mikael Olander

Group CEO, Bygghemma Group

Group financial information in brief

SEKm (if not otherwise stated)	Q4 2017	Q4 2016	Δ%	Jan-Dec 2017	Jan-Dec 2016	Δ%
Net Sales	1,079.7	400.3	169.7	3,955.5	400.3	888.0
Gross profit	234.2	81.7	186.7	820.0	81.7	903.5
Gross margin (%)	21.7	20.4	6.3	20.7	20.4	1.6
Adjusted gross profit*	245.7	83.0	195.9	855.2	83.0	930.1
Adjusted gross margin (%)	22.8	20.7	9.7	21.6	20.7	4.3
Adjusted EBITDA*	61.4	10.9	462.5	219.7	10.9	1913.9
Adjusted EBITDA-margin (%)	5.7	2.7	108.6	5.6	2.7	103.8
Adjusted EBITA**	52.7	9.0	486.6	197.0	9.0	2093.1
Adjusted EBITA-margin (%)	4.9	2.2	117.5	5.0	2.2	122.0
Operating income	5.2	-26.7	-119.5	91.5	-26.7	-442.6
Operating-margin (%)	0.5	-6.7	-107.2	2.3	-6.7	-134.7
Net profit/loss for the period	-8.2	-30.3	-73.1	28.7	-30.3	-195.0
Cash flow from operations	25.2	-37.2	-167.7	141.1	-37.2	-479.5
Visits (thousands)	23,799	9,389	153.5	91,670	9,389	876.3
Orders (thousands)	408	122	233.8	1,244	122	917.6
Conversion rate (%)	1.7	1.3	-	1.4	1.3	-
Average order value (SEK)	2,563	2,833	-9.5	3,153	2,833	11.3

* Adjusted for items affecting comparability, see *Reconciliation of Alternative Performance Measures* for a closer description.
** Adjusted EBITA, is defined as operating income before amortisations on acquisition related intangible assets and items affecting comparability (see *Reconciliation of Alternative Performance Measures* for a closer description).

COMMENTS ON THE RESULT FOR THE PERIOD 1 OCTOBER – 31 DECEMBER 2017

Sales during the period were driven by increased market shares for both segments in the Group, continued increase in online penetration, as well as acquisitions made and consolidated during the period.

The fourth quarter, together with the first quarter, is normally the seasonally weakest for both segments, but sales in the fourth quarter was positively affected by underlying market growth, driven by Black Friday among other factors, as well as acquisitions made and consolidated during the period.

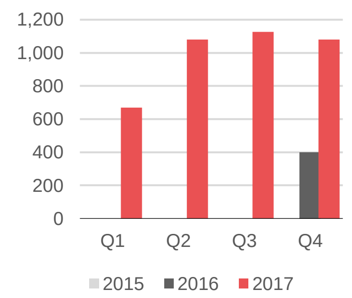
The Group's web stores had 23.8 million visits during the quarter, which generated 408,000 orders. Traffic from mobile and tablets accounted for 62.8 % of the total number of visits to the Group's web stores, which is in line with the third quarter and full year. In the DIY segment, mobiles and tablets accounted for 58.9 % while the home furnishing segment noted that 69.2% of the visits came from mobile devices.

The Group's average order value amounted to SEK 2,563 in the quarter, as a result of sales mix impacted by acquisitions during the year.

The Group's adjusted gross margin amounted to 22.8 %. The increased level of the adjusted gross margin is a result of an underlying rising trend within both segments and the fact that the companies acquired during the year had a higher gross margin than the Group's other operations.

The Group's gross margin, including items affecting comparability, amounted to 21.7 %.

Net Sales (SEKm)



The Group's adjusted sales and administration costs (defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEKm 184.3, corresponding to 17.1 % of net sales.

Sales and administration costs including by items affecting comparability for the period, amounted to SEKm 211.1.

The Group's adjusted EBITA amounted to SEKm 52.7, corresponding to an adjusted EBITA margin of 4.9 %. The Group's operating profit amounted to SEKm 5.2 in the quarter, corresponding to an operating margin of 0.5 %.

Sales, administration costs and gross margin have been affected by the fact that the new acquisitions acquired during the year have a higher gross margin and cost structure than the Group in general, in particular the acquisition of Arredo and MyHome Møbler. However, the effects largely cancel each other out, why the EBITA margin is not notably affected.

Amortisation of acquisition related intangible assets amounted to SEKm 9.3 in the quarter and consists of amortisation of goodwill related to customer relationships and customer databases in acquired companies.

The items affecting comparability related to the restructuring- and integration process for Furniturebox totaled SEKm 18.4 for the fourth quarter, while costs related to the process for expanding the shareholder base impacts the fourth quarter with SEKm 18.4. Acquisition-related costs impact the quarter with SEKm 1.4.

The Group's net financials amounted to SEKm -17.4 for the quarter, driven by interest expenses related to new credit facilities, which is partly explained by the Group being acquired by FSN Capital in November 2016, and partly by the financing of the acquisitions made during the year.

The Group's profit before tax amounted to SEKm -12.1 for the quarter.

Profit for the period amounted to SEKm -8.2 for the quarter. The effective tax rate was +31.2 %, equivalent to SEKm 3.9, which is mainly explained by the use of deductible deficiency during the period.

COMMENTS ON THE RESULT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017

Sales during the year were, as for the last quarter, driven by increased market shares for both segments in the Group, continued rapid increase in online penetration, as well as acquisitions made and consolidated during the year.

The Group's web stores had 91.7 million visits during the year, generating 1,244,000 orders.

Traffic from mobile and tablets accounted for 63.0 % of the total numbers of visits to the Group's web stores during the year. In the DIY segment, mobiles and tablets accounted for 57.2 % while the home furnishing segment noted 69.4% of the visits from mobile devices.

Group average order value amounted to SEK 3,153, affected by the fact that several of the companies acquired in 2017 have lower average order values than the Group in general.

The Group's adjusted gross margin amounted to 21.6 % for the full year. The adjusted gross margin is, as for the last quarter, affected by an underlying growth in both quarters as well as the higher gross margin seen in the acquired companies compared with the Group's other operations.

The Group's gross margin, including items affecting comparability, amounted to 20.7 %.

The Group's adjusted sales and administration costs (defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEKm 635.5, corresponding to 16.1 % of net sales.

Sales and administration costs impacted by items affecting comparability for the period, amounted to SEKm 673.8.

The Group's adjusted EBITA amounted to SEKm 197.0 for the full year, corresponding to an adjusted EBITA margin of 5.0 %.

The Group's operating profit amounted to SEKm 91.5 for the full year, corresponding to an operating margin of 2.3 %.

Amortisation of acquisition related intangible assets amounted to SEKm 32.1 and consists of amortisation of goodwill related to customer relationships and customer databases in acquired companies.

The items affecting comparability related to the restructuring- and integration process for Furniturebox totaled SEKm 44.7 for 2017, while costs related to the process for expanding the shareholder base, including preparations for a listing on Nasdaq Stockholm, impacts the fourth quarter with SEKm 18.8. Acquisition-related costs impact the quarter with SEKm 10.0.

The Group's net financials amounted to SEKm -54.7 for the full year, driven by interest expenses related to new credit facilities, which, like the last quarter, is partly explained by the Group being acquired by FSN Capital in November 2016, and partly by the financing of the acquisitions made during the year.

The Group's profit before tax amounted to SEKm 36.8 for the full year.

Profit for the period amounted to SEKm 28.6, translating to 22.0 % tax, equal to SEKm 8.1.

See also respective business segment for additional comments.

SIGNIFICANT EVENTS DURING AND AFTER THE FOURTH QUARTER 2017

On October 12, Bygghemma Group acquired 51 % of the shares in Vitvaruexperten. The acquisition is part of Bygghemma Group's strategy to become the leader within every category where the Group is active, in this case white goods, kitchen and home appliances. The acquisition is to be consolidated into the DIY segment.

On November 9, Bygghemma Group acquired 100 % of the shares in Frej Jonsson, a leading specialist in the Gothenburg area focused on bathroom, tile and plumbing. Bygghemma Group is thus strengthening its category expertise in these categories. The acquisition is to be consolidated into the DIY segment.

On November 20, Bygghemma Group acquired 100 % of the shares in Wegot, a leading online player within furniture in Sweden. Following the acquisition, Bygghemma further strengthens its leading position in the online market for furniture and home furnishing in the Nordic region. The acquisition is to be consolidated into the home furnishing segment.

On October 17, Bygghemma Group announced its plans to, as part of the integration project, relocate Furniturebox' operations from Stockholm to Helsingborg. The change is made to realise cost synergies identified in connection with the acquisition of the company in January 2017. This lead to, among other things, that 48 positions were redundant.

During the fourth quarter, Bygghemma Group increased the Group's acquisition credit facility with SEK 25 million, whereupon the total credit line amounted to SEK 310 million.

During 2018, the Group has continued to prepare the business for a potential listing on Nasdaq Stockholm. A listing or continuous ownership by the current owners are still possible scenarios. At the time of approval of this quarterly report, no formal assessment has been made by Nasdaq regarding if the company can be considered as ready to go public or not.

The Board of Directors proposes that no dividend be paid for 2017.

FINANCIAL TARGETS IN THE MEDIUM-TERM

Net sales growth

Bygghemma Group aims to grow net sales by 20-25 % on average per year in the medium term, of which approximately 15 % is attributable to organic growth. The Company's objective is to reach net sales of SEK 10 billion in the medium term including acquisitions.

Profitability and cash flow

Bygghemma Group aims to gradually improve profitability to reach an adjusted EBITA margin of around 7 % in the medium term and to achieve a cash conversion in line with adjusted EBITDA as a result of the business model.

Capital structure

Bygghemma Group aims to have a net debt in relation to LTM EBITDA in the range of 1.5-2.5x, subject to flexibility for strategic activities.

Dividend policy

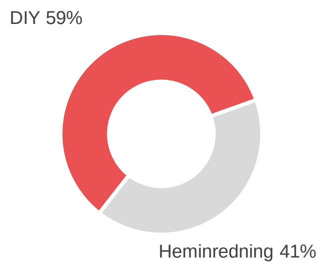
When free cash flow exceeds available investments in profitable growth, and under the requirement that the capital structure target is met, the surplus will be distributed to shareholders.

DIY-segment

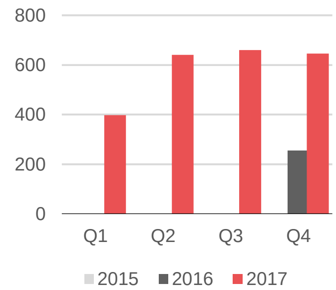
- Adjusted EBITA margin of 5.8 % in the quarter
- Strengthened position within kitchen and white goods through the acquisition of Vitvaruexperten
- Strengthened position within bathroom and tiles through the acquisition of Frej Jonsson

SEKm (if not otherwise stated)	Q4 2017	Q4 2016	Δ%	Jan-Dec 2017	Jan-Dec 2016	Δ%
Net Sales	645.3	255.3	152.8	2,342.2	255.3	817.5
Gross profit	139.3	50.0	178.7	468.4	50.0	837.3
Gross margin (%)	21.6	19.6	10.2	20.0	19.6	2.2
Adjusted gross profit	139.3	51.3	171.6	468.4	51.3	813.4
Adjusted gross margin (%)	21.6	20.1	7.4	20.0	20.1	-0.4
Adjusted EBITA	37.4	8.0	366.7	114.4	8.0	1326.9
Adjusted EBITA-margin (%)	5.8	3.1	84.6	4.9	3.1	55.5
Operating income	29.5	3.1	849.5	87.0	3.1	2702.3
Operating margin (%)	4.6	1.2	275.6	3.7	1.2	205.4
Net profit/loss for the period	-29.4	16.6	-277.0	10.5	16.6	-37.0
Visits (thousands)	11,326	5,919	91.3	51,938	5,919	777.5
Orders (thousands)	177	85	108.2	674	85	695.1
Conversion rate (%)	1.6	1.4		1.3	1.4	
Average order value (SEK)	3,177	2,783	14.1	3,394	2,783	21.9

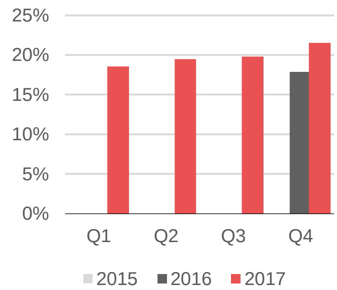
Net sales by segment Jan-Dec 2017



Net sales (SEKm)



Adjusted gross margin (%)



COMMENTS DIY SEGMENT

The DIY segment comprises the 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.lindstromsbad.se, www.polarpumpen.se, www.pumplagret.se, www.fuktkontroll.se, as well as 16 showrooms, in Sweden, Finland, Norway and Denmark.

The fourth and the first quarter are normally the seasonally weakest in terms of sales for the DIY segment, while the second and third quarters are the seasonally strongest, as well as for the sector in general, driven by a larger share of home improvement projects during the lighter and warmer seasons of the year. The fourth quarter was the second strongest for the DIY segment in 2017 (after the third quarter), driven by a growing online market, organic growth, and acquisitions made and consolidated during the quarter.

The net sales for the business segment amounted to SEKm 645.3 in the quarter and SEKm 2,342.2 for the full year.

DIY represented 59.8 % of the total Group net sales in the quarter and 59.2 % for the full year.

The slowdown of the Swedish housing market after the establishment of a first amortisation requirement has not had any noticeable, or only marginal, effect on the Swedish sales within the business segment. The effect of a decision to introduce a second amortisation requirement has so far not been possible to evaluate.

The management's assessment is that the operations in this business segment continued to gain market share within all markets during the quarter. The strongest development could be seen in the flooring category followed by building and doors/windows. During the full year the categories floor, kitchen, building and garden developed the strongest. The work with categories has developed positively through, among other things, the specialized knowledge and brand diversification that followed from a number of strategic acquisitions during the last years, most recently through the acquisitions of Arredo and Vitvaruexperten.

The Finnish market has had the strongest development during the quarter, as well as during the full year, with an increasing momentum during the period, primarily driven by a stronger market development in Finland as well as focused work on the web stores, product range and pricing, which has resulted in a higher conversion rate.

The market continues to be strong in Sweden, which is the segment's largest market. The latest available market data shows an online growth of approximately 20 %, according to E-barometern.

Adjusted EBITA for the quarter amounted to SEKm 37.4 with an adjusted EBITA margin of 5.8 %. Adjusted EBITA for the full year amounted to SEKm 114.4 with an adjusted EBITA margin of 4.9 %.

The segment's operating profit amounted to SEKm 29.5 for the quarter, with an operating margin of 4.6 %. Operating profit for the full year amounted to SEKm 87.0 with an operating margin of 3.7 %.

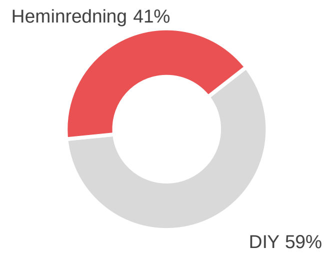
Items affecting comparability related to the process for expanding the shareholder base is not allocated on a segment level.

Home furnishing-segment

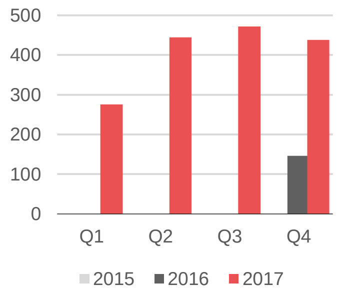
- Adjusted EBITA margin of 3.1 % during the quarter
- Migration of web, ERP system and warehouse solution for Furniturebox according to plan
- Strengthened online leadership in the Nordic region through the acquisition of Wegot

	Q4			Jan-Dec		
SEKm (if not otherwise stated)	2017	2016	∆%	2017	2016	∆%
Net Sales	437.6	146.4	198.9	1,628.9	146.4	1012.9
Gross profit	96.0	31.7	202.4	354.0	31.7	1015.2
Gross margin (%)	21.9	21.7	1.1	21.7	21.7	0.2
Adjusted gross profit	107.4	31.7	238.4	389.2	31.7	1126.1
Adjusted gross margin (%)	24.6	21.7	13.2	23.9	21.7	10.2
Adjusted EBITA	13.6	1.9	603.5	84.9	1.9	4288.3
Adjusted EBITA-margin (%)	3.1	1.3	135.3	5.2	1.3	294.3
Operating income	-7.5	1.1	-779.0	25.6	1.1	2211.7
Operating margin (%)	-1.7	0.8	-327.1	1.6	0.8	107.7
Net profit/loss for the period	-6.1	-23.4	-73.9	14.5	-23.4	-161.9
Visits (thousands)	12,473	3,470	259.4	39,732	3,470	1045.0
Order (thousands)	231	37	518.8	569	37	1422.6
Conversion rate (%)	1.9	1.1		1.4	1.1	
Average order value	2,094	2,946	-28.9	2,868	2,946	-2.6

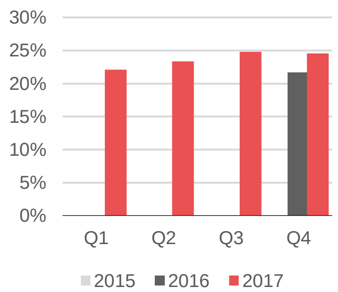
Net sales by segment Jan-Dec 2017



Net sales (SEKm)



Adjusted gross margin (%)



COMMENTS HOME FURNISHING

The home furnishing segment comprise the web stores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin1.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.dk, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se and 56 showrooms, in Sweden, Finland, Norway and Denmark.

The second quarter together with the third quarter normally have the highest sales in the home furnishing segment. The first and the fourth quarter are the seasonally weakest, driven by significant sales of outdoor furniture within the segment during the spring and summer months.

The net sales for the business segment amounted to SEKm 437.6 in the quarter and SEKm 1,628.9 for the full year. The management team's estimates that the business segment's operations have increased their market share within all product categories in the quarter as well as the full year. Home furnishing represented 40.5 % of the total Group net sales in the quarter and 41.2 % for the full year.

The market continued to be strong in Sweden, which is the segment's largest market. The latest available market data shows an online growth of approximately 15 % this year, according to E-barometern.

Through the acquisition of Furniturebox, the home furnishing segment has strengthened its leading online market position within furniture and decor in the Nordics. At the end of the second quarter this position was further strengthened by the acquisition of MyHome Møbler and in the fourth quarter through the acquisition of Wegot. Thus, Bygghemma Group has taken a leading European position within the online home furnishing segment.

The extensive work with the integration and consolidation project of Furniturebox into the Home furnishing segment that was initiated during the first and the second quarter within the home furnishing segment, where Furniturebox is to be fully integrated into Trademax and Chilli's online platform, ERP system and warehouse solution and the two organisations will be merged into one, has further intensified during the fourth quarter.

The integration work, which is expected to generate integration costs of approximately SEKm 60 in total over 18 months has so far progressed according to plan and has resulted in costs of SEKm 44.7 during 2017, whereof SEKm 18.4 during the fourth quarter.

Adjusted EBITA for the quarter amounted to SEKm 13.6 with an adjusted EBITA margin of 3.1 %. Adjusted EBITA for the full year amounted to SEKm 84.9 with an adjusted EBITA margin of 5.2 %.

The segment's operating profit amounted to SEKm -7.5 for the quarter, with an operating margin of -1.7 %. Operating profit for the full year amounted to SEKm 25.6 with an operating margin of 1.6 %.

Items affecting comparability related to the process for expanding the shareholder base is not allocated on a segment level.

Other

COMMENTS ON THE GROUP'S OTHER OPERATIONS

The net sales amounted to SEKm 2.3 for the quarter and to SEKm 19.1 (17.8) for the full year. Operating profit amounted to SEKm -16.7 for the quarter and to SEK -21.0 for the full year. The Group's other operations primarily consist of central group functions. Therefore, net sales consist in all material aspects of compensation for management services (so called management fee).

CASH FLOW AND FINANCIAL POSITION

The Group's cash flow from operating activities amounted to SEKm 25.2 during the quarter and the cash flow from operating activities amounted to SEKm 141.1 for the full year. The cash flow from operating activities was mainly driven by adjusted EBITDA during the periods, by the Group's low net working capital and by the limited need for investment and maintenance investments in the operating activities. The Group's low net working capital is the result of a high proportion of direct deliveries from suppliers, relatively limited inventory levels and low levels of accounts receivable (due to factoring without regress). The Group has however increased the inventory levels compared to the end of 2016, from SEKm 137.4 to SEKm 400.4. The increase in inventory levels during the period is mainly driven by the new acquisitions (primarily Arredo and Furniturebox) which have higher inventory levels compared to the rest of the Group.

The cash flow and net working capital position follows the seasonal profile, with inventory levels increasing during the first quarter, before the high season sales of especially outdoor furniture during the second and third quarter, and decreasing inventory levels and high cash conversion especially during the second and third quarter, when the sales of existing inventory primarily takes place.

The Group's cash flow from investment activities amounted to SEKm -43.1 for the quarter and to SEKm -990.9 for the full year, and was primarily related to the acquisitions that were made during the period and deferred payments and earn-outs related to the acquisitions made during the period 2012-2016. These amounted to a total of SEKm 39.1 and were all paid in the second quarter.

Cash flow from financing activities amounted to SEKm 28.5 for the quarter and to SEKm 951.5 for the full year, which can be attributed to the raising of new loans and additional shareholder contributions with the purpose of financing the acquisitions made during the year, but also for reduction of loans.

The Group's cash and cash equivalents amounted at the end of the reporting period to, compared to the beginning of the year, to SEKm 156.1 (53.3), which is explained by the Group's generated cash flow from operations during the full year.

The Group's net debt, which is defined as the Group's current and non-current interest-bearing debt to credit institutions less cash and cash equivalents and short-term investments, amounted to SEKm 804.1 at the end of the quarter compared to SEK 611.7 million at the beginning of the year. The Group's other current and non-current interest-bearing liabilities consist of conditional and deferred payments related to acquisitions, which are subject to an implicit interest cost related to a valuation at present value. These obligations amounted to SEKm 249.6 at the end of the quarter, compared to SEKm 96.7 at the beginning of the year.

The Group's unutilized credit facilities amounted to SEKm 125 by the end of the year.

The Group's total assets at the end of the reporting period, compared to the beginning of the year, amounted to SEKm 4,418.9 (2,978.2). The change is mainly related to goodwill and identified intangible assets related to acquisitions during the year.

The Group's total equity at the end of the reporting period, compared to the beginning of the year, amounted to SEKm 2,375.1 (1,700.6). The increase is mainly related to new share issues during the period.

EMPLOYEES

The number of employees (measured as FTE) amounted at the end of the period to 774. The average number of employees (measured as FTE) during the last twelve months amounted to 630.

SEASONAL VARIATIONS

The Group's operations are affected by seasonal variations affecting consumers' total demand, especially on building products and outdoor furniture. As a result of the weather effect on the demand, the Group's sales and cash flow are usually higher during the second and third quarter, when normally a majority (barely 60 %) of the Group's sales are generated, and are usually lower during the first and fourth quarter. Even if the seasonal variations normally do not affect the Group's relative profit and cash flow from year to year, the profit and the cash flow can be affected during years with unusual harsh or mild weather conditions, or with very high or low perception. However, the seasonal variations are not considered to be material for the Group.

PARENT COMPANY

The parent company's net sales amounted to SEKm 0.9 in the quarter and SEKm 0.9 for the full year. Bygghemma Group's CEO and CFO are employed by the parent company. The parent company's operating profit amounted to SEKm -17.5 for the quarter and to SEKm -18.1 for the full year. The operating profit is primarily explained by the process for expanding the shareholder base during the year. Profit for the period amounted to SEKm 0.6 in the quarter and SEKm 0.2 for the full year. The parent company's cash and cash equivalents amounted to SEKm 18.3 at the end of the reporting period, compared to SEK 1.5 million at the beginning of the year.

ACCOUNTING POLICIES

This report has been prepared in accordance with the rules in IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the parent company has been prepared in accordance with the Swedish Annual Account Act.

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 within the EU. The recommendation RFR 1 Supplementary Accounting Rules for Groups from the Swedish Financial Reporting Board has also been applied in the preparation of this consolidated financial statement.

The interim information on page 1–11 is an integrated part of this financial report.

The accounting principles are described in more detail under "Accounting and valuation principles" later in this interim report. Apart from the risks described the assessment is made that there are no additional material risks.

As from the date of this interim report the Group has applied ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of alternative performance measures are found under *Reconciliation of Alternative Performance Measures* on page 30-32 of this report.

RISKS AND UNCERTAINTY FACTORS

There are several strategic, operational and financial risks and uncertainty factors that can affect the Group's financial result and position. Most risks can be managed through internal routines while others to a greater extent are driven by external factors. There are risks and uncertainties related to IT- and management systems, suppliers, season and weather variations and exchange rates, but can also arise in the case of new competition, changed market conditions or changed consumer behavior for online sales. Furthermore, there is also interest rate risk. Risks and uncertainty factors are described in more detail in "Risks and uncertainty factors" later in this interim report. Apart from the risks described there, the assessment is made that there are no additional material risks.

TRANSACTIONS WITH RELATED PARTIES

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

ADDITIONAL INFORMATION

No additional information applies at the end of the quarter.

Stockholm, 31 January, 2018

Henrik Theilbjørn
Chairman

Florian Seubert
Board member

Peter Möller
Board member

Lars Nilsson
Board member

Bert Larsson
Board member

Ingrid Jonasson Blank
Board member

Mikael Olander
Group CEO

This report has not been audited by the company's auditors.

Bygghemma Group First AB
Hans Michelsensgatan 9
211 20 Malmö
Organisation number: 559077-0763

CONTACT DETAILS

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FINANCIAL CALENDAR

27 April 2018	Interim report Q1
20 July 2018	Interim report Q2
29 October 2018	Interim report Q3
31 January 2019	Year-end report Q4

The 2017 Annual General meeting will be held on March 6, 2018 in Stockholm.

The annual report will be available on www.bygghemmagroup.com from week 6, 2018.

ABOUT BYGGHEMMA GROUP

Bygghemma Group is a leading European online-based provider of home improvement products. Since the start in 2006, Bygghemma Group has increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY through the 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.lindstromsbad.se, www.polarpumpen.se, www.pumplagret.se, www.fuktkontroll.se, www.vitvaruexperten.com and www.tvexperten.com, and 16 showrooms, in Sweden, Finland, Norway and Denmark, and within home furnishings through the 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.furniturbox.dk, www.furniturebox.fi and www.myhomemobler.dk, www.wegot.se, and 56 showrooms, in Sweden, Finland, Norway and Denmark.

Consolidated income statement fourth quarter, condensed

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Net Sales	1,079.7	400.3	3,955.5	400.3
Other operating income	2.4	1.2	6.1	1.2
Total Net Sales	**1,082.1**	**401.6**	**3,961.7**	**401.6**
	-	-	-	-
Cost of goods sold	-845.5	-318.6	-3,135.6	-318.6
Personnel costs	-94.8	-33.9	-306.2	-33.9
Other external costs and operating expenses	-118.6	-68.0	-373.5	-68.0
	-0.1	-0.3	-0.1	-0.3
Depreciation and amortization of tangible and intangible fixed assets	-17.9	-7.4	-54.7	-7.4
Operating income	**5.2**	**-26.7**	**91.5**	**-26.7**
	-	-	-	-
Profit/loss from financial items	-17.4	-4.4	-54.7	-4.4
Profit before tax	**-12.1**	**-31.1**	**36.8**	**-31.1**
	-	-	-	-
Income tax	4.0	0.9	-8.1	0.9
Profit/loss for the period	**-8.2**	**-30.3**	**28.7**	**-30.3**
	-	-	-	-
Attributable to:	-	-	-	-
Equity holders of the parent	-8.2	-30.3	28.7	-30.3
Net income for the period	**-8.2**	**-30.3**	**28.7**	**-30.3**
	-	-	-	-
Earnings per share before dilution, SEK	-47.23	-186.26	-64.54	-186.26
Earnings per share after dilution, SEK	-47.23	-186.26	-64.54	-186.26

* Earnings per share before and after dilution is affected by interest on preference shares. The formula for calculating earnings per share: earnings per share = (net income for the period – interest on preference shares) / average number of outstanding common shares.

Consolidated statement of comprehensive income

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Profit of loss for the period	-8.2	-30.3	28.7	-30.3
Translation differences for the period	5.7	-1.0	2.1	-1.0
Other comprehensive income for ther period	**5.7**	**-1.0**	**2.1**	**-1.0**
Total comprehensive income for ther period	**-2.4**	**-31.2**	**30.8**	**-31.2**
Total comprehensive income attributable to:	-	-	-	-
Parent company shareholders	-2.4	-33.3	30.8	-33.3
Total comprehensive income for the period	**-2.4**	**-33.4**	**30.8**	**-33.4**
Shares outstanding at period's end				
Before dilution	572,068	406,960	572,068	406,960
After dilution	572,068	406,960	572,068	406,960
Average number of shares				
Before dilution	570,978	173,476	529,031	173,476
After dilution	570,978	173,476	529,031	173,476

Consolidated statement of financial position

	31 Dec	
SEKm	2017	2016
Non-current assets		
Goodwill	2,451.1	1,813.9
Other intangible fixed assets	1,166.3	856.3
Total intangible fixed assets	**3,617.4**	**2,670.1**
Buildings and land	10.8	10.8
Tangible fixed assets	21.4	12.9
Financial fixed assets	4.5	1.2
Deferred tax asset	15.5	5.1
Total fixed assets	**3,669.6**	**2,700.2**
Current assets		
Inventories	400.4	137.4
Current receivables	192.8	87.3
Cash and cash equivalents	156.1	53.3
Total current assets	**749.3**	**278.0**
Total assets	**4,418.9**	**2,978.2**
Equity		
Equity attributable to owners of the parent	2,375.1	1,700.6
Total equity	**2,375.1**	**1,700.6**
Non-current liabilities		
Deferred tax asset	259.0	187.0
Other provisions	1.4	1.8
Non-current interest bearing liabilites to credit institutions	893.3	641.9
Other non-current liabilities	212.7	59.1
Total non-current liabilities	**1,366.4**	**889.8**
Current liabilities		
Short term interest bearing loans to credit institutions	44.2	3.5
Other interest bearing liabilities	36.9	37.6
Other current liabilities	596.4	346.7
Total current liabilities	**677.5**	**387.7**
Total shareholders' equity and liabilities	**4,418.9**	**2,978.2**

Consolidated statement of cash flows

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Cash flow from operating activities before changes in work	-3.4	-18.2	67.3	-18.2
Changes in working capital	28.6	-19.0	73.7	-19.0
Cash flow from operations	**25.2**	**-37.2**	**141.1**	**-37.2**
Investments in operations	-33.5	-2,197.2	-962.5	-2,197.2
Investments in other non-current assets	-9.7	-5.7	-28.6	-5.7
Divestment of other tangible fixed assets	0.1	1.6	0.1	1.6
Cash flow to/from investing activities	**-43.1**	**-2,256.5**	**-990.9**	**-2,256.5**
New share issue	13.6	1,681.9	643.6	1,681.9
Net change in loans	35.5	641.9	401.3	641.9
Amortization of loans	-20.6	-82.6	-106.2	-82.6
Transactions with non-controlling interest	-	-	12.7	-
Dividends to shareholders	-0.0	0.1	0.1	0.1
Group- and/or shares contributions, net change	-	50.0	-	50.0
Cash flow to/from financing activities	**28.5**	**2,291.3**	**951.5**	**2,291.3**
Cash flow for the period	**10.6**	**-2.4**	**101.7**	**-2.4**
Cash and cash equivalents at the beginning of the per	**143.8**	**-**	**53.3**	**-**
Translation differences in cash and cash equivalents	1.6	0.4	1.0	0.4
Cash and cash equivalents at the end of the period	**156.1**	**53.3**	**156.1**	**53.3**

Consolidated statement of changes in equity

	31 Dec	
SEKm	2017	2016
Opening balance	1,700.6	-
Comprehensive income for the period	30.8	-31.2
New share issue	643.6	1,681.9
Shareholders contribution	-	50.0
Closing balance	2,375.1	1,700.6

Notes to the interim report

NOTE 1 SEGMENTS

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Net Sales				
DIY	645.3	255.3	2,342.2	255.3
Home Furnishings	437.6	146.4	1,628.9	146.4
Total net sales	**1,082.9**	**401.6**	**3,971.1**	**401.6**
	-	-	-	-
Other	2.3	4.1	19.1	4.1
Eliminations	-5.5	-5.3	-34.7	-5.3
Group consolidated total	**1,079.7**	**400.3**	**3,955.5**	**400.3**
Revenue from other segments				
DIY	2.3	0.6	7.2	0.6
Home Furnishings	0.9	0.7	8.3	0.7
Other	2.3	4.1	19.1	4.1
Total	**5.5**	**5.3**	**34.7**	**5.3**

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Operating income and profit before tax				
DIY	29.5	3.1	87.0	3.1
Home Furnishings	-7.5	1.1	25.6	1.1
Total operating income	**22.0**	**4.2**	**112.5**	**4.2**
Other	-16.7	-30.9	-21.0	-30.9
Group consolidated operating income	**5.2**	**-26.7**	**91.5**	**-26.7**
Financial net	-17.4	-4.4	-54.7	-4.4
Group consolidated profit before tax	**-12.1**	**-31.1**	**36.8**	**-31.1**

NOTE 2 DISCLOSURES ON ACQUISITIONS

All purchase price allocations are considered preliminary until management has ultimately adopted the applied valuation assumptions behind the allocation, this is done at the latest 12 months after the acquisition date.

Nets sales and profit/loss for the period for acquired companies

The acquisitions have since consolidation contributed with SEKm 776.1 to the Group's net sales and with SEKm -12.9 to the Group's profit/loss for the period. If the acquisitions would have been consolidated for the whole financial year, they would have contributed with SEKm 1239.1 to the Group's net sales and with SEKm -8.3 to the Group's profit/loss for the period.

Acquisition of FB Internet AB

On January 31, 2017, FB Internet AB ("Furniturebox"), a leading Swedish online retailer of furniture and home interior products, was acquired with the aim of strengthening Bygghemma Group's online offering on the rapidly growing Nordic Home Furnishings e-commerce market. Furniturebox is a fast-growing e-commerce player with sales in Sweden, Norway and Finland. The acquisition includes 100 % of the shares in FB Internet AB and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Acquisition of FB Internet AB	
Net assets at time of acquisition	
Trademarks	109.5
Customer relationships	34.7
Intangible fixed assets	4.9
Tangible fixed assets	2.0
Financial fixed assets	0.6
Inventory	99.5
Accounts receivable	10.4
Other receivables	10.1
Cash and cash equivalents	2.0
Deferred tax lliability	-31.1
Provisions	-0.2
Accounts payable	-80.0
Other liabilities	-27.7
Net identifiable assets and liabilities	**134.6**
Goodwill	404.0
Total purchase consideration	**538.6**
Change in the Group's cash and cash equivalents following the acquisition	**-538.6**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the Home Furnishings segment a leading position within online sales of furniture and home interior products. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Transaction costs

Transaction costs related to the acquisition of Furniturebox amounts to SEKm 4.4 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Furniturebox has since the acquisition date contributed to the Group with net sales of SEKm 348.4 and with SEKm -24.2 in profit/loss for the period. If Furniturebox would have been consolidated for the full financial year it would have contributed with net sales of SEKm 425.4 and with SEKm -25.9 in profit/loss for the period.

Acquisition of Polarpumpen AB

On April 24, 2017, Polarpumpen AB ("Polarpumpen"), a leading Swedish online specialized retailer of heat pumps and heat pump installation, was acquired with the aim of strengthening Bygghemma Group's online offering on the rapidly growing Nordic DIY e-commerce market. Polarpumpen is a fast-growing e-commerce player with sales in Sweden. The acquisition includes 51 % of the shares in Polarpumpen and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Acquisition of Polarpumpen AB	
Net assets at time of acquisition	
Trademarks	20.6
Customer relationships	11.1
Inventory	9.5
Accounts receivable	4.4
Other receivables	2.4
Cash and cash equivalents	6.6
Deferred tax lliability	-7.9
Accounts payable	-5.6
Other liabilities	-3.4
Net identifiable assets and liabilities	**37.7**
Goodwill	47.5
Total purchase consideration	**85.2**
Unpaid part of the purchase consideration	49.5
Earnout provision	7.9
Change in the Group's cash and cash equivalents following the acquisition	**-27.8**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the DIY segment a leading position within online sales of heat pumps. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 7.9.

Transaction costs

Transaction costs related to the acquisition of Polarpumpen amounts to SEKm 0.9 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Polarpumpen has since the acquisition date contributed to the Group with net sales of SEKm 88.8 and with SEKm 5.5 in profit/loss for the period. If Polarpumpen would have been consolidated for the full financial year it would have contributed with net sales of SEKm 115.9 and with SEKm 3.5 in profit/loss for the period.

Acquisition of Arredo Holding AB

On April 6, 2017, Arredo Holding AB (“Arredo”), a leading Swedish destination within flooring, tiles and bathroom interiors, was acquired with the aim of strengthening Bygghemma Group’s offering on the rapidly growing Nordic DIY e-commerce market. Arredo is a leading destination within DIY in Southern Sweden. The acquisition includes 100 % of the shares in Arredo Holding AB and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Acquisition of Arredo Holding AB	
Net assets at time of acquisition	
Trademarks	22.3
Customer relationships	43.2
Intangible fixed assets	0.9
Tangible fixed assets	3.9
Financial fixed assets	0.8
Deferred tax asset	4.6
Inventory	134.0
Accounts receivable	19.1
Other receivables	7.5
Cash and cash equivalents	3.4
Deferred tax lliability	-14.4
Accounts payable	-21.6
Other liabilities	-8.0
Net identifiable assets and liabilities	**195.7**
Goodwill	12.7
Total purchase consideration	**208.4**
Change in the Group's cash and cash equivalents following the acquisition	**-208.4**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the DIY segment a leading position within online sales of primarily flooring. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 0.0.

Transaction costs

Transaction costs related to the acquisition of Arredo amounts to SEKm 1.5 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Arredo has since the acquisition date contributed to the Group with net sales of SEKm 159.3 and with SEKm 0.4 in profit/loss for the period. If Arredo would have been consolidated for the full financial year it would have contributed with net sales of SEKm 277.1 and with SEKm 11.2 in profit/loss for the period.

Acquisition of MyHome Møbler

On June 30, 2017, MyHome Møbler, a leading Danish online and showroom retailer of furniture and home interior products, was acquired with the aim of strengthening Bygghemma Group's online offering on the rapidly growing Danish Home Furnishings e-commerce market. MyHome Møbler is a fast-growing e-commerce and showroom player with sales in Denmark. The acquisition includes 89.2 % of the shares in MyHome Møbler and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
MyHome Møbler	
Net assets at time of acquisition	
Trademarks	35.4
Customer relationships	5.8
Intangible fixed assets	0.2
Tangible fixed assets	0.7
Financial fixed assets	2.1
Inventory	62.4
Accounts receivable	1.7
Other receivables	2.1
Cash and cash equivalents	14.3
Deferred tax lliability	-9.1
Accounts payable	-16.2
Other liabilities	-22.3
Net identifiable assets and liabilities	**77.3**
Goodwill	110.2
Total purchase consideration	**187.5**
Unpaid part of the purchase consideration	28.1
Deferred purchase consideration	18.2
Change in the Group's cash and cash equivalents following the acquisition	**-141.2**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the DIY segment a leading position within online and showroom sales of furnishing and home interior products in Denmark. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 18.2.

Transaction costs

Transaction costs related to the acquisition of My Home Møbler amounts to SEKm 1.7 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

MyHome Møbler has since the acquisition date contributed to the Group with net sales of SEKm 164.5 and with SEKm 5.9 in profit/loss for the period. If MyHome Møbler would have been consolidated for the full financial year it would have contributed with net sales of SEKm 313.9 and with SEKm 11.5 in profit/loss for the period.

Acquisition of Vitvaruexperten.com Nordic AB

On October 12, 2017, Vitvaruexperten.com Nordic AB (“Vitvaruexperten”), a leading Swedish online specialized retailer of whitegoods, was acquired with the aim of strengthening Bygghemma Group’s online offering on the rapidly growing Nordic DIY e-commerce market. Vitvaruexperten is a fast-growing e-commerce player with sales in Sweden. The acquisition includes 51 % of the shares in Vitvaruexperten and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Vivaruexperten.com Nordic AB	
Net assets at time of acquisition	
Trademarks	13.3
Customer relationships	0.3
Intangible fixed assets	0.5
Financial fixed assets	0.1
Inventory	1.3
Accounts receivable	1.9
Other receivables	0.1
Cash and cash equivalents	3.6
Deferred tax lliability	-3.0
Accounts payable	-3.5
Other liabilities	-1.5
Net identifiable assets and liabilities	**13.1**
Goodwill	40.5
Total purchase consideration	**53.6**
Unpaid part of the purchase consideration	37.0
Earnout provision	2.3
Change in the Group's cash and cash equivalents following the acquisition	**-14.3**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the DIY segment a leading position within online sales of whitegoods. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 2.3.

Transaction costs

Transaction costs related to the acquisition of Vitvaruexperten amounts to SEKm 0.5 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Vitvaruexperten has since the acquisition date contributed to the Group with net sales of SEKm 7.2 and with SEKm -0.3 in profit/loss for the period. If Vitvaruexperten would have been consolidated for the full financial year it would have contributed with net sales of SEKm 37.2 and with SEKm -1.7 in profit/loss for the period.

Acquisition of Wegot AB

On November 20, 2017, Wegot AB (“Wegot”), a leading Swedish online retailer of furniture and home interior products, was acquired with the aim of strengthening Bygghemma Group’s online offering on the rapidly growing Nordic home furnishing e-commerce market. Wegot is a fast-growing e-commerce player with sales in Sweden. The acquisition includes 51 % of the shares in Wegot and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Wegot AB	
Net assets at time of acquisition	
Trademarks	5.3
Customer relationships	8.2
Tangible fixed assets	0.1
Deferred tax asset	0.9
Inventory	7.4
Accounts receivable	2.3
Other receivables	1.1
Cash and cash equivalents	1.0
Deferred tax lliability	-3.1
Accounts payable	-4.7
Other liabilities	-3.2
Net identifiable assets and liabilities	**15.4**
Goodwill	16.2
Total purchase consideration	**31.6**
Earnout provision	17.6
Change in the Group's cash and cash equivalents following the acquisition	**-14.0**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the Home Furnishings segment a leading position primarily within online sales of sofas and beds in Sweden. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 17.6.

Transaction costs

Transaction costs related to the acquisition of Polarpumpen amounts to SEKm 0.3 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Wegot has since the acquisition date contributed to the Group with net sales of SEKm 4.2 and with SEKm 1.0 in profit/loss for the period. If Wegot would have been consolidated for the full financial year it would have contributed with net sales of SEKm 65.3 and with SEKm -5.6 in profit/loss for the period.

Acquisition of Frej Jonsson & Co AB

On November 9, 2017, Nya Frej Jonsson AB ("Frej Jonsson"), a leading Swedish destination within tiles and bathroom interiors, was acquired with the aim of strengthening Bygghemma Group's offering on the rapidly growing Nordic DIY e-commerce market. Frej Jonsson is a leading destination within DIY in the western part of Sweden. The acquisition includes 100 % of the shares in Frej Jonsson and has affected the consolidated balance sheet and cash and cash equivalents as set out below.

SEKm	
Frej Jonsson & Co AB	
Net assets at time of acquisition	
Trademarks	5.0
Customer relationships	15.3
Intangible fixed assets	0.7
Inventory	1.2
Cash and cash equivalents	0.1
Deferred tax lliability	-4.5
Other liabilities	-1.9
Net identifiable assets and liabilities	**15.9**
Goodwill	6.1
Total purchase consideration	**22.1**
Earnout provision	14.0
Change in the Group's cash and cash equivalents following the acquisition	**-8.1**

Goodwill

Goodwill resulted from the acquisition, and consists of synergy effects, market position, supplier relationships and personnel. The acquisition gives the DIY segment a leading position within online sales of primarily bathroom products and tiles. The effect of deferred tax was also taken into account when preparing the acquisition analysis. The acquisition analysis is subject to a final adjustment one year after the date of acquisition.

Earnout

An earnout was recognized as part of the sales and purchase agreement. The outcome of the earnout depends on future sales and earnings. The earnout for the acquisition is valued at fair value, meaning its full payout value and discounted based on future payment dates. As of December 31, 2017, the discounted earnout amounted to SEKm 14.0.

Transaction costs

Transaction costs related to the acquisition of Frej Jonsson amounts to SEKm 0.5 and is accounted for as other external costs in the consolidated statements and other comprehensive income.

Revenue and earnings from the acquired operation

Frej Jonsson has since the acquisition date contributed to the Group with net sales of SEKm 4.3 and with SEKm -1.4 in profit/loss for the period. If Frej Jonsson would have been consolidated for the full financial year it would have contributed with net sales of SEKm 4.3 and with SEKm -1.4 in profit/loss for the period.

NOTE 3 FAIR VALUE MEASUREMENT

Classification of financial assets and liabilities

Earnouts and deferred payments to non-controlling interest belongs to level 3 in the valuation hierarchy. Apart from earnouts and deferred payments to non-controlling interest the reported values (i.e. the carrying amounts) correspond to the fair values for all financial instruments recognized in the financial position statement.

Calculation of fair value

The fair value of earnouts and deferred payments to non-controlling interest are calculated by discounting future cash flows with a risk adjusted discount rate. Expected cash flows are forecasted using probability weighted scenarios for future EBITDA levels/outcomes and the amounts that will be the result of different outcomes and the probability for those outcomes.

	31 Dec	
SEKm	2017	2016
Fair value on the opening date	**96.7**	**-**
Recognition in profit or loss	5.1	-0.6
Utilized amount	-41.1	-5.0
Acquisition value at cost	188.9	102.3
Fair value on the closing date	**249.6**	**96.7**

NOTE 4 DISCLOSURES ABOUT TRANSACTIONS WITH RELATED PARTIES

Transactions between Bygghemma First Holding AB and its subsidiaries, whom are related to Bygghemma First Holding AB, has been eliminated in the consolidated accounts. All transactions between related parties have been made on market conditions and terms and on arm's length.

Transaction with owners

FSN Capital owns via its investments vehicles 78.25 % of Bygghemma Group First AB, the rest, 21.75 % is owned by management and other employees.

Bygghemma Group First AB is owned to 30,2 % by FSN Capital GP IV Ltd., 28,6 % by FSN Capital GP V Ltd. and 19,1 % by FSN Capital Growth GP Limited. The remaining 22,1 % is owned by the board of directors and management.

The company has, during 2017 made a number of new share issues, which has contributed SEKm 643.6 in equity in total.

Parent Company income statement

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Net Sales	0.9	-	0.9	-
Total net sales	**0.9**	**-**	**0.9**	**-**
Personnel cost	-1.5	-	-1.5	-
Other external costs	-16.9	-0.1	-17.5	-0.1
Operating income	**-17.5**	**-0.1**	**-18.1**	**-0.1**
Profit/loss from financial items	0.0	0.0	0.2	0.0
Appropriations	18.2	-	18.2	-
Profit before tax	**0.7**	**-0.1**	**0.3**	**-0.1**
Income tax	-0.2	0.0	-0.1	0.0
Profit/loss for the period	**0.6**	**-0.1**	**0.2**	**-0.1**

Report on other comprehensive income has not been produced since the parent company has not had any transactions that should be reported as other comprehensive income.

Parent Company balance sheet

	31 Dec	
SEKm	2017	2016
Non-current assets		
Participations in Group companies	2,352.1	1,725.5
Long term receivables from Group companies	5.0	5.0
Deferred tax asset	-	0.0
Total fixed assets	**2,357.1**	**1,730.5**
Current assets		
Short term receivables	2.2	0.0
Short term receivables	18.2	-
Cash and cash equivalents	18.3	1.5
Total current assets	**38.7**	**1.5**
Total assets	**2,395.8**	**1,731.9**
Equity		
Restricted equtiy	2.4	1.7
Unrestriced equity	2,373.2	1,730.0
Total equity	**2,375.6**	**1,731.8**
Current liabilities		
Other current liabilities	20.2	0.2
Total current liabilities	**20.2**	**0.2**
Total shareholders' equity and liabilities	**2,395.8**	**1,731.9**

Key ratios

	2017					2016	
	Q4	Q3	Q2	Q1	Jan-Dec	Q4	Jan-Dec
THE GROUP							
	-229.0	-198.6	-174.5	-126.4	-728.5	-108.4	-108.4
Adjusted EBITA-margin %	4.9	5.4	6.0	2.9	5.0	2.2	2.2
Adjusted gross profit	245.7	246.4	228.5	134.6	855.2	83.0	83.0
Adjusted gross margin %	22.8	21.9	21.2	20.1	21.6	20.7	20.7
Equity/asset ratio %	53.7	54.7	53.4	57.5	53.7	57.1	57.1
Net debt (+) / Net cash (-)	804.1	808.8	826.4	741.4	804.1	611.7	611.7
Cash flow from operations (SEKm)	25.2	8.9	133.6	-26.6	141.1	-37.2	-37.2
Earnings per share (SEK)	-47.23	-1.39	14.03	-30.99	-64.54	-186.26	-186.26
Visits (thousands)	23,799	24,911	24,641	18,320	91,670	9,389	9,389
Orders (thousands)	408	319	318	199	1,244	122	122
Average order value (SEK)	2563	3467	3408	3455	3153	2833	2833
DIY							
Visits (thousands)	11,326	14,626	14,795	11,192	51,938	5,919	5,919
Orders (thousands)	177	172	198	129	674	85	85
Average order value (SEK)	3177	3835	3298	3251	3394	2783	2783
Home Furnishings							
Visits (thousands)	12,473	10,285	9,846	7,128	39,732	3,470	3,470
Orders (thousands)	231	147	121	70	569	37	37
Average order value (SEK)	2094	3038	3588	3829	2868	2946	2946

Reconciliation of Alternative Performance Measures

Some of the key ratios stated in this report are such that are not defined in accordance with generally accepted accounting principles (GAAP), for example IFRS. We regard the following, known as alternative performance measures, to be of use to investors as they form the basis of assessments of the company's operative development, together with the comparable GAAP key ratios. Alternative performance measures should not be viewed in isolation from, or as a replacement for, financial information presented in accordance with generally accepted accounting principles. Alternative performance measures reported by us do not need to be comparable with similarly named measures reported by other companies.

ADJUSTED EBITA, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

Group management uses adjusted EBITA, adjusted EBITDA and adjusted gross profit in order to display the performance excluding non-cash items and non-recurring items affecting comparability (such as e.g. acquisition related costs, integration costs, costs associated with changing ERP-system, costs associated with expanding the shareholder base etc.).

Adjusted gross profit: adjusted for integration costs associated with the migration of web platform, ERP-system and, most importantly, warehouse solution for Furniturebox.

Adjusted EBITA: adjusted for integration costs associated with the migration of web platform, ERP-system and, warehouse solution for Furniturebox as well as costs associated with acquisitions, expanding the shareholder base and for amortisation on acquisition related intangible assets.

Adjusted EBITDA: Corresponds to adjusted EBITA adjusted also for depreciation and amortisation of tangible and intangible assets.

The Group

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Operating income	5.2	-26.7	91.5	-26.7
Depreciation and amortization of intangible fixed assets	9.3	4.3	32.1	4.3
EBITA	**14.5**	**-22.4**	**123.6**	**-22.4**
Acquisition-related costs	1.4	30.1	10.0	30.1
Costs related to change or ERP-system	-	1.3	-	1.3
Integration costs	18.4	-	44.7	-
Costs related to the process for expanding the shareholde	18.4	-	18.8	-
Total items affecting comparability	**38.2**	**31.4**	**73.5**	**31.4**
Adjusted EBITA	52.7	9.0	197.0	9.0
Depreciation and amortization of tangible and intangible fixed assets	8.7	1.9	22.6	1.9
Adjusted EBITDA	**61.4**	**10.9**	**219.7**	**10.9**
Net Sales	1,079.7	400.3	3,955.5	400.3
Cost of goods sold	-845.5	-318.6	-3,135.6	-318.6
Gross profit	**234.2**	**81.7**	**820.0**	**81.7**
Costs related to change or ERP-system	-	1.3	-	1.3
Integration costs	11.5	-	35.2	-
Adjusted gross profit	**245.7**	**83.0**	**855.2**	**83.0**

The DIY-segment

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Operating income	29.5	3.1	87.0	3.1
Depreciation and amortization of intangible fixed assets	6.9	3.4	23.8	3.4
EBITA	**36.4**	**6.5**	**110.8**	**6.5**
Acquisition-related costs	1.0	0.1	3.6	0.1
Costs related to change or ERP-system	-	1.3	-	1.3
Total items affecting comparability	**1.0**	**1.4**	**3.6**	**1.4**
Adjusted EBITA	37.4	8.0	114.4	8.0
Depreciation and amortization of tangible and intangible fixed assets	3.6	1.2	12.4	1.2
Adjusted EBITDA	**41.0**	**9.1**	**126.7**	**9.1**
Net Sales	645.3	255.3	2,342.2	255.3
Cost of goods sold	-506.1	-205.3	-1,873.8	-205.3
Gross profit	**139.3**	**50.0**	**468.4**	**50.0**
Costs related to change or ERP-system	-	1.3	-	1.3
Adjusted gross profit	**139.3**	**51.3**	**468.4**	**51.3**

The Home Furnishings-segment

	Q4		Jan-Dec	
SEKm	2017	2016	2017	2016
Operating income	-7.5	1.1	25.6	1.1
Depreciation and amortization of intangible fixed assets	2.3	0.8	8.2	0.8
EBITA	**-5.2**	**1.9**	**33.8**	**1.9**
Acquisition-related costs	0.4	-	6.4	-
Integration costs	18.4	-	44.7	-
Total items affecting comparability	**18.8**	**-**	**51.1**	**-**
Adjusted EBITA	13.6	1.9	84.9	1.9
Depreciation and amortization of tangible and intangible fixed assets	5.1	0.8	10.3	0.8
Adjusted EBITDA	**18.7**	**2.7**	**95.2**	**2.7**
Net sales	437.6	146.4	1,628.9	146.4
Cost of goods sold	-341.6	-114.6	-1,275.0	-114.6
Gross profit	**96.0**	**31.7**	**354.0**	**31.7**
Integration costs	11.5	-	35.2	-
Adjusted gross profit	**107.4**	**31.7**	**389.2**	**31.7**

NET DEBT / NET CASH

Group managements assesses that the Group's actual net debt/net cash corresponds to the Group's long- and short term interest bearing debt towards credit institutions less cash and cash equivalents and transaction associated cost, why other long- and short term debt should be excluded. The Group's other long- and short term debt is composed of earnouts and deferred payments related to acquisitions, which are subject to an implicit interest cost.

SEKm	31 Dec 2017	31 dec 2016
Non-current interest bearing debt	1,105.9	701.0
Shor-term interest bearing debt	81.1	41.0
Total interest bearing debt	**1,187.1**	**742.1**
Cash and cash equivalents	-156.1	-53.3
Adjustment of earnouts and deferred payments	-249.6	-96.7
Adjustment transaction costs	22.7	19.6
Net debt (+) / Net cash (-)	**804.1**	**611.7**

Accounting and valuation principles

ACCOUNTING AND VALUATION PRINCIPLES

1. Consistency with regulations 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 within the EU. The recommendation RFR 1 Supplementary Accounting Rules for Groups from the Swedish Financial Reporting Board has also been applied in the preparation of this consolidated financial statement.

The same accounting principles apply to the parent company as the Group except in those cases listed below in the section ”Parent company's accounting principles”.

The parent company's functional currency is Swedish Krona which also constitutes the reporting currency for the parent company and for the Group. This means that the financial statements are presented in Swedish Krona. All amounts are, if nothing else is stated, rounded to the closest million.

The below listed accounting principles are consistently applied on all periods presented in the Groups financial statements.

1.1 Disclosures about such IFRS standards or interpretations which entered into force during 2017

The IFRS standard which entered into force in 2017 has not had any impact on the Group's statements.

1.2 New IFRS not yet being applied

IFRS 9 Financial instruments will replace IAS 39 Financial Instruments: Accounting and valuation. IASB has through IFRS 9 prepared a ”package” of changes regarding the accounting of financial instruments. The package contains new basis for classification and valuation of financial instruments, one forward looking impairment model (“expected loss”) and simplified conditions for hedge accounting. IFRS 9 enters into force January 1, 2018 and early adaption is allowed. The Group has commenced the analysis of the effects of IFRS 9. Any material effect on the recognitions is not expected in relation to the transition date, January 1, 2018.

IFRS 15 Revenue from Contracts with Customers. The purpose of a new revenue standard is to have one single principle based standard for all sectors which will replace existing standards and statements regarding revenue. The most evident impact is expected in the telecom, software, real estate, aerospace, defence and construction sectors as well as companies engaged in contract manufacturing. All businesses will however be affected by the new, and significantly expanded disclosure requirements. There are three alternative approaches to the transition; fully retrospective, partly retrospective (includes relaxed rules) and a “cumulative effect method” where equity will be adjusted as per January 1, 2018 for ongoing contracts according to the old standards (IAS 11/IAS 18). IFRS 15 enters into force 2018 and early adaption is allowed. The expectation is that the implementation of IFRS 15 will not have any material effect on the report at the time of transition.

IFRS 16 Leases. In the income statement depreciation and interest expenses attributable to leasing contracts shall be recognised separately. IFRS 16 shall be adapted from and including January 1, 2019. Earlier adaption is allowed given that IFRS 15 is adapted at the same time. The Group has not yet evaluated the effects of adapting the standard.

Other published changes of accounting standards with future adaption are not deemed to have any material effect on the Group's statements.

1.3 Valuation bases applied when preparing the financial statements

Assets and liabilities are declared according to its acquisition cost, except financial assets and financial liabilities which are valued at accrued acquisition cost.

2. Classification

Fixed assets and long-term liabilities are expected to, in all material respects, be recovered or paid after twelve months or more, counting from the balance day. Current assets and liabilities consist, in all material respects, of amounts expected to be recovered or paid within twelve months from the balance day.

3. Operating segment reporting

An operating segment is a part of the Group that conducts operations from which revenues and costs can be generated and for which there are separate financial information available. An operating segment's result is followed-up by the company's highest executive decision-maker to evaluate the result and to be able to allocate resources to the operational segment. The Group's operations are divided into two operating segments:

DIY is a provider of home and garden products and the DIY-segment consists of the 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.lindstromsbad.se, www.polarpumpen.se, www.pumplagret.se, www.fuktkontroll.se, and 16 showrooms, in Sweden, Finland, Norway and Denmark.

Home furnishing is a provider of furniture and decor and the home furnishing segment consists of the web stores www.trademax.se, www.trademax.no, www.trademax.fi, www.trademax.dk, www.chilli.se, www.chilli.no, www.kodin1.fi, www.furniturebox.se, www.furniturebox.no, www.furniturebox.dk, www.furniturebox.fi, www.myhomemobler.dk, www.wegot.se and 56 showrooms, in Sweden, Finland, Norway and Denmark.

4. Consolidation principles and acquisitions

Subsidiaries

Subsidiaries are companies which are subject to a controlling interest from Bygghemma First Holding AB. A controlling interest means, directly or indirectly, a right to control a company's financial and operational strategies with the aim of achieving economic advantages. When evaluating if controlling interest applies, the potential voting rights that without delay can be executed or converted are taken into account.

Acquisitions

Subsidiaries are accounted for according to acquisition 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 liabilities. In the acquisition analysis the fair value at the time of the acquisition day is established from acquired identifiable assets and liabilities and any holdings without controlling interest. Transaction fees, except transaction fees attributable to emission of equity or debt instrument, are recognised directly in the annual result.

In the event of an acquisition where transferred purchase price, possibly holdings without controlling interest and fair value of previously owned share (in case of a stepwise acquisition) exceeds the fair value of the acquired assets and liabilities when separately recognised, the difference is recognised as goodwill. If the difference is negative, so called acquisition to a low price, it is accounted for directly in the annual result.

Transferred purchase price in relation to the acquisition does not include payments regarding regulation of former business relations. This type of regulation is recognised in the result.

Contingent purchase price is carried at fair value at the time of the acquisition. In the case of the contingent purchase price being classified as an equity instrument no revaluation is done and regulating is done within equity. Other remunerations are revalued at every reporting date and the change is accounted for in the annual result.

When an acquisition does not involve 100 % of the subsidiary a holding without controlling interest arises. There are two ways to recognise holdings without controlling interest. These two alternatives are to recognise the holding without controlling interest's proportional share of the net assets or that the holding without controlling interest is carried out at fair value, which means that acquisitions without controlling interest are a part of goodwill. The decision between the different alternatives can be made on a case to case basis.

For stepwise acquisitions the goodwill is established at the same time as the controlling interest is established. Previous acquisitions are carried at fair value and the change in value is recognised in the annual result.

Divestments that lead to a loss of controlling interest but where a holding remain, the holding is carried at fair value and the change in value is recognised in the annual result.

Acquisition of holdings without controlling interest
Acquisition of holdings without controlling interest is recognised as a transaction of equity, i.e. between the owner of the parent company (within retained earnings) and the holding without controlling interest. Therefore, goodwill does not arise in these transactions. Change of holdings without controlling interest is based on its proportional share of the net assets.

Transactions eliminated at consolidation
Intra-group claims and liabilities, revenue or costs and unrealised gains or losses that arises from intra-group transactions between group entities, are eliminated in its entirety in the preparation of the consolidated financial statements.

5. Foreign currency

5.1 Transactions in foreign currency
Transactions in foreign currency are converted into the functional currency using the exchange rate on the transaction day. The functional currency is the currency used in the primary financial environment in which the Group conducts its business. Monetary assets and liabilities in foreign currency are converted into the functional currency according to the balance day exchange rate. Exchange rate differences arising from the conversion are recognised in the annual result

5.2 Financial statements of foreign operations
Assets and liabilities of foreign operations, including goodwill and other Group related discounts or premiums are converted from the foreign operations' functional currency to the Group's reporting currency, Swedish Krona, according to the balance day exchange rate. Revenues and costs from a foreign operation are converted to Swedish Krona using an average exchange rate which is an approximation of the transaction times' exchange rates. Exchange differences arising from the conversion in foreign operations are recognised in other comprehensive income and are accumulated in a separate component of the equity, called the translation reserve. In the event of a foreign operation not being wholly-owned, the conversion difference is distributed to holdings without controlling interest based on the proportional ownership. When divesting a foreign operation, the accumulated conversion differences related to the operation are realised, and reclassified from the translation reserve to equity in the annual result. In the case of a divestment where the controlling interest remains, a proportional share of the accumulated conversion difference is transferred from other comprehensible income to holdings without controlling interest.

6. Revenue

6.1 Sale of goods and rendering of services
Revenue from sale of goods are recognised according to the sales conditions, that is to say when the good have been submitted to a third party logistics company after deducting value added tax, discounts and returns. As the majority of total sales are made to consumers who, depending on the country, usually have a right of withdrawal for when purchasing on distance, the deduction of returns is a relatively significant item. The second quarter together with the third quarter normally has the highest sales.

Revenues from sales of services are recognised when the service is delivered.

6.2 Gift cards
Revenue from the sale of gift cards are recognised as a liability and revenue is recognised when the gift card is exchanged for a product.

7. Leasing

7.1 Operational leasing contracts
Costs from operational leasing contracts are recognised in the annual result linearly over the lease term. Benefits acquired in relation to signing a contract are recognised for in the annual result as a decrease of the leasing fees linearly over the leasing term. Variable costs are recognised in the period where they arise.

8. Financial revenues and costs
Financial revenues consist of interest revenue from investments.

Financial costs consist of interest on loans. Borrowing costs are recognised in the result applying the effective interest method.

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

Gains and losses arising from a change in carrying amount of purchase price and liabilities to holdings without controlling interest are recognised among the financial items.

The effective interest rate is the interest rate which discounts the estimated future cash flows during a financial instrument's expected term to the financial asset's or liability's carrying amount. The calculation includes all fees paid or received by the contracting parties, transaction costs or other premiums or discounts.

9. Taxes

Income tax consists of current tax and deferred tax. Income tax is recognised in the annual result except when the underlying transaction is recognised as a part of comprehensive income or equity when the related tax effect is recognised as a part of other comprehensible income or equity.

Current tax is tax that will be paid or received during the current year, applying the tax rates that are enacted or practically enacted as per the balance day. Current taxes also include adjustments of current taxes related to previous periods.

Deferred taxes are calculated according to the balance sheet method which is based on the temporary difference between reported and taxable values of assets and liabilities. Temporary differences are not taken into account in Group goodwill and not for differences arising at the initial reporting of assets and liabilities that are not acquisitions which at the time of the transaction did not affect neither recognised nor taxable result.

Furthermore, temporary differences related to shares in subsidiaries that are not expected to be transferred within a foreseeable future are not taken into account. The valuation of deferred tax is based on how underlying asset or liabilities are expected to be realised or regulated. Deferred tax is calculated through applying the tax rates and taxation rules decided or practically decided as per the balance day.

Deferred tax claims related to deductible temporary differences and [tax losses] are only recognised if it is likely that these will be exercised. The value of deferred tax claims is reduced when it is no longer deemed likely that they will be exercised.

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

10 Financial instruments

Financial instruments presented in the statement of financial position include cash and cash equivalents, loans and receivables on the asset side. On the debt side there are payables and loans.

10.1 Recognition and withdrawal in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes a party according to the instruments contractual terms. A claim is recognised when the company has performed and the counterparty has a contractual obligation to pay, even if an invoice has not yet been sent. Receivables are recognised in the statement of financial position when an invoice has been sent. A debt is recognised when the counterparty has delivered and there is a contractual obligation to pay, even if an invoice has not yet been received. Payables are recognised when an invoice has been received.

A financial asset is withdrawn from the statement of financial position when the rights in the contract has been realized, expires or if the company loses control over them. The same applies for a part of a financial asset. A financial liability is withdrawn from the statement of financial position when the obligation is carried out or in any other way closed down. The same applies for a part of a financial liability.

A financial asset and a financial liability can be offset and presented with a net amount in the statement of financial position only when there is a legal right to offset the amounts and the intention is to regulate the positions with a net amount or at the same time realise the asset and regulate the liability.

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.

10.2 Classification and valuation

Financial instruments which are not derivatives are initially carried at a cost equivalent to the instruments fair value with the addition of transaction costs for all financial instruments except those belonging to the category of financial assets which are carried at fair value through profit or loss, which are carried at fair value excluding transaction costs. A financial instrument is classified in the initial reporting based on, among other things, the purpose of acquiring the instrument. The classification determines how the financial instrument is valued after the initial reporting as described below. Cash and cash equivalents consist of cash.

10.3 Loans and receivables
Loans and receivables are financial assets which are not derivatives, which has established or verifiable payments and which are not listed on an active market. These assets are carried at amortised cost. Amortised cost is determined from the effective interest rate determined at the date of acquisition. Receivables are carried at the amount expected to be realised, after deduction of bad debt.

10.4 Other financial liabilities
Loans and other financial liabilities, such as payables, are included in this category. The liabilities are carried at amortised cost.

To which category the Group’s financial assets and liabilities belong is presented in note 26 financial instruments and financial risk management. Reporting of financial revenues and costs are also covered above in principle 2.8.

11. Tangible fixed assets
Tangible fixed assets in the Group are carried at cost after deducting accumulated depreciations and any impairment. The cost includes the purchase price and costs directly related to the asset to bring it into place and such state that it could be used according to the purpose of 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 is included in the acquisition value.

The reported value of a tangible fixed asset is removed from the statement of financial position on retirement or disposal or when no future financial advantages are expected from using or disposing the asset.

Gains or losses arising from retirement or disposal of an asset consist of the difference between the sales price and the assets recognised value with direct sales costs deducted. Gains and losses are recognised as other operating income.

11.1 Depreciation principles for tangible fixed assets
Depreciations are made linearly over the assets expected useful life. Used depreciation methods, residual value and useful life is re-examined at the end of each year.

The estimated useful life is:

Inventory	3-10 years
Buildings	20 years

12. Intangible assets

12.1 Intangible assets with an indefinite useful life
12.1.1 Goodwill
Goodwill is valued at acquisitions value minus any accumulated amortisation. 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 corresponds to the operating segments (see accounting principle 2.3).

12.1.2 Trademarks
Trademarks are valued at acquisition value minus any accumulated amortisations. Trademarks are distributed to cash generating units and are tested, at least annually, for impairment (see accounting principle 2.14).

12.2 Intangible assets with a finite useful life
12.2.1 Development costs
Costs for development of new or improved products and processes are recognised as an asset in the statement of financial position if the process is technical and commercially useful and the Group has sufficient resources for completion. The reported value includes direct costs and, when applicable, salary cost and share of indirect costs. Other expenses are reported in the income statement as a cost when they arise. In the statement of financial position capitalised development costs carried at cost minus accumulated depreciations and any impairments. Capitalised development costs are mainly related to software and software platforms.

12.2.2 Customer relations
Customer relations are carried at cost minus accumulated amortisation (see below) and any impairment (see accounting principle 2.14).

12.2.3 Other intangible assets
Other intangible assets are carried at cost minus accumulated amortisation (see below) and any impairment (see accounting principle 2.14).

12.3 Amortisation principles for intangible assets

Amortisations are recognised in the annual result linearly over the intangible assets estimated useful life, unless the useful life is indefinite. The useful life is re-evaluated at least annually. Goodwill and trademarks with an indefinite useful life are evaluated for impairment annually or as soon as there are indications implying that the asset's value has decreased. Intangible assets with finite useful life are depreciated from the point in time where they were available for use.

The estimated useful life is:

Development costs	5 years
Customer relations	5-10 years
Other intangible assets	5 years

13. Inventories

Inventories are valued at the lowest value of the cost and the net realisable value. The cost is calculated by the first-in-first-out principle (FIFO). Net realisable value is the estimated sale price in the operational activities minus estimated cost of completion and sale. Inventory cost is based on the cost and includes costs arising in relation to acquisition of goods and bringing the goods to its condition and location. Reservations for obsolescence are included in the cost of sale.

14. Impairment

The Group's recognised assets are evaluated at each balance day to determine if there is an indication of a need for impairment. IAS 36 apply to impairment of other assets than financial assets which is accounted for in accordance with IAS 39.

14.1 Impairment of tangible and intangible assets

If there is an indication of a need for impairment of the assets recoverable amount (see below). For goodwill, trademarks, and intangible assets not yet ready for use, the recoverable amount is calculated annually. If it is not possible to establish an essentially independent cash flow to an individual asset, and its cost minus sales cost cannot be used, the assets are grouped for review of impairment need to the lowest level where it is possible to identify an essentially independent cash flow – a so called cash flow generating unit.

Impairment is recognised when an asset or a cash flow generating unit (group of units) carrying value exceeds the recoverable amount. Impairment is recognised as a cost in the annual result. If a need for impairment is noticed than cannot be attributed to an individual asset but only to a cash flow generating unit (group of units), the impairment amount is distributed primarily to goodwill. Thereafter, a proportional impairment of other assets included in the unit (group of units) is done.

The recoverable amount is the highest value of the fair value minus cost of sales and the value in use. When computing the value in use, future cash flows are discounted with a discount factor which takes the risk free rate and the risk related to the specific asset into account.

14.2 Impairment of financial assets

At each reporting date the company evaluates if there is any objective evidence of a financial asset or a group of assets are in need of impairment. Objective evidence consists of observable conditions that has occurred and which has a negative impact on the ability to recover the cost.

Receivables need for impairment is established using historical experiences of customer losses of similar claims. Receivables with need for impairment are carried at the value of expected future cash flows. Normally, receivables are 100% impaired 90 days after the repayment date.

14.3 Reversal of impairment loss

Impairment of assets included in IAS 36 scope of regulation are reversed if there is both an indication that the impairment need is no longer exists and there has been a change in the assumptions the calculation of the recoverable amount was based on. Impairment of goodwill is however never reversed. A reversal is only done to the extent that the assets carrying value after reversal does not exceed the carrying value, with impairment deducted if applicable, if no impairment had been done.

Impairment of loans and receivables carried at amortised cost are reversed if the former reasons for impairment no longer exists and that full repayment is expected.

15. Capital payments to shareholders

15.1 Dividend

Dividends are recognised as a liability following the approval of the general annual meeting.

15.2 Repurchase of own shares

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

16. Earnings per share

The calculation of earnings per share is based on the annual earnings of the Group attributable to the parent company's owners and on the weighted average number of outstanding shares during the year. When calculating the earnings per share after dilution the earnings and the average number of outstanding shares are adjusted to account for the effect of diluting potential common shares. During the reporting period the company has had one type of instrument which may lead to future dilution, warrants. Earnings per share for 2015 are calculated with respect to the warrants. During 2014 and 2013 the warrants had no diluting effect.

17. Compensation to employees

17.1 Short-term compensations

Short-term compensations are calculated without discounting and are recognised as a cost when the related services have been received.

A reservation is recognised as the expected cost of bonus payments when the Group has a valid legal or constructive obligation to do such payments as a result of services received from employees and that the obligation can be reliably calculated.

17.2 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 that case, the size of the employees' pension depends on the fees that the company is paying to the plan or to an insurance company and the return from the fees. Subsequently, it is the employee that carries the actuarial risk (that the compensation is lower than expected) and the investment risk (that the investment will be insufficient to yield the expected compensation). The company's obligations regarding the fees for the defined contribution plans are recognised as a cost in the annual earnings at the pace that they are accrued through the employees carries out their services for the company during a period.

17.3 Termination compensations

A cost related to termination of employees are only recognised if the company is evidently obliged to, without a realistic possibility of withdrawal, according to a formal detailed plan to terminate an employment before the usual point in time. When benefits are offered as a way of encouraging voluntary resignation, a cost is recognised if it is likely that the offer will be accepted and that the number of employees that will accept the offer can be estimated.

18. Provisions

A provision differs from other liabilities as there is an uncertainty regarding the time of payment or the size of the amount required to regulate the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of an event, and it is likely that an outflow of financial resources will be required to regulate the obligation and that a reliable estimate of the amount can be made.

Provisions are made with the amount that is the best estimate of what will be required to regulate the existing obligation on the balance day. If the effect of when in time the payment is made is material, the provision is calculated by discounting the expected future cash flow at an interest rate before taxes that reflects the current market assessment of the time value of money and, if applicable, the risks related to the debt.

19. Contingent liabilities

A contingent liability is recognised when there is a possible commitment which originates from past events and which occurrence is confirmed only by one or several uncertain future events or when there is a commitment that has not been recognised as a liability or a provision due to the fact that it is unlikely that an outflow of resources will be required.

20. Accounting principles of the parent company

The parent company prepared its annual report according to the annual reports act (1995:1554) and the Council for financial reporting's recommendation RFR 2 Accounting for legal persons. The published statements, also made by the council for financial reporting for listed companies are also adopted. RFR 2 requires that the parent company in the annual report of the legal person applies all IFRS and statements adapted by EU to the furthest extent possible within the framework of the annual reports act, pension obligations vesting act and with respect to the relationship between accounting and taxation. The recommendation states which exceptions from and additions to IFRS that shall be applied.

20.1 Differences in the Group's and the parent company's accounting principles

The differences between the Group's and the parent company's accounting principles are presented below. The below stated accounting principles for the parent company have been consistently applied on all presented periods in the parent company's financial statements.

20.1.1 Changes in accounting policies
If nothing else is stated below, the parent company's accounting principles during 2015 have changed according to whet is stated above regarding the Group.

20.1.2 Classification and accounts
The parent company uses the terms balance sheet and cash flow analysis for those statements which the Group has named statement of financial position and cash flow statement. The income statement and the balance sheet are for the parent company prepared in accordance with the Swedish Annual Accounts Act's schedules, while the statement of comprehensive income, statement of changes in equity and the cash flow analysis are based on IAS 1 Presentation of financial statements and IAS 7 Cash flow statements.

The differences between the Group statements and the parent company's income statement and balance sheet mainly consist of recognition of financial revenues and costs, equity and the occurrence of provisions as an individual item in the balance sheet.

20.1.3 Subsidiaries
Shareholdings in subsidiaries in the parent company are recognised according to the cost method. This means that transaction fees are included in the carried value of shareholdings in subsidiaries. In the consolidated statement, the transaction expenses related to subsidiaries are recognised directly in the annual earnings when they arise.

[Contingent considerations] are valued using the probability that the payment will be paid. Possible changes in the provision are added to/reduce the cost. In the consolidated statement contingent purchase price are carried at fair value with value changes over the result.

20.1.4 Intra-group transfers and shareholder contributions for legal persons
The parent company recognises obtained and given intra-group transfers in accordance with RFR 2 as year-end adjustment. Shareholder contributions are immediately recognised as equity for the recipient and activated in shares for the donor if there is no need for impairment.

ESTIMATES AND ASSESSMENTS
Preparing the financial statements in accordance with IFRS requires the Board of directors and the executive management to do assessments and estimates that affects the adaption of the accounting principles and the recognised amounts of assets, liabilities, revenues and costs. The estimates and assumptions are based on historical experience and a number of other factors which under the current conditions seems reasonable. The result of these estimates and assumptions are used to assess the recognised values of assets and liabilities which otherwise is not clearly stated in other sources.

The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are reviewed regularly. The changes in estimates are presented in the period during which the change was made if it only affects this period, or in the period the change was made and future periods if the change affects both the current and future periods. The development, choice of and information regarding the Group's relevant accounting principles and estimates, as well as the adaption of these principles and estimates are reviewed by Bygghemma Group's audit committee.

1. Goodwill and other intangible fixed
Goodwill and other intangible fixed assets with indefinite useful life are impairment reviewed annually or when there are indications of a need or impairment. The impairment review requires that the executive management establishes fair value of cash flow generating units based on cash flow forecasts and internal business plans and forecasts.

2. Obsolescence assessment of inventory

The inventory is examined each month to determine potential needs for impairment. Impairments are recognised as cost corresponding to the amount of the inventory which, after careful consideration, are deemed obsolescence. If actual obsolescence differs from the calculations or if the executive management does future adjustments of the underlying assumptions, the change in valuation can affect the earnings for the period as well as the financial position.

3. Assessment of return rate

The need for provisions related to future returns are assessed each month. The assessment is based on historical outcomes and actual sales. The need for provision is recognised as a decrease of net sales with a corresponding adjustment to the cost of products sold.

4. Provisions and contingent liabilities

Liabilities are recognised when there is an existing obligation as a result of a past event, when it is probable that an outflow of financial advantages will occur and when a reliable assessment of the amounts can be done. In these cases, a calculation of the provision is done which is recognised in the statement of financial position. A contingent liability is recognised in a note when a possible obligation has risen but which existence can only be confirmed by one or several uncertain future events beyond the Group's control, or when it is not possible to calculate the full amount. Realisation of contingent liabilities not recognised may have a significant impact on the Group's financial position.

The Group is regularly reviewing outstanding disputes to determine the need for provisions. Among the factors taken into account in such an assessment are, amongst others, type of litigation, the size of the compensation, the development of the litigation, the perception of legal and other advisors, experience from similar cases and decisions made by the group management regarding the Group's conduct with respect to these disputes.

Estimates does not necessarily reflect the outcome of settled litigations and differences between outcome and estimate can significantly impact the company's financial position and have an unfavourable effect on the operating result and liquidity. For additional information, see note 24 Provisions.

5. Deferred taxes

The Group recognises a deferred tax asset based on unused tax losses. The management has made assumptions and assessments regarding the business's future earnings ability and based on this assessed the possibilities of future use of these unused tax losses.

Risks and uncertainty factors

RISKS AND UNCERTAINTY FACTORS

1. Bygghemma Group's industry and operations are affected by the general economic climate and other macroeconomic effects

Bygghemma Group conducts business activities among several Nordic markets and purchases products from suppliers in various parts of the world. General economic, financial and political, on both a national and global level, such as a recession, inflation, deflation, a general downturn of the market, changes in the purchasing power of enterprises and consumers as well as business and public investments, could therefore affect demand for products that Bygghemma Group provides. Cyclical fluctuations and different types of incentives and austerity measures have an impact on the new-build and renovation market and can therefore also affect the DIY and home furnishing markets, which are essential for Bygghemma Group. An uncertainty regarding economic outlook, including political concerns, may result in a decline in activity among these markets, which may cause a decline in the demand of Bygghemma Group's products and services, which could affect the Group's financial position and earnings. Bygghemma Group's sales can also be affected by changes in the turnover in the real estate industry, since this could result in a lower interest in home improvement. If any of the above risks were to materialise, this could have a negative effect on demand for Bygghemma Group's products and thereby adversely impact the Company's operations, earnings and financial position.

2. Bygghemma Group operates in a competitive market and Bygghemma Group's competitors may take actions to increase their online sales

Bygghemma Group conducts business activities, primarily online, in the Swedish, Norwegian, Finnish and Danish home improvement markets.

The Swedish, Norwegian, Finnish and Danish home improvement markets are highly competitive.

The Group's competitors include store chains, retailers, independent resellers and wholesalers.

Bygghemma Group also risks new competition from domestic and international traditional or online companies that are currently not active on Bygghemma Group's markets. Examples of such potential competitors are general online retailers that have an established Nordic presence that decide to increase their sales in various product categories, where home improvement can be one of them, newly established companies or existing offline competitors that start focusing on the online market.

3. Bygghemma Group's operations are dependent on development, access to, and availability of its IT systems and platforms

Bygghemma Group operates an online-first model where sales are primarily conducted online. Customer orders and order management, including communication with suppliers, are made through different IT-systems. Order management is directed to a payment service, managed by an external party with their own backup servers. Bygghemma Group's success is dependent on the reliability, functionality, maintenance, operation and further development of the Group's different IT-systems, including for an example, web shops, systems for sales and purchase, customer management, inventory management, accounting and marketing. The quality of existing IT-systems and Bygghemma Group's success to implement new systems and updates affects, among other things, the abilities to realise sales and deliveries to customers as well as to manage inventories and receivables.

4. If realised, threats to data protection could significantly affect the Group's operations

The Group could be held accountable if third-parties or Bygghemma Group's employees were to breach the Group's network security or in other ways embezzle personal data. This could also entail specifications related to other improper use of personal data, including unauthorised marketing. The Group can also be held accountable if incorrect information or for their integrity and data protection routines. Liability for misuse of personal data or inadequate routines or systems for handling such information could adversely impact the Company's earnings.

5. The Company is dependent on continued interest for online sales of home improvement products

As a primary online-based provider the Company is mainly exposed to the consumers trust for, and the use of, their online channels for purchase of home improvement products. Online sales are estimated to have increased in recent years. The Company is dependent on a continued growth in online sales in general and a corresponding shift from offline- to online sales in the market for home improvement products in order to increase their net sales.

6. The Company is dependent on a continued need of a link between suppliers and consumers, and a demand of the suppliers' products

The Company's business model focuses on selling home improvement products in the Nordic market and sales are primarily conducted online. Since the Group does not manufacture any products, the Group acts as a link between suppliers and customers. Purchases are done through several suppliers.

7. Damage to the Company's reputation could lead to losses in sales or growth opportunities for the Company

The Company is dependent on its reputation. A company's reputation is critical in relation to both new and existing customers when buying goods and services. Issues regarding quality, operations or logistics, or losses of existing customers or suppliers, could damage the Company's reputation and consequently lead to difficulties in retaining customers or attracting new customers.

8. Consumer demand for home improvement products and the Company's operations are seasonal

The Group Companies have a product mix containing mixtures of products for indoor and outdoor use. Sales of outdoor products, such as outdoor furniture and garden machinery, are, to a less extent, affected by seasonal- and weather fluctuations. Deviations from normal weather conditions, such as unusually harsh weather conditions, may adversely affect the Company's sales and earnings in the various quarters, for an example, an unusually severe or long winter or a summer with a high precipitation may have significant adverse effects in this regard. If weather fluctuations would be more extensive than expected, it could have a material adverse effect on the Company's operations, financial position and earnings.

9. Capital management

The Group's objective is to have a good financial position, which helps to maintain investors, creditors and market confidence and provide a basis for further business development; while the long-term return generated to the shareholders is satisfactory. Some stated quantitative goals, such as debt ratio, do not exist.

10. Financial policy

Through its operations, Bygghemma 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 centralized to the parent company in order to achieve economies of scale and synergies as well as to minimize the handling risks. The parent company does also function as the Group's internal bank and is responsible for financing and the financial policy. This includes merging liquidity needs. The financial policy developed by the Board of Directors includes overall risk management as well as specific areas such as financing and liquidity risk, interest rate risk, exchange rate risk, credit risk, insurance risk, use of financial instruments and placement of excess liquidity.

11. Financing and liquidity risk

The Group's external financing comprises several loans secured with a Swedish commercial bank, Handelsbanken. According to the credit agreements, the Group is subject to certain restrictions, primarily related to pledging of collateral to other creditors, raising loans beyond a certain level and realisation of assets that have a value that exceeds a certain amount. Credit agreements also contain standard covenants, including the obligation that the relationship between net debt and EBITDA may not exceed a certain level.

The Group's ability to pay its debts, otherwise fulfil its obligations in accordance and compliance with the terms of the credit agreements, and its ability 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 those beyond the Company's control. If the Group does not fulfil its obligations in accordance with the terms of the credit agreements, or is in breach of the financial covenants, 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.

Risk is managed centrally by the parent company, ensuring that there is always enough liquid funds and ability to increase the available funding. The availability of liquid funds for the subsidiaries is partially secured through the use of cash pools.

According to the Group's financial policy, available funds at any given time must at least amount to:

- 2 % of net sales for the past 12 months.

12. Market Risk – 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 flow 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.

13. Credit risk

Credit risk involves exposure to losses if counterparty to a financial instrument is unable to fulfil its obligations. The exposure is based on book value of the financial assets, most of which consists of accounts receivable and cash or cash equivalents. The Group has established a credit policy for managing customer credits.

Credit risk with respect to the Group's accounts receivable is spread over a large number of customers, mainly private individuals. Accounts receivable are sold to a factoring company and the absolute majority of the accounts receivables are sold with a full transition of credit risk to the counterparty. The sum of accounts receivable for which the credit risk is not transferred to a factoring company does not amount to a significant amount.

14. Market risk – Currency exchange risks

Currency exchange risk refers to the risk that exchange rate fluctuations have a material adverse effect on the Group's income statement, statement of financial position or cash flow statement. The consolidated financial statements are prepared in Swedish Krona, but the Group has operations in Sweden, Norway, Finland and Denmark and some of the goods purchases are made in currencies other than Swedish Krona. Furthermore, exchange rate fluctuations can affect the Group and its customers' competitiveness and thus indirectly affect the Group's sales and earnings. The Group is primarily exposed to fluctuations in EUR, USD and NOK through accounts receivable and payables. This means that the Group is exposed to currency risk.

The risk can be divided into transaction risk and translation risk. Transaction risk is the risk arising from the inflows and outflows in foreign currencies that are needed in the operation and its financing. Translation exposure is the risk that arises from the translation of equity in foreign subsidiaries.

The Group usually does not hedge its currency exposure unless approved by the Board of Directors of the parent company, so negative changes in exchange rates have a negative effect on the Group's operation, financial position and earnings.

Definitions

Key Ratios	Definition	Description
Visits	Number of visits to the Group's web stores during the period in question.	The ratio is used to measure customer activity.
Orders	Number of orders placed on Group's web stores during the period in question	The ratio is used to measure customer activity.
Gross margin	Gross profit as a share (%) of net sales.	Gross margin gives an indication of the contribution level as a share of net sales.
Gross profit	Net sales less costs for goods sold. The gross profit includes direct selling costs, e.g. fulfilment, freight and postage costs.	Gross profit gives an indication of the contribution level.
EBITA	Operating income before depreciation and amortisation, interest, tax and amortisation on acquisition related intangibles.	EBITA provides a general indication as to the profits generated before amortisations.
EBITA-margin	EBITA as a share (%) of net sales	EBITA-margin is a useful ratio in combination with net sales growth in order to monitor the valuation creation.
EBITDA	Operating income before depreciation and amortisations, financial net and tax.	EBITDA provides a general indication as to the profits generated before depreciation and amortisations.
EBITDA-margin	EBITDA as a share (%) of net sales.	EBITDA-margin is a useful ratio in combination with net sales growth to monitor valuation creation.
Average orderr value (AOV)	Total order value (e.g. internet sales, postage income, commissions and other related income) divided by number of orders.	Average order value is a useful indication of revenue generation.
Investments	Investment capex related to tangible and intangible assets.	Investment capex provides an indication of total investments in expansion related tangible and intangible assets.
Adjusted gross margin	Adjusted gross margin as share (%) of net sales. Adjusted gross margin excludes items affecting comparability.	Adjusted gross margin gives an indication of the underlying contribution level as a share of net sales.
Adjusted gross profit	Net sales less costs for goods sold. The gross profit includes direct selling costs, e.g. fulfilment, freight and postage costs. Adjusted gross profit excludes items affecting comparability.	Adjusted gross profit gives an indication of the underlying contribution level as a share of net sales.
Adjusted EBITA	EBITA excluding items affecting comparability. Items affecting comparability includes acquisition related costs, costs associated with changing ERP-system and costs related to broadening the shareholder base, including costs related to a potential listing on Nasdaq Stockholm.	The ratio provides a measure indication underlying income generated by the operations.
Adjusted EBITA-margin	Adjusted EBITA as a share (%) of net sales.	The ratio provides a measure indication underlying income generated by the operations.
Adjusted EBITDA	EBITDA excluding items affecting comparability. Items affecting comparability includes acquisition related costs, costs associated with changing ERP-system and costs related to broadening the shareholder base, including costs related to a potential listing on Nasdaq Stockholm.	The ratio provides a measure indication underlying income generated by the operations.
Adjusted EBITDA-margin	Adjusted EBITA as a share (%) of net sales.	The ratio provides a measure indication underlying operative contribution generated by the business.
Adjusted sales, general and administrative costs	Adjusted gross profit less adjusted EBITDA, hence excluding items affecting comparability.	Sales, general and administrative costs provide an indication of opex excluding cost of goods sold and direct selling cost, thereby giving an indication of the fixed and semi-fixed cost level in the operations.
Adjusted sales, general and administrative costs/net sales	Adjusted sales, general and administrative costs as share (%) of net sales.	Provides an indication of opex excluding cost of goods sold and direct selling cost, giving an indication of operating leverage.

Items affecting comparability	Items affecting comparability relates to events and transactions that are important to take into consideration when the period's results are compared to previous period's and includes amongst other gains and losses from sales and divestments, costs related to material non-recurring cut-downs, restructurings with action plans with the purpose of reshaping an important part of the operation, material write-downs and other material non-recurring costs and revenues.	Items affecting comparability is a definition of items which excluded show the company's earnings excluding items which to its nature are of a non-recurring nature.
Cash conversion	Cash flow from operations as share (%) of adjusted EBITDA	Cash conversion provides a measure for the company in order to monitor return from investing activities and working capital.
Net sales growth	Annual growth in net sales, calculated as a comparison (divided by) net sales for the same period last year (%).	Net sales growth provides a measure for the company to compare growth between two different periods and vis-a-vi the market and competitors.
Net debt (+) / Net cash (-)	the Group's long- and short term interest bearing debt towards credit institutions less cash and cash equivalents and transaction associated cost	Net debt / Net cash is a measure showing the company's total net debt (can be positive = net debt, or negative = net cash).
Cash flow from operations	Cash flow from operations i.e. adjusted EBITDA after change in working capital and less capex.	Cash flow from operations is used to monitor cash flow in the business.
Organic growth	Change in net sales adjusted for acquired net sales.	Organic growth provides the company with a measure to monitor underlying growth in net sales, excluding effects from possible acquisitions.
Working capital	The capital of a business which is used in its day-to-day operations, calculated as the current assets minus the current liabilities	Working capital provides an indication of the company's short term capacity to cover economic obligations – as it gives an indication as to if the company's short term assets are sufficient to cover its short term obligations.
Operating margin (EBIT-margin)	Operating income as share (%) of net sales.	Operating margin is a useful measure in combination with net sales growth in order to monitor value creation.