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# Annual Report 2020

BHG Group AB (publ)  
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# About BHG

BHG Group is the number 1 consumer e-commerce company in the Nordics. We're also present in most of Eastern and Central Europe. Our strong position in these markets makes us the largest European pure-play within the Home Improvement space, meaning Do-It-Yourself and Home furnishings. With an ecosystem of online stores, supported by physical destinations and services, such as last-mile deliveries and installation, we offer the market's leading range of well-known external and strong own brands, totalling close to a million unique products and encompassing a complete offering within DIY, leisure, furniture and furnishings.

The Group includes over 100 online sites – including sites like [www.bygghemma.se](http://www.bygghemma.se), [www.trademax.se](http://www.trademax.se), [www.chilli.se](http://www.chilli.se) and [www.furniturebox.se](http://www.furniturebox.se) – and over 70 showrooms. We are headquartered in Malmö, Sweden, with operations in most of the European countries. Our share is traded on Nasdaq Stockholm, under the ticker "BHG."

The BHG brands employ more than 2,000 people, working every day to create the ultimate online shopping experience by combining an unbeatable product range with smart technology, leading product expertise and a broad range of services.

# The year in brief

## A RECORD YEAR! A 10 BILLION SEK BUSINESS!

Our growth accelerated throughout the second half of 2019 and in the first quarter of 2020. When the consequences of the coronavirus pandemic started to be felt, the Group was already gaining momentum, so when customer behaviour began to shift in the wake of the pandemic, one of the consequences was a sharp acceleration in demand for products in our categories, especially through the online channel. We were well positioned to respond to this growing demand, with total growth in 2020 amounting to 44.4% and organic growth to 33.7%, while both profitability and cash conversion were at all-time highs. This strong growth meant that we took major steps towards the objective we announced in conjunction with our stock exchange listing in March 2018, namely reaching SEK 10 billion in sales.

## MILESTONES, QUARTER BY QUARTER

BHG passed several important milestones every quarter this past year.

- During the first quarter, we grew 33.5% and profitability hit the highest level yet for a first quarter. We also acquired Hemfint.
- During the second quarter, we launched our new corporate identity for the Group under the new BHG brand, with an updated corporate identity for the web, social media and other external communication channels for the Group. At the same time, growth accelerated significantly to 57.7% in the quarter with record-breaking profitability and cash conversion.
- The third quarter saw continued favourable growth of 39.7%. We also completed the update of our market analysis (see the separate heading below) and acquired Sleepo.
- And, finally, during the fourth quarter, while growth and profitability remained at exceptional levels, we also closed on our largest acquisition to date when Nordic Nest became a part of BHG. We are optimistic about Nordic Nest's ability to continue to grow organically and see the operations as a possible platform for additional acquisitions. Furthermore, BHG acquired an additional 20.1% of the shares in Furniture1 during the fourth quarter, the ownership after the acquisition amounts to 50.1%.

Overall, our position as the largest customer-oriented online retailer in the Nordic region was strengthened in 2020.

## A LARGE AND FAST-GROWING MARKET

During the past year, we updated our market analysis with the help of an external consulting firm in order to reflect both our ongoing category expansion and the growth in the total and online home improvement markets (the combination of DIY and home furnishings).

Our updated estimate indicates that the total home improvement market in the Nordic region amounts to

approximately SEK 300 billion per year. BHG also operates in a number of Eastern European geographies within the Home Furnishing segment. Overall market growth in these countries is clearly higher than in the Nordic region, since a lower level of digital maturity means that these markets are growing from a low level.

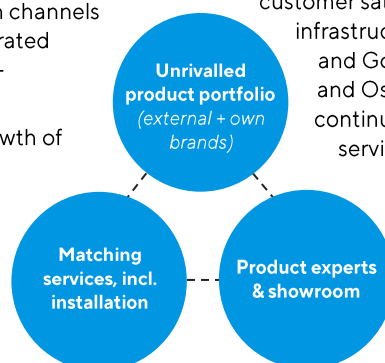
## FURTHER STEPS TOWARD THE IMPLEMENTATION OF OUR ECOSYSTEM

Our own distribution network for last-mile deliveries has proven successful, with a clear improvement in both customer satisfaction and earnings. The necessary infrastructure is now in place in the Stockholm and Gothenburg regions as well as Öresund, and Oslo is next in line. We have also continued to expand our range of installation services.

Installation services increase BHG's potential customer base, allowing for a seamless experience from a click of the mouse to a fully installed product at home.

In 2020, the Group was awarded the

"Swedish SEO Prize" for a second consecutive year, this time for its work with bygghemma.se. Bygghemma.se also won PriceRunner's "E-Commerce of the Year" award.



## OWNERSHIP BASE AND THE BHG SHARE

We have noted gradually rising interest in BHG, both from society at large and from the stock market, since our stock exchange listing in March 2018. Today, we have approximately 6,500 shareholders, with a healthy mix of Nordic private individuals and institutions as well as a growing share of foreign institutions. In the past year, FSN Capital, which was our principal owner for several years, has chosen to gradually pass the baton to a number of new, institutional owners, headed by EQT.

Strong operating growth, connected with clearly communicating our plans for the future, made a decisive contribution to the BHG share's growth during the year.



# CEO's comments

Looking back at 2020, which was a record year for us in all respects, we feel equal parts humbled and proud. Humbled to have delivered our strongest year to date by far at the same time as the world has faced enormous challenges, and proud of our accomplishments. We can attribute our success to the following: 1) as the leading e-commerce company in our field of home improvement, we were well positioned to benefit from the opportunities that arose in the wake of the pandemic; 2) our employees have worked hard and smart to meet growing demand; and 3) more and more consumers have discovered the advantages of shopping online, including the broadest and most complete product range at the best prices delivered door to door.

During 2020, our online destinations received more than 300 million visits, and we shipped more than three million orders – at a total sales value of SEK 9 billion – to customers in 19 countries in Europe. Growth totalled 44.4%, of which 33.7% was organic, and our adjusted EBIT exceeded SEK 700 million, corresponding to an adjusted EBIT margin of 7.8%. At the same time, we generated cash flow from operating activities of nearly SEK 1 billion, leaving us well positioned to invest in organic growth initiatives – and to supplement these initiatives with M&A.

With the acquisition of Nordic Nest, which was completed toward the end of 2020, we are now nearing the SEK 10 billion in net sales that has been our target since our stock exchange listing in March 2018. In conjunction with the publication of the interim report for the fourth quarter of 2020, we therefore announced updated medium-term financial targets. These targets – which include SEK 20 billion in net sales as we continue on the next stage of our journey – reflect our strong position and continued favourable growth opportunities. It is profitable growth, with the emphasis on growth, that is our focus.



**ADAM SCHATZ**  
President and CEO

## Four strategic cornerstones – and acquisitions

Our mission is: We make living easy. We aim to make our customers' lives in and around their homes as easy and enjoyable as possible. Our path to achieving this vision is based on four strategic cornerstones, under which we categorise our various growth initiatives. To further accelerate the realisation of these initiatives – and move closer to making living easy for our customers – we have consistently acquired complementary operations since the company was founded in 2012.

The four cornerstones are:

- **An unbeatable product range:** The expansion of our range continued during the year. By the end of the year, our product portfolio had reached over 1 million unique products for and related to the home, including products from well-known external suppliers as well as proprietary products.
- **Additional economies of scale:** Profitable growth has always been our focus. Growth for the year, which amounted to 44%, allowed us to continue to expand significantly faster than the total market. Thanks to our size, we enjoy economies of scale, which in turn allow us to match the lowest prices in the market while maintaining favourable and sustainable profitability. These economies of scale also allow us to step by step introduce a higher share of proprietary brands in our DIY segment, and thus give our customers even better choices while expanding the margin.
- **Digital leader:** Thanks to our proprietary methods for optimising traffic generation, both organic and paid, as well as the expertise of our employees in the area, our webshops received over 300 million visits in 2020 and we consolidated our lead by maintaining the broadest digital footprint in the market by far. We actively use state-of-the-art digital technologies to optimise our customer interactions and aim to base all of our business decisions on relevant data.

- **The BHG Ecosystem:** During the year, we took additional steps to strengthen our ecosystem: the combination of a complete product range and the best online customer experience along with physical infrastructure comprising showrooms, customer service staff, product experts and supplementary services, such as our own last-mile deliveries and installation services.

In parallel with our operational successes, we continued to implement our acquisition strategy. LS-bolagen, which has a portfolio of proprietary brands for products including wine fridges and outdoor kitchens, was consolidated in the Group as of 1 January 2020. After that followed the acquisitions of Hemfint, with a portfolio of proprietary brands in doors, windows and leisure products, and Sleepo, with a broad home furnishings portfolio of well-known external and proprietary brands. All of these acquisitions complement our product portfolio and have allowed us to welcome new, driven managers and employees to BHG.

In the final weeks of the year, our acquisition strategy culminated in our largest acquisition to date as Nordic Nest became part of BHG. Nordic Nest is a leading online player in home furnishing products with sales in 70 countries – including the Nordics, Germany and South Korea. Through the combination of Nordic Nest and the other businesses in the Home Furnishing segment, BHG's offering is now even more complete: from a customer, product and geographical perspective, we now cover the full spectrum – from “value-for-money” to “affordable luxury” and from large and bulky furniture, such as beds and couches, to table décor and design – with a strong Nordic base alongside customers in parts of Europe and the rest of the world that are new to us. To retain Nordic Nest's distinctive character as a premium destination, the business comprises a separate vertical in the Home Furnishing segment as of 1 January 2021.

#### **Culture, operating model and corporate identity**

BHG's culture is characterised by entrepreneurship, a focus on earnings and an aim to always combine business expertise with data-driven analysis. In our business group, it is the entrepreneurs, management teams and employees in the operating units – those people on the front line, closest to the customers – who are the real BHG heroes. At the same, we took important steps to develop the management team during the year, entering 2021 with Jesper Flemme as CFO and Mikael Hagman as COO. In addition to this, Kimmo Lahteenmaki has been appointed head of the DIY segment and Christian Eriksson as head of the Home Furnishing segment, thus joining the extended management team, which also includes our founders. Kimmo Lahteenmaki, who has been CEO of BHG Finland since 2014, founded Taloon.com in 2004 and sold the business to BHG in 2012. Christian has been CEO of BHG-owned Home Furnishing Nordic since 2014 and before that worked in various roles within CDON.com, including other as CEO. With the best online entrepreneurs responsible for our operating units and with this strengthened management team, we are well equipped to continue our journey.

Two key areas for the extended management team will be to further strengthen everything relating to the customer (our offering, the purchasing experience, related services, logistics and, ultimately, customer satisfaction) and to clearly outline our position with regards to sustainability, or what is now often referred to as ESG.

During the year, we also launched our new corporate and brand identity and, as part of this process, changed the name of the Group to BHG Group. We chose not to change our strong consumer brands. Instead, the Group profile serves as an umbrella that encompasses our driven entrepreneurs and employees, and through which we operate in society at large. At the same time, our new identity reflects our heritage and our conviction that we are continuing the journey of growth that we have been on since the Group was founded in 2012.

#### **Quarterly results**

- In the first quarter of 2020, we grew 33.5%, of which organic growth accounted for 22.1%. We made a number of adjustments to counteract the changing market conditions that arose in the wake of the pandemic. Our initial focus was on protecting our employees, safeguarding our supply chain and ensuring our strong financial position. The recently acquired operations that are based on proprietary brands, such as Arc E-commerce and LS-bolagen, delivered an outstanding performance, and we



carried out one additional acquisition in this category, incorporating Hemfint into the Group.

- In the second quarter, growth accelerated to 57.7%, corresponding to organic growth of 41.8%, as the changes in behaviour caused by the pandemic began to be felt more clearly. We also delivered our strongest adjusted EBIT margin to date at 8.6%. The extraordinary demand situation has put both our customer service organisation and our external logistics partners to the test, since some parts of the operations found it difficult to scale up fast enough during the period. Thanks to our employees' tireless work to handle this exceptional situation, we were able to cope with the challenges we faced.
- Our growth continued in the third quarter, amounting to 39.7%, of which organic growth accounted for 32.3%. We also completed the acquisition of Sleepo, our first acquisition of a public company, and strengthened our position through new, strong external and proprietary home furnishing brands. We also carried out an updated market survey. Based on the results, we estimate that the total Nordic market in which we now operate generates sales of approximately SEK 300 billion per year.
- And finally, during the fourth quarter of the year, we grew 43.2%, of which organic growth accounted for 35.5%, and completed the acquisition of Nordic Nest. Shortly after year-end, we also announced that we had strengthened our management team and updated our financial targets, including a target of SEK 20 billion in net sales.

Our success in 2020 was the result of years of clear and methodical strategic work and investments – and our ability to move up a gear when necessary. During a year unlike any other, our managers and employees rallied. Thanks to their know-how and drive, we were able to leverage the opportunities and tackle the challenges that arose.

I would like to extend my warmest thanks to our approximately 6,500 shareholders for their support on our journey and to our 2,000 fantastic employees for their extraordinary work during this transformative year. I would also like to thank all of our customers. Thanks to your confidence in us, the BHG share has been traded on the Stockholm Stock Exchange's Large Cap segment since 4 January 2021!

2020 was a crucial year for BHG. Only time will tell what will happen in the market in the coming period, but I firmly believe that we now hold our fate in our own hands as we work toward our new goals.

Malmö, 24 March 2021

Adam Schatz  
President and CEO, BHG Group

# Business model

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

The business model is based on building blocks such as: **product range breadth and depth; economies of scale that allow us to match the market's lowest price and a high share of proprietary brands; a first-class online customer experience; and the market's most comprehensive service range.**

## PRODUCT RANGE BREADTH AND DEPTH

We operate in the expansive and fast-growing home improvement market. We aim to supply our customers with everything they need to improve their homes. Providing a leading, steadily growing product range is part of work to achieve our vision: *We make living easy.*

We already offer the broadest and most complete range in the market, having doubled the number of unique items to approximately 1,000,000 over the past year. These items are produced by a solid network of suppliers and sub-suppliers in the Nordic region, Eastern Europe and Asia.

## ECONOMIES OF SCALE, LOW PRICES AND PROPRIETARY BRANDS

We have been a market leader since the company was founded in 2012 and since then have enjoyed an advantage thanks to our size, which has benefited us – and ultimately our customers – in the form of economies of scale.

As a result, we are able to consistently match our competitors' lowest prices, while maintaining healthy profitability. The prices of comparable products in the market are monitored on a daily basis. We adjust the prices of our products dynamically to match the market's best prices at any given moment.

Our size and economies of scale have also been a factor in our ability not only to establish our own brands but also to increase the share of our overall sales attributable to these proprietary brands. Proprietary brands account for approximately 90 percent of sales in the Home Furnishing segment and have more than doubled over the past year in the DIY segment, from about 10 percent of sales to more than 20 percent, as a result of favourable organic growth for brands such as Bathlife in the bathroom segment as well as through strong growth in recently acquired businesses with a high share of proprietary brands.

BHG's proprietary brands typically have a much higher gross margin than external brands. As a result, a higher share of proprietary brands provides positive margin effects.

## A FIRST-CLASS ONLINE CUSTOMER EXPERIENCE

All of our online destinations aim to meet the demands of customers who search for products in our areas, regardless of whether they are looking to buy from a general department store or a niched specialist. Internal expertise in web design, advanced algorithms, and organic and inorganic web traffic

generation (SEO/SEM) ensures our strong position in DIY and home furnishings in the Nordic region.

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

We have over 100 online destinations, including leading destinations in DIY and home furnishings such as Bygghemma.se, Trademax.se and Furniturebox.se as well as category and expert stores such as Golvpoolen.se, Badshop.se and Stonefactory.se. The acquisition of Nordic Nest in December 2020 added approximately ten additional webstores, with customers in some 70 countries.

## THE MARKET'S MOST COMPREHENSIVE SERVICE RANGE

### Optimised deliveries

We work with a combination of third-party suppliers and our own deliveries.

The majority of deliveries of DIY products consist of what is called "drop shipping", carried out by third-party distributors directly from the supplier, enabling low tied-up capital and limited inventory levels. Approximately 30% of the flow of goods in the segment is delivered via one of our warehouses, including the entire flow of proprietary brands. To optimise these deliveries, we develop our delivery offering in close cooperation with our main partners. For example, we now offer consolidated deliveries from various suppliers as well as same-day and next-day deliveries of part of the product range.

In the Home Furnishing segment, we are expanding our own last-mile deliveries to end customers. Our drivers currently deliver to customers in Eastern Europe as well as Stockholm, Gothenburg and Skåne Country in Sweden, and Oslo will likely be next in line. The last-mile model, which also allows for deliveries on evenings and weekends, is a highly appreciated and cost efficient service that has resulted in improved customer satisfaction and results.

### Expanded offering of installation services

In 2020, we continued to expand our range of installation services. Installation services are now available for over 10,000 products – everything from shower screens, flooring and windows to heat pumps and robotic lawn mowers. This investment has been well received by the market.

### Showrooms

Aside from our webstores, we have a broad network of physical showrooms throughout the Nordic region where customers are offered professional product advice and the chance to see, feel and try out our products.

**COST EFFICIENCY ACROSS THE BOARD**

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

**CASH FLOW-POSITIVE PAYMENT MODEL**

Direct fulfilment remains the primary delivery model, even if BHG's increasing share of proprietary brands – as a result of

strong sales growth in the Home Furnishing segment and the areas of the DIY segment dominated by private label products – is leading to a somewhat higher share of products in inventory. This enables a practically unlimited product range at a low cost and with neutral working capital, as the customers typically pay for their orders at checkout and BHG pays the suppliers afterwards.



# Strategic goals

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

We combine organic initiatives related to our four strategic cornerstones with an active acquisition strategy that helps us accelerate growth and brings us closer to our vision.

## OUR STRATEGIC CORNERSTONES



1.  
**Continued expansion of our already leading product range**



2.  
**Scale and a growing share of own brands in our sales mix**



3.  
**Creating the most appealing digital shopping experience**



4.  
**Offering the market's best professional guidance, service and support**

**The Product Offering as the base...**

**...with the Customer at the centre**

**Our history of acquisitions has accelerated the creation of the BHG ecosystem by contributing to each of the four strategy pillars**

### Continuous category and range expansion

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

### Scalability, economies of scale and proprietary brands

Our online-based business model is based on economies of scale, which are expected to increase further as the company grows. Our more than 100 proprietary webstores are supported by a shared cost base and infrastructure in the form of digital platforms and IT, marketing, purchasing and other areas in which economies of scale can be achieved. This structure creates the prerequisites for matching our competitors' lowest prices, while at the same time retaining high margins. Scale also enables a large, growing share of proprietary brands. Proprietary brands now account for half of our sales, and because they generally have a higher gross margin than external brands, contribute to positive margin

effects. The combination of external and proprietary brands strengthens the customer offering by making it even more comprehensive.

### Offering the best digital customer experience

We strive to offer our customers the very best purchasing experience by being on the cutting edge when it comes to online expertise and technology. Computer monitors and mobile screens are limited in space. Using artificial intelligence, we can optimise the way in which the products that are most relevant for the customer are displayed, thereby easily providing access to the market's broadest product range. Our product range, our digital expertise and our webstores give us a strong position for generating traffic, with over 300 million digital visits in 2020.

### Market-leading expertise, support and services

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

**Continued growth through successful acquisitions**

We have extensive experience of successfully identifying and integrating acquisitions in the Nordic home furnishings market. We actively seek out additional companies to acquire in order to further accelerate our growth. Following an acquisition, we open up BHG's platform for the acquired

company's product range and we achieve additional operational synergies through optimised terms of delivery and the implementation of best practices, particularly in terms of driving digital traffic and digital marketing.

# The market

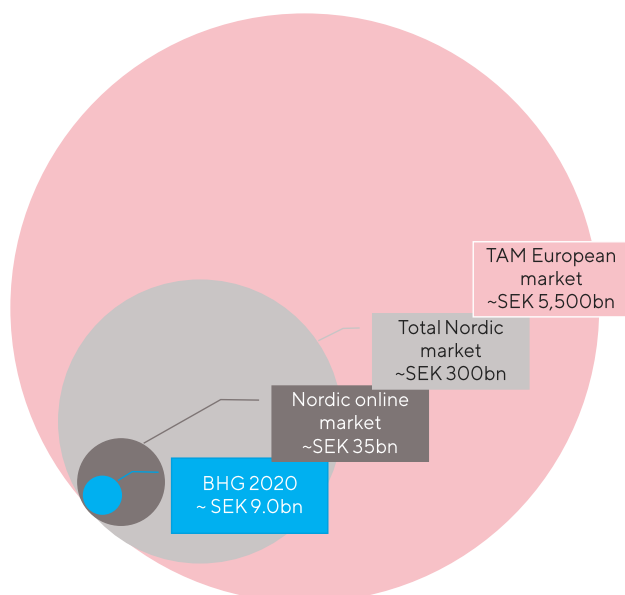
During the past year, we updated our market analysis with the help of an external consulting firm in order to reflect both our ongoing category expansion and the growth in total and online home improvement markets (the combination of DIY and home furnishings).

Our updated estimate indicates that the total home improvement market in the Nordic region amounts to approximately SEK 300 billion per year. BHG also operates in a number of Eastern Europe geographies through the Home Furnishing segment. Overall market growth in these countries is clearly higher than in the Nordic region, since a lower level of digital maturity means that these markets are growing from a low level.

Online penetration, which is the share of the total market represented by the online channel, is growing quickly but still remains lower than many other consumer market categories, such as consumer electronics. This continues despite the obvious advantages for customers: access to an unbeatable range, at the best prices, just a few clicks away.

## RAPID GROWTH IN THE ONLINE MARKET

According to the company's own estimates, online sales of home improvement products in the Nordic region currently represent approximately 12% of the total market. This is a substantially lower share than, for example, sales of books (just over 50% of which occur online) and consumer electronics (30% online).



Based on independent studies, BHG's management estimates that the online home improvement market will grow approximately 15% per year in the Nordic region in the medium term. BHG's target is to grow organically at least in line with the market while continuing to add operations to the Group through acquisitions.

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

### An almost infinite selection

Online retailers can optimise their selection based on customer preferences by utilising the large amounts of data that flow through their systems to capture what is in demand and provide consumers with a focused and relevant offering. Online retailers can also display their entire product range on webstores with no limitations when it comes to shelf space, thereby increasing the likelihood that their customers will find the right product.

### Competitive prices

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

### Availability and convenience

In recent years, a growing number of consumers have been spending more and more time online. The ability to order goods at any time, anywhere, from an unsurpassed range of products and services is resulting in increased convenience for online shoppers.

During the year, BHG saw a trend where online sales in DIY continued to shift from mere price comparisons to a market in which the customer experience is becoming increasingly important. By being on the cutting edge of online expertise and technology, we strive to offer the very best customer experience with a seamless and smooth process, from surfing and placing the order to delivery and the possible need for installation, with the whole process just one click away.

As the online market matures, the demand for related services such as customer service and support is increasing. Players with the critical mass to offer these services have clear competitive advantages compared to smaller online retailers.

Expanding the selection of services like product advice, logistics and installations is therefore assessed as a vital element for success in the online market and especially for many of the most important product categories for BHG. For products such as windows and flooring, customers may even consider the company's extensive professional expertise to be a prerequisite for making a purchase. BHG's customer service and product experts have a high availability. We have also continued to expand our installation services to allow for a smooth purchasing process all the way from surfing and placing an order to delivery and installation. We have also established a broad network of physical showrooms throughout the Nordic region, and complemented the



distribution of products from third-party suppliers with our own distribution network using our own cars and drivers, who offer related services upon delivery.

### THE DIY MARKET IN THE NORDIC REGION

In 2020, the total DIY market developed extremely strong in the wake of the coronavirus pandemic and shifts in customer behaviour. However, the market is expected to grow at the same rate as GDP over a business cycle, while the share of online retail is expected to grow steadily. Online penetration is expected to increase to approximately 30% of the total market in the coming years according to BHG's own estimates.

The DIY segment includes products for consumers' lives with the home in center, including categories such as garden, construction and renovation, and leisure. The Nordic consumer market for DIY consists of sales from stores categorised as DIY retailers, which includes both traditional building material retailers and webstores, but excludes sales to companies and professional tradesmen.

#### Trends and drivers

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

#### Market structure and market competition

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

#### Online players

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

#### Traditional store chains

Players in this category include both retail chains and independent stores. Many players also offer a "shop and collect" at their physical stores. The customer base consists primarily of consumers, but also corporate customers. The

offering often includes related services to help customers complete their projects, such as installation.

#### DIY chains

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

#### Niche players/OEMs

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

#### B2B distributors

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

### HOME FURNISHING MARKET IN THE NORDIC REGION

The total home furnishing market is expected to grow similarly to DIY. In other words, the market is expected to grow at the same rate as GDP over a business cycle and online penetration is expected to increase continuously, reaching approximately 30% in the coming years according to BHG's own estimates.

#### Trends and drivers

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

#### Market structure and market competition

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

#### Online players focused on home furnishings

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

**Traditional store chains**

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

**Established online players in adjacent categories**

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

have physical stores or showrooms as a complement to their online offering.

**IKEA**

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

**Niche players**

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





# Financial overview

(SEKm)	2020	2019	2018	2017	2016
Net sales	8,968.2	6,212.5	4,973.7	3,955.5	400.3
Gross profit	2,330.8	1,490.5	1,047.5	820.0	81.7
Gross margin (%)	26.0	24.0	21.1	20.7	20.4
Adjusted EBITDA*	902.7	475.3	231.1	219.7	10.9
Adjusted EBITDA-margin (%)	10.1	7.7	4.6	5.6	2.7
Adjusted EBIT*	700.8	330.1	202.7	197.0	9.0
Adjusted EBIT-margin (%)	7.8	5.3	4.1	5.0	2.2
Items affecting comparability	-	-7.5	-77.9	-73.5	-31.4
Operating income	657.8	282.0	87.2	91.5	-26.7
Operating-margin (%)	7.3	4.5	1.8	2.3	-6.7
Net profit/loss for the period	420.3	179.9	55.0	30.9	-30.3
Cash flow from operations	994.3	422.2	145.8	198.9	-37.4
Visits (thousands)	302,133	183,999	116,120	91,670	9,389
Orders (thousands)	3,012	1,930	1,735	1,244	122
Conversion rate (%)	1.0	1.0	1.5	1.4	1.3
Average order value (SEK)	3,018	3,240	2,830	3,153	2,833

\* See "Relevant reconciliations of non-IFRS alternative performance measures (AMPs)" for detailed description.

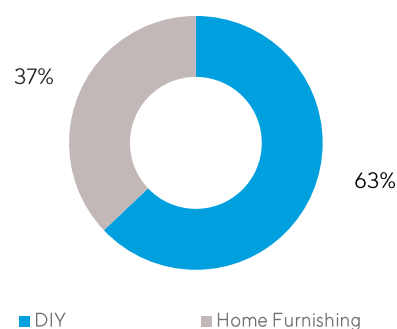


DIY segment

# DIY segment

- The segment's net sales rose 53.0%, of which organic growth accounted for 36.6%.
- The gross margin was 23.4% (21.5). The margin was impacted positively by a larger share of sales of proprietary brands.
- Adjusted EBIT amounted to SEK 475.8 million (167.9), corresponding to an EBIT margin of 8.4% (4.5).

Net sales per segment



(SEKm)	2020					2019				
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec
Net sales	941.4	1,818.7	1,463.8	1,439.2	5,663.1	688.6	1,046.2	1,002.7	963.3	3,700.8
Gross profit	214.0	413.1	338.8	361.5	1,327.4	148.9	214.9	207.6	222.9	794.3
Gross margin (%)	22.7	22.7	23.1	25.1	23.4	21.6	20.5	20.7	23.1	21.5
Adjusted gross profit*	214.0	413.1	338.8	361.5	1,327.4	148.9	214.9	207.6	222.9	794.3
Adjusted gross margin (%)	22.7	22.7	23.1	25.1	23.4	21.6	20.5	20.7	23.1	21.5
Adjusted EBITDA*	62.3	185.5	155.5	168.4	571.6	32.4	68.1	65.8	69.0	235.4
Adjusted EBITDA-margin (%)	6.6	10.2	10.6	11.7	10.1	4.7	6.5	6.6	7.2	6.4
Adjusted EBIT*	39.2	162.6	131.2	142.8	475.8	18.2	53.0	47.7	49.2	167.9
Adjusted EBIT-margin (%)	4.2	8.9	9.0	9.9	8.4	2.6	5.1	4.8	5.1	4.5
Items affecting comparability	-	-	-	-	-	-1.4	-0.1	-0.0	0.0	-1.4
Operating income	31.2	154.6	123.2	134.9	444.0	9.7	45.6	40.1	41.5	136.9
Operating-margin (%)	3.3	8.5	8.4	9.4	7.8	1.4	4.4	4.0	4.3	3.7
Net profit/loss for the period	19.4	93.6	92.8	-20.3	185.4	3.2	22.0	13.3	-10.4	28.1
Cash flow from operations	90.3	458.4	-58.1	67.2	557.8	17.9	168.0	-33.9	-15.1	136.9
Visits (thousands)	24,634	47,004	36,398	31,894	139,931	17,359	23,678	24,688	20,703	86,428
Orders (thousands)	313	584	427	490	1,814	222	304	296	296	1,118
Conversion rate (%)	1.3	1.2	1.2	1.5	1.3	1.3	1.3	1.2	1.4	1.3
Average order value (SEK)	3,298	3,280	3,264	2,819	3,155	3,227	3,499	3,411	3,092	3,314

## MARKET

The Nordic online market for DIY is expected to grow by approximately 15% over a business cycle, primarily driven by increasing e-commerce penetration. Fluctuations in estimated average growth depend partly on the growth rate of e-commerce penetration and partly on the overall market development, which in turn is primarily affected by the number of housing transactions. According to BHG's estimate, the Nordic online market for DIY is deemed to have grown by significantly more than 15 percent in 2020, due to changes in customer behaviour and accelerated e-commerce penetration in the wake of the coronavirus pandemic.

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

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

The share of sales made up of proprietary brands strengthened in DIY during the year, both organically and through acquisitions of companies with their own proprietary brands such as Bathlife, Arredo, Nordiska Fönster and Dimma. Private label products accounted for just over 20% of sales in the DIY segment in 2020. BHG's proprietary brands typically have a higher gross margin than external brands and a higher share of private label products thus generates positive margin effects.

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

## SIGNIFICANT EVENTS IN 2020

As we have stated previously, our assessment is that the total DIY market in all of the Nordic countries, but particularly in Sweden, grew significantly in 2020. The strength of the DIY market came in the wake of changed customer behaviour, driven by such factors as reduced travel, increased acceptance of remote working and a subsequent focus among Nordic consumers on life in and around the home. These trends were combined with increasing numbers of people discovering the benefits of shopping online, including an unsurpassed range, the best prices and the convenience of having products delivered to their homes, benefits that are essentially independent of the other effects that the pandemic has had on consumption patterns.

During the year, we continued to develop our customer offering, which we call the BHG ecosystem, including the continuous expansion of the product range, with proprietary brands as a complement to external brands, which represent the majority of sales. The share of proprietary brands, which for the first time accounts for approximately 20% of sales in the segment, driven by a combination of organic growth of existing proprietary brands – particularly our leading bathroom brand, Bathlife – and by our acquisitions, such as Hemfint. In addition, the Swedish platform, bygghemma.se, strongly expanded the base of products for which consolidated delivery is offered. The aim of this expansion, in combination with an expanded express range is to further enhance the delivery experience. Based on detailed delivery information from BHG's various logistics partners, the company developed a tool during the year that enables deviations from the expected delivery flow to be identified in real time and that dynamically updates lead times and individual product tracking. Using this tool, deviations down to individual shipments can be identified and customers can be kept updated.

The Group's installation platform, which now covers the most relevant product categories, remains in focus. Our nationwide Swedish installation network is in place. Now that installation platform has also been introduced in the Finnish market, the number of installations in this market has doubled. To add further weight to this development, we decided to make the installation organisation a separate unit, with a fully dedicated management team responsible for continuing to refine and expand the offering.

In February, BHG announced the acquisition of Hemfint, a fast growing online player within windows, doors, bathrooms and leisure products in Sweden, with a comprehensive portfolio of affordable proprietary brands.

## OPERATIONAL TRENDS

Net sales increased 53.0% to SEK 5,663.1 million (3,700.8) and the DIY segment accounted for 63% of the Group's total net sales.

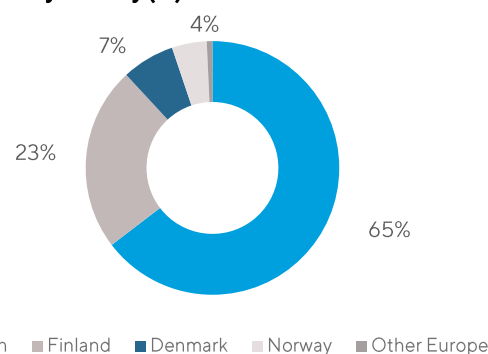
The segment's platforms in Sweden and Finland performed well and the Danish operations grew significantly, as did a number of the more specialised operations in Sweden, particularly those with a high share of proprietary brands. Hence, the ongoing expansion of the share of sales from proprietary brands continued.

The successes achieved by Bathlife, our own flagship brand in the bathroom category, in new markets demonstrates the power and relevance of the proprietary brand portfolios as well as the potential for continued geographic expansion of the offering. A further example of this is the success garnered by Arc E-commerce's products in Finland, from its Swedish base.

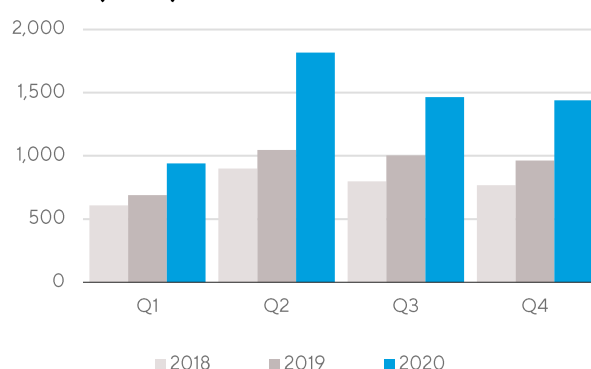
Adjusted EBIT amounted to SEK 475.8 million (167.9), with an adjusted EBIT margin of 8.4% (4.5). The improvement in EBIT margin compared to the previous year is partly explained by higher gross margin, which was positively affected by a high share of sales from own brands, and partly by cost control and economies of scale due to the strong sales growth.

The segment's operating income amounted to SEK 444.0 million (136.9), corresponding to an operating margin of 7.8% (3.7).

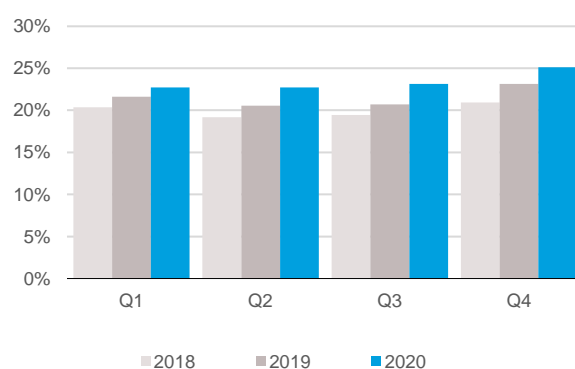
## Distribution by country (%)



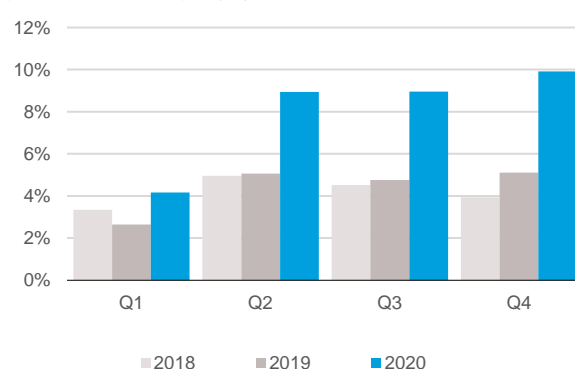
## Net sales (SEKm)



## Adjusted gross margin (%)



## Adjusted EBIT margin (%)





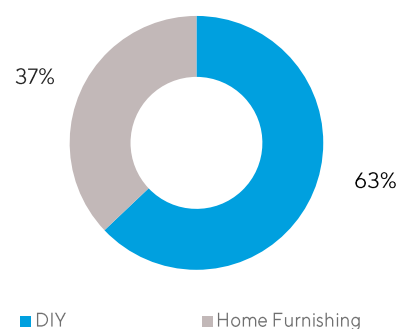


# Home Furnishing segment

# Home Furnishing segment

- The segment's net sales increased 31.7%, of which organic growth accounted for 29.6%.
- The gross margin rose to 30.1% (27.5). The strengthening of the margin during the year was driven by a continued focus on maintaining the price points for bulky products as well as cost and process efficiency gains in purchasing and logistics, partly as a result of high volumes.
- Adjusted EBIT amounted to SEK 276.2 million (185.0), corresponding to an adjusted EBIT margin of 8.3% (7.3).

Net sales per segment



(SEKm)	2020					2019				
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec
Net sales	694.6	885.8	833.8	923.0	3,337.2	534.1	669.8	643.9	685.3	2,533.1
Gross profit	207.0	262.7	255.6	280.1	1,005.4	151.7	183.4	170.8	191.7	697.5
Gross margin (%)	29.8	29.7	30.7	30.3	30.1	28.4	27.4	26.5	28.0	27.5
Adjusted gross profit*	207.0	262.7	255.6	280.1	1,005.4	156.9	183.4	170.8	191.7	702.7
Adjusted gross margin (%)	29.8	29.7	30.7	30.3	30.1	29.4	27.4	26.5	28.0	27.7
Adjusted EBITDA*	76.5	103.0	109.3	93.4	382.1	57.5	72.9	59.7	72.6	262.7
Adjusted EBITDA-margin (%)	11.0	11.6	13.1	10.1	11.5	10.8	10.9	9.3	10.6	10.4
Adjusted EBIT*	44.6	85.1	82.9	63.6	276.2	41.1	54.6	38.6	50.7	185.0
Adjusted EBIT-margin (%)	6.4	9.6	9.9	6.9	8.3	7.7	8.2	6.0	7.4	7.3
Items affecting comparability	-	-	-	-	-	-5.8	-0.2	-	-	-6.0
Operating income	41.8	82.3	80.1	60.8	265.0	32.6	51.6	35.9	47.9	168.0
Operating-margin (%)	6.0	9.3	9.6	6.6	7.9	6.1	7.7	5.6	7.0	6.6
Net profit/loss for the period	29.2	66.8	59.7	-30.3	125.4	23.5	37.5	27.7	-14.2	74.6
Cash flow from operations	64.3	154.4	91.0	125.6	435.3	38.2	100.9	99.8	78.6	317.6
Visits (thousands)	33,232	43,668	39,246	46,056	162,202	17,889	20,738	28,636	30,307	97,571
Orders (thousands)	230	305	288	375	1,198	168	189	217	239	813
Conversion rate (%)	0.7	0.7	0.7	0.8	0.7	0.9	0.9	0.8	0.8	0.8
Average order value (SEK)	2,875	3,027	2,806	2,601	2,811	3,171	3,441	3,088	2,924	3,139

## MARKET

The Nordic online market for furniture and home furnishings is expected to grow by about 15% over a business cycle, primarily driven by increasing e-commerce penetration. Fluctuations in estimated average growth depend partly on the growth rate of e-commerce penetration and partly on the overall market trend, which in turn is primarily affected by the number of housing transactions. According to BHG's estimate, the online market for furniture and home furnishings in the Nordic region is deemed to have grown by more than 15% in 2020.

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

BHG markets its furniture and home furnishing products with a main focus on good quality at attractive prices, with the aim of attracting customers who are seeking value for money. This almost exclusively involves proprietary products and brands produced by closely associated partners in Eastern Europe and Asia. Private label products accounted for approximately 90% of sales in the Home Furnishing segment in 2020. BHG's proprietary brands typically have a higher gross margin than external brands and a higher share of private label products thus generates positive margin effects.

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

## SIGNIFICANT EVENTS IN 2020

For the second consecutive year, the Home Furnishing segment demonstrated healthy growth and a solid operating margin. Since this period extended over the time before and during the coronavirus pandemic, the effects of the changed customer behaviour in the wake of the pandemic were less apparent.

The continued roll-out of own last-mile deliveries in Sweden progressed according to plan during the year. After the setups in Stockholm and Gothenburg (which also includes Borås) reached critical mass, the infrastructure in Skåne, which was launched at the end of the first quarter, has also been established now. As of the third quarter, all of BHG's Swedish last-mile deliveries are climate compensated. A continued roll-out is planned, most likely with the metropolitan area Oslo next in line.

Steps were also taken during the year to further develop the Nordic warehouse and logistics infrastructure, with the 48,800 m<sup>2</sup> central warehouse in Helsingborg as the main hub. Among other measures, a small outdoor furniture storage facility is being consolidated into the Helsingborg warehouse and a new modern terminal was taken into use in Stockholm, enabling continued growth in Stockholm and, subsequently, extending the reach northward (Uppsala) and westward (Västerås). A large terminal is being planned for the Gothenburg region to support growth in Gothenburg and its surroundings (Borås, Kungsbacka, and Trollhättan) during the first quarter of 2021.

In December, BHG announced the acquisition of Nordic Nest. The acquisition of Nordic Nest will make a material contribution to the segment's profile as it complements the other operations in terms of product range, customer base and geographic position and creates an even stronger combined position in furniture and home furnishings online. While Nordic Nest will be operated as a separate vertical within the segment, there are numerous opportunities for collaboration between the segment's operations involving such areas as digital traffic generation, infrastructure and know-how for the development of proprietary brands and the procurement of third-party services. Nordic Nest is also a platform around which opportunities for bolt-on acquisitions are deemed to be favourable.

## OPERATIONAL TRENDS

Net sales in the Home Furnishing segment increased 31.7% to SEK 3,337.2 million (2,533.1), corresponding to 37% of the Group's total net sales.

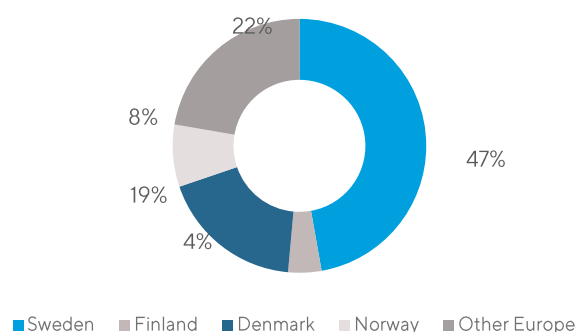
Net sales was strong and even across all geographical markets, led by the category specialist Lampgallerian, which reported a growth rate of nearly 100%.

The single category with the fastest growth was interior design and lighting. The strong growth in these categories led to a change in the product mix, which contributed to a somewhat lower average order value (AOV) for the segment compared with the preceding year. It was, however, possible to maintain a favourable gross marginal structure, since the AOV for the part of the range that is sent on pallets remained at a high level.

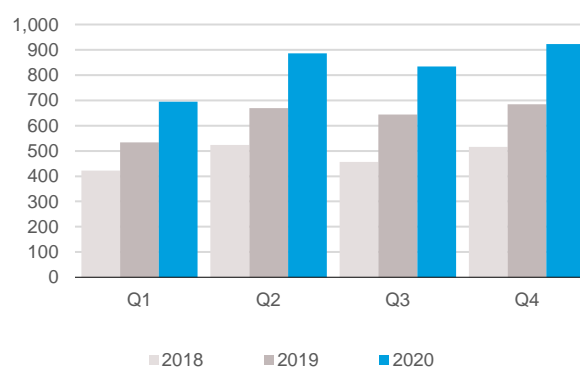
Adjusted EBIT amounted to SEK 276.2 million (185.0), with an adjusted EBIT margin of 8.3% (7.3). The improvement in the EBIT margin is explained, among other things, by a stronger gross margin as a result of economies of scale and efficiencies in warehousing and logistics. The EBIT margin was negatively affected at the end of the year by transaction costs linked to the acquisition of Nordic Nest and by relatively high costs for online marketing in the Eastern European operations, which in turn were linked to bottlenecks in product sales and associated delays between order intake and invoicing, as well as changes in the Danish warehouse infrastructure.

The segment's operating income amounted to SEK 265.0 million (168.0), corresponding to an operating margin of 7.9% (6.6).

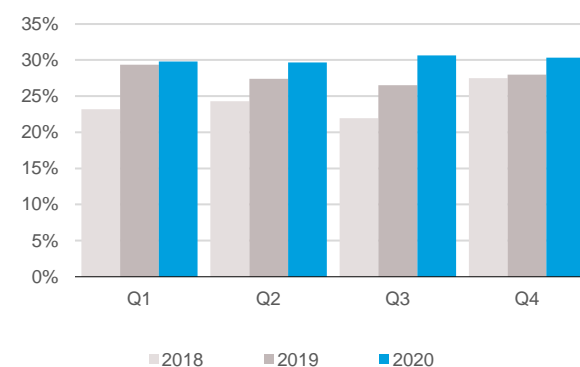
## Distribution by country (%)



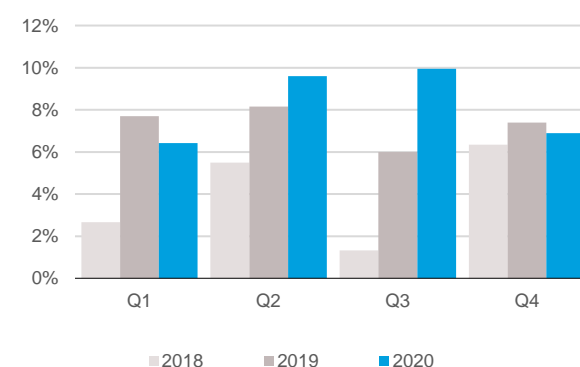
## Net sales (SEKm)



## Adjusted gross margin (%)



## Adjusted EBIT margin (%)



# Directors' Report

## GENERAL INFORMATION ABOUT THE OPERATIONS

BHG is a leading Nordic online-based provider of home improvement products. The Group includes over 100 online destinations – including sites like [www.bygghemma.se](http://www.bygghemma.se), [www.trademax.se](http://www.trademax.se), [www.chilli.se](http://www.chilli.se) and [www.furniturebox.se](http://www.furniturebox.se) – and over 70 showrooms. BHG has continuously increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY and home furnishings.

The DIY segment mainly comprises brands active in sales of building materials and garden and leisure products, including Bygghemma, Taloon, Golvpoolen, Nordiska Fönster and Outlet1.

The Home Furnishing segment mainly comprises brands active in sales of furniture and home furnishings, including Trademax, Chilli, Nordic Nest, Sleepo and Furniturebox. BHG Group AB (publ) has been listed on Nasdaq Stockholm since 27 March 2018 and the share has been traded on the Stockholm Stock Exchange's Large Cap segment since 4 January 2021. For information about the company's owners, see below section "The share".

## THE SHARE

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Large Cap under the ticker BHG with the ISIN code SE0010948588. The market capitalisation of BHG Group AB (publ) on Nasdaq Stockholm as of the last trading day of 2020 was SEK 19.2 billion.

	Holding*	Holding %	Votes %
EQT	21,432,688	20.0%	20.0%
Swedbank Robur Fonder	9,601,934	8.9%	8.9%
Capital Group	8,585,837	8.0%	8.0%
Handelsbanken Fonder	4,914,760	4.6%	4.6%
Lannebo Fonder	4,660,876	4.3%	4.3%
Clients Fonder	3,335,000	3.1%	3.1%
Fidelity Investments (FMR)	2,882,877	2.7%	2.7%
Arbejdsmarkedets	2,815,000	2.6%	2.6%
Tillaegspension (ATP)			
Norges Bank	2,653,819	2.5%	2.5%
Vitruvian Partners	2,393,782	2.2%	2.2%
Spiltan Fonder	1,978,536	1.8%	1.8%
All-on-green Fyra AB / Danica Pension	1,610,527	1.5%	1.5%
Nordea Liv & Pension	1,350,492	1.3%	1.3%
All-on-green Sex AB / Danica Pension	1,288,422	1.2%	1.2%
Indecap AB	1,273,109	1.2%	1.2%
<b>Total, 15 largest shareholders by holdings</b>	<b>70,777,659</b>	<b>65.9%</b>	<b>65.9%</b>
Other shareholders	36,590,762	34.1%	34.1%
<b>Total shares issued</b>	<b>107,368,421</b>	<b>100.0%</b>	<b>100.0%</b>

\* Data at 31 December 2020 compiled by Monitor. Sources: Euroclear, Morningstar, the Swedish Financial Supervisory Authority, Nasdaq and Millistream.

## Share capital

At 31 December 2020, the number of shares issued was 107,368,421, all of which were ordinary shares. The Group's share capital amounted to SEK 3.2 million at the end of the year.

As of 31 December, there were 5,407,542 warrants outstanding attributable to the Group's incentive programme. The total potential dilution should all outstanding warrants be exercised amounts to 5.0%. For more information, refer to Note 7.

## Change in number of shares after the end of the period

On 3 February 2021, BHG Group AB carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds for the Group of SEK 1,546,0 million after a deduction for transaction costs of SEK 20,0 million.

The number of shares and votes in BHG Group AB also changed after the end of the period due to the exercise of warrants issued at an Extraordinary General Meeting on 26 March 2018 within the framework of the long-term incentive programme 2018/2021, which comprised a total of 2,760,016 warrants. Each warrant entitled the holder to subscribe for one share. The exercise period was from 1 January 2021 to 26 March 2021. The subscription price according to the warrants was SEK 61.75 per share. All of the warrants have been exercised, generating proceeds of SEK 170.4 million for the Group.

After the directed issue and the exercise of warrants within the framework of the incentive programme 2018/2021, the total number of shares outstanding in BHG Group AB amounts to 120,928,437.

## Dividend

The Parent Company paid no dividends in 2019, and the Board of Directors proposes that no dividend be paid for 2020.

## Share trend

The share price at the beginning of the year was SEK 58.4. On the last day of trading in the period, the share price was SEK 178.8. The highest price paid, quoted in December, was SEK 186.8, and the lowest price paid, quoted in March, was SEK 36.2.

In 2020, 115,932,999 BHG shares were traded, equivalent to a turnover rate of 106.7%.

## EMPLOYEES

Our employees are our most important resource. Although we are growing quickly, we know that our success depends on having talented, driven and capable employees. We strive to be an attractive employer, creating an environment where our employees thrive at work, always have room to learn and grow, and think outside the box.

BHG regards its employees as a crucial factor in its operations. Attracting, retaining and developing people, is



necessary for the success of BHG and meeting defined goals for growth and business development.

BHG had 2,018 full-time employees at year end, compared with 1,562 at the beginning of 2020. Information on the average number of employees and salary costs can be found in Notes 7 and 8.

## SIGNIFICANT EVENTS

### Net sales

Net sales increased 44.4% to SEK 8,968.2 million (6,212.5). Organic growth was 33.7% Proforma organic growth (also including the performance of recent acquisitions, which typically grow faster when they become part of the Group) amounted to 37.8%. Proforma organic growth also included the acquisition of Nordic Nest.

The market for home improvement, meaning the combination of our two segments, DIY and Home Furnishing, displayed a strong performance in 2020. Our assessment is that the total DIY market in all of the Nordic countries, but particularly in Sweden, grew significantly, while the total market for furniture and home furnishings delivered a more moderate performance. At the same time, our online penetration increased in both sub-markets. The combination of healthy total growth and increasing online penetration contributed to a strong result for the year.

Net sales in the DIY segment increased 53.0%. Organic growth amounted to 36.6%. The large Swedish and Finnish platforms, including bygghemma.se, delivered at a high level, while the Danish operation and some of the Group's destinations with strong portfolios of proprietary brands – such as Arc E-commerce, Nordiska Fönster and LS-bolagen – experienced very strong growth.

Net sales for the Home Furnishing segment increased 31.7%. Organic growth amounted to 29.6%. The Group's lighting specialist, Lampgallerian, delivered the strongest performance and favourable growth was noted in all geographies.

The Group's webstores had 302.1 million (184.0) visits during the year, generating 3,012 thousand (1,930) orders.

### Gross margin and SG&A

The product margin totalled 37.1% (35.2). The recognised gross margin (that is, the margin after deductions for direct selling expenses, such as freight, inventory management, etc.), amounted to 26.0% (24.0), the highest recognised gross margin to date for a full year.

The strong gross margin is attributable to:

- A higher share of sales of proprietary brands in the DIY segment.
- Continued focus on maintaining the price points for bulky products, for which the shipping costs otherwise comprise a significant portion of the gross contribution.
- Additional cost and process efficiency gains in purchasing and logistics, partly as a result of the high volumes.

The Group's selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 1,428.0 million (1,020.4) of net sales, corresponding to 15.9% (16.4).

While the Group's low SG&A in relation to net sales is partly attributable to a focus on costs, the delayed effects of ongoing organisational improvements, including measures to manage a higher share of proprietary brands, and the rapid growth in the period also had a positive impact. The Group is in a phase in which we are adding resources to manage the high growth in the short term and continuing to build the organisation to enable the delivery of high growth and favourable levels of customer satisfaction in the long term. Our continued endeavour to ramp up the share of proprietary brands will also require a somewhat more comprehensive organisation and probably also slightly increased online marketing, which we report as part of SG&A.

No items affecting comparability were charged to the quarter.

### Earnings

As a result of strong market conditions, the Group's position and our employees' outstanding efforts, profitability for the quarter and for the full year was very high.

The Group's adjusted EBIT amounted to SEK 700.8 million (330.1), corresponding to an EBIT margin of 7.8% (5.3). Items affecting comparability totalled SEK 0.0 million (-7.5).

The Group's operating income amounted to SEK 657.8 million (282.0), corresponding to an operating margin of 7.3% (4.5).

Amortisation of acquisition-related intangible assets amounted to SEK 43.0 million (40.6). Amortisation pertained to identified surplus values related to customer relationships and customer databases in acquired companies. No impairment of goodwill or other assets was identified during the year or the preceding year.

The Group's net financial items amounted to SEK -107.5 million (-48.9), which included reassessed earn-outs of SEK -70.3 million. Interest expenses amounted to SEK -34.2 million, of which SEK -11.7 million related to lease liabilities in accordance with IFRS 16.

The Group's profit before tax was SEK 550.3 million (233.1).

Net income amounted to SEK 420.3 million (179.9). The effective tax rate was -23.6% (-22.8), corresponding to SEK -130.0 million (-53.2).

### Cash flow

The Group's cash flow from operating activities was SEK 994.3 million (422.2), the highest level to date. Cash flow from operating activities was mainly driven by the Group's EBITDA as well as a favourable working capital trend, which is the result of a high share of direct deliveries from suppliers, relatively limited inventory levels as well as low levels of accounts receivable (due to factoring without regress and a high share of card payments).

Cash flow from operating activities amounted to SEK 994.3 million (422.2), corresponding to a cash conversion (in relation to adjusted EBITDA) of 105.9% (75.4).

The Group's cash flow to investing activities was SEK -2,040.9 million (-346.5), and was mainly attributable to the acquisition of Nordic Nest Group AB, disbursements for contracted considerations and earn-outs related to acquisitions in previous periods, including acquisitions from non-controlling interests in Furniture1, as well as IT investments related to web platforms and logistics solutions.

Cash flow from and to financing activities was SEK 1,103.4 million (-32.8), primarily attributable to the raising of a SEK 1.0 billion bank loan in conjunction with the acquisition of Nordic Nest and an increased drawdown of the Group's acquisition facility, repayment of lease liabilities, warrant premiums paid and interest paid. The loan raised in conjunction with the acquisition of Nordic Nest carries variable interest in the form of STIBOR plus margin and falls due in June 2022.

The Group's cash and cash equivalents at the end of the reporting period, compared with the beginning of the year, amounted to SEK 299.0 million (270.3)

### Financial position

The Group's net debt, which is defined as the Group's current and non-current interest-bearing liabilities to credit institutions, less cash and cash equivalents and investments in securities, etc., amounted to SEK 1,796.0 million at the end of the period, compared with SEK 547.6 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 2.2x, within the framework of the Group's medium-term capital structure target.

The Group's other current and non-current interest-bearing liabilities consist of contingent and deferred additional earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 1,023.3 million at the end of the period, compared with SEK 554.5 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 300.0 million at the end of the period, compared with SEK 577.1 million at the beginning of the year.

The Group's total assets at the end of the reporting period, compared with the beginning of the year, amounted to SEK 8,629.6 million (6,018.2).

The Group's equity at the end of the reporting period amounted to SEK 2,813.0 million (SEK 2,925.1 million at the beginning of the year).

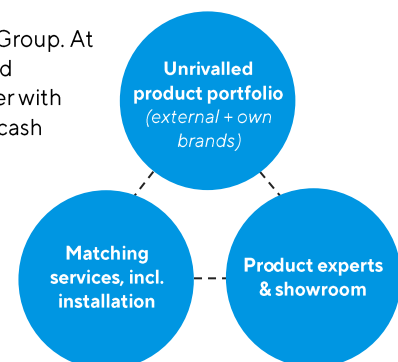
### A RECORD YEAR! A 10 BILLION SEK BUSINESS!

Our growth accelerated throughout the second half of 2019 and in the first quarter of 2020. When the consequences of the coronavirus pandemic started to be felt, the Group was already gaining momentum, so when customer behaviour began to shift in the wake of the pandemic, one of the consequences was a sharp acceleration in demand for products in our categories, especially through the online channel. We were well positioned to respond to this growing demand, with total growth in 2020 amounting to 44.4% and organic growth to 33.7%, while both profitability and cash conversion were at all-time highs. This strong growth meant that we took major steps towards the objective we announced in conjunction with our stock exchange listing in March 2018, namely reaching SEK 10 billion in sales.

### MILESTONES, QUARTER BY QUARTER

BHG passed important milestones every quarter this past year.

- During the first quarter, we grew 33.5% and profitability hit the highest level yet for a first quarter. We also acquired Hemfint.
- During the second quarter, we launched our new corporate identity for the Group under the new BHG brand, with an updated corporate identity for the web, social media and other external communication channels for the Group. At the same time, growth accelerated significantly to 57.7% in the quarter with record-breaking profitability and cash conversion.
- The third quarter saw continued favourable growth of 39.7%. We also completed the update of our market analysis (see the separate heading below) and acquired Sleepo.
- And, finally, during the fourth quarter, while growth and profitability remained at exceptional levels, we also closed on our largest acquisition to date when Nordic Nest became a part of BHG. We are optimistic about Nordic Nest's ability to continue to grow organically and see the operations as a possible platform for additional acquisitions. Furthermore, BHG acquired an additional 20.1% of the shares in Furniture1 during the fourth quarter, the ownership after the acquisition amounts to 50.1%.



Overall, our position as the largest customer-oriented online retailer in the Nordic region was strengthened in 2020.

### A LARGE AND FAST -GROWING MARKET

During the past year, we updated our market analysis with the help of an external consulting firm in order to reflect both our ongoing category expansion and the growth in the total and online home improvement markets (the combination of DIY and home furnishings).

Our updated estimate indicates that the total home improvement market in the Nordic region amounts to approximately SEK 300 billion per year. BHG also operates in a number of Eastern European geographies within the Home Furnishing segment. Overall market growth in these countries is clearly higher than in the Nordic region, since a lower level of digital maturity means that these markets are growing from a low level.

### FURTHER STEPS TOWARD THE IMPLEMENTATION OF OUR ECOSYSTEM

Our own distribution network for last-mile deliveries has proven successful, with a clear improvement in both customer satisfaction and earnings. The necessary infrastructure is now in place in the Stockholm and Gothenburg regions as well as Öresund, and Oslo is next in line. We have also continued to expand our range of installation services.



Installation services increase BHG's potential customer base, allowing for a seamless experience from a click of the mouse to a fully installed product at home.

In 2020, the Group was awarded the "Swedish SEO Prize" for a second consecutive year, this time for its work with bygghemma.se. Bygghemma.se also won PriceRunner's "E-Commerce of the Year" award.

### OWNERSHIP BASE AND THE BHG SHARE

We have noted gradually rising interest in BHG, both from society at large and from the stock market, since our stock exchange listing in March 2018. Today, we have approximately 6,500 shareholders, with a healthy mix of Nordic private individuals and institutions as well as a growing share of foreign institutions. In the past year, FSN Capital, which was our principal owner for several years, has chosen to gradually pass the baton to a number of new, institutional owners, headed by EQT.

### EXPECTED FUTURE DEVELOPMENT

The total Nordic market for home improvement products – which includes DIY and home furnishings – was valued at SEK 300 billion. While the total market for home improvement products is relatively stable, it is characterised by a transition from offline towards online sales.

Online penetration in home improvement products is growing quickly but still remains lower than many other consumer market categories, such as consumer electronics and books. The trend of increasing online penetration has primarily been driven by changing consumer behaviour and technological improvements, which have benefited and are expected to continue benefiting online retailers such as BHG.

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

BHG expects online DIY and home furnishing sales in the Nordic region to be characterised by continuing strong growth, with an estimated compound average growth rate (CAGR) of 15% in 2021–2025. Market growth in the less mature Eastern European markets is expected to be significantly higher in this period.

The Group's financial targets have been updated in conjunction with the year-end report published on 29 January 2021. The reason for this update is that the targets announced ahead of the stock exchange listing in March 2018 have now essentially been reached.

### Net sales growth

The Group's objective is to achieve net sales of SEK 20 billion over the medium term, including acquisitions. This marks an adjustment from the earlier target of net sales of SEK 10 billion. The target of SEK 20 billion in net sales will be achieved by combining organic growth at least in line with the market, which is expected to grow by approximately 15% per annum over a business cycle, with acquisitions, which will add 5–10 percentage points of growth per year. The combination

of organic and inorganic initiatives will translate to growth in the range of 20–25% per annum.

### Profitability

The Group intends to continue conducting its operations in such a manner that growth goes hand in hand with healthy profitability. The new profitability target is to achieve an adjusted EBIT margin of at least 7%, a modification on the previous target of reaching 7%. This revision reflects a conviction that 7% does not represent an absolute ceiling for what the business can deliver as well as a determination to continue capitalising on the continued favourable growth opportunities in the Group's markets.

### Capital structure

The target for capital structure remains unchanged: to maintain net debt, excluding IFRS 16 effects, in relation to rolling 12-month (LTM) EBITDA in the range of 1.5–2.5x, subject to flexibility for strategic activities.

### Dividend policy

The target for the dividend policy remains unchanged: when free cash flow exceeds available investments in profitable growth, and provided that the capital structure target is met, the surplus will be distributed to shareholders.

### RISKS

There are several strategic, operational and financial risks and uncertainty factors that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors. There are risks and uncertainties related to IT and management systems, suppliers, and seasonal and weather variations, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour with respect to e-commerce. BHG is also exposed to different types of financial risks, such as financing and liquidity risk as well as interest-rate risk. The most material risks for BHG are described below.

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

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

BHG's products and thereby have an adverse impact on Group operations, financial position and earnings.

#### **BHG operates in a competitive environment**

The Swedish, Norwegian, Finnish and Danish home improvement markets are highly competitive. BHG's competitors in the DIY segment can be divided into various categories, including online players, traditional store chains and niche players. BHG's competitors in the Home Furnishing segment can be divided into various categories, including online players, traditional store chains and players. These groups of competitors primarily offer their products in stores or showrooms and, to varying extents, online. BHG also runs the risk of new competition from domestic and international traditional or online companies. Other examples of such potential competitors are general online retailers with an established Nordic presence that decide to increase their sales in product categories that are also offered by BHG, one of which could be the Home Furnishing segment. Additional examples are newly established companies, existing competitors in traditional markets or suppliers of the company that also start focusing on the online market for DIY products and home furnishings.

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

#### **Consumer demand for home improvement products is seasonal**

The Group companies have a product mix comprising a variety of products for indoor and outdoor use. Sales of products for outdoor use, including outdoor furniture and garden equipment, are affected by certain seasonal and weather variations. Deviations from normal weather conditions, such as unusually harsh weather, could negatively affect the company's sales and earnings in different quarters. For example, an unusually severe or long winter or a

particularly rainy or extremely dry summer could have a negative effect in this regard. If weather variations were to be more extensive than usual, this could have an effect on the company's operations, earnings and financial position.

#### **IT and GDPR-related risks**

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

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

#### **Financial risks**

The following financial risks have been identified, and are described in Note 26.

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

#### **The coronavirus pandemic**

The coronavirus pandemic has led to Nordic consumers travelling less and spending more time at home. Due to the prevailing situation, consumers have therefore chosen to invest more in their homes and to make their purchases to a greater extent online rather than in physical stores. Since BHG sells home improvement products online, this changed customer behaviour has increased demand for BHG's products. BHG's financial position has remained strong throughout the pandemic. It is considered probable that the increased online penetration that has occurred during the pandemic will remain, our estimation is therefore that a new level has been established for online penetration, from which growth will return to levels around 15% per year over a business cycle. However, the long-term effects of the coronavirus pandemic are currently difficult to determine. For more information about the effects of the coronavirus pandemic on BHG, see Note 32.





## BOARD OF DIRECTORS

### GUSTAF ÖHRN

CHAIRMAN OF THE BOARD

Born 1967. Nationality: Swedish

Gustaf Öhrn was elected Chairman of BHG in 2020. He is also a Board member of Eton Shirts, Brav AS and Baby Björn AB.

Gustaf Öhrn has studied at Uppsala University and Stockholm University reaching an equivalent to a bachelor's degree in economics. Throughout most of his career, Gustaf Öhrn has held senior positions within retail, such as Div. Head at H&M, MD of Speed Ventures, CEO of J.Lindeberg, CEO of Footquick, CEO of Stadium and CEO of Åhléns.

Direct and related party holdings:

Gustaf Öhrn owns 3,000 shares in the company and 82,336 call options issued by EQT.

Independent in relation to major shareholders:

Yes



### CHRISTIAN BUBENHEIM

BOARD MEMBER

Born 1965. Nationality: American and German

Christian Bubenheim was elected a Board member of BHG in 2020. He is also a Board member of Dunlop Protective Footwear and Unilode and Chairman of KfzTeile24.

Christian Bubenheim holds a diploma in economics and engineering from the University of Applied Sciences in Munich, Germany. Throughout most of his career, Christian Bubenheim has held senior positions within e-commerce and technology, media and telecom, such as SM at Apple, GM Mobile at Compaq Computer, GM at Intel Mobile, VP/MD at Xircom, VP/MD at Magellan GPS, Div. GM Consumables & Prime at Amazon Germany, SVP at Scout24, GM at Auto Scout24 and most recently CEO at Internetstores Europe.

Direct and related party holdings:

Christian Bubenheim owns 10,000 shares in the company and 36,477 call options issued by EQT.

Independent in relation to major shareholders:

Yes





**JOHAN GILEUS****BOARD MEMBER**

Born 1965. Nationality: Swedish

Johan Giléus was elected a Board member of BHG in 2019. He currently serves as CFO of InDex Pharmaceuticals Holding AB, Board member of InDex Pharmaceuticals AB and Index Diagnostics AB as well as CEO and Board member of Gileus Consulting AB and Gileus Invest AB

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

Direct and related party holdings:

Johan Giléus owns no shares or warrants in the company.

Independent in relation to major shareholders:

Yes

**INGRID JONASSON BLANK****BOARD MEMBER**

Born 1962. Nationality: Swedish

Ingrid Jonasson Blank was elected a Board member of BHG in 2017. She is also Chairman of Kjell&Co and Haypp Group AB and a Board member of Bilia AB, Bergendahls Food AB, Forenom Group, Nordic Morning Group Oy, Astrid Lindgrens AB, Musti Group Oy, Orkla ASA and ZetaDisplay AB.

Ingrid Jonasson Blank holds an MSc in business administration and economics from the Gothenburg School of Economics and has also completed the Ahold Leadership Program at Harvard Business School and Oxford University. Ingrid Jonasson Blank has been employed by the ICA Group for more than 25 years and held several different positions, primarily within marketing and communication. She previously served as Vice President at Ica Sverige AB, with responsibility for marketing.

Direct and related party holdings:

Ingrid Jonasson Blank owns 25,844 shares and no warrants in the company.

Independent in relation to major shareholders:

Yes

**BERT LARSSON**  
BOARD MEMBER

Born 1955. Nationality: Swedish

Bert Larsson was elected a Board member of BHG in 2016. He is also Chairman of the Board of Max Garden AB, Numbers Interim Management AB, XL-BYGG Bergslagen AB, XL-BYGG Palms and Warmup Scandinavia AB. Board member of Genesis IT AB, Sunparadise AG and Numbers of Stockholm AB.

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

Direct and related party holdings:

Bert Larsson owns 17,340 shares and no warrants in the company.

Independent in relation to major shareholders:

Yes



**NIKLAS RINGBY**  
BOARD MEMBER

Born 1980. Nationality: Swedish

Niklas Ringby was elected a Board member of BHG in 2019. He is also Partner and Co-Head of EQT Public Value, Chairman of Public Value's Investment Committee and a member of EQT's Extended Executive Committee. Board member of BioGaia AB.

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

Direct and related party holdings:

Niklas Ringby owns no shares or warrants in the company.

Independent in relation to major shareholders:

No



## MANAGEMENT

**ADAM SCHATZ**

GROUP CEO

Born 1974. Employed since 2019. Nationality: Swedish.

## Previous experience:

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

## Education:

Adam Schatz holds an MBA in finance from the Stockholm School of Economics and a BA in philosophy from Lund University.

## Board assignments:

Board member of Safeture AB.

## Own and related party holdings:

Adam Schatz owns 16,050 shares and 142,030 warrants in the company.

**JESPER FLEMMER**

GROUP CFO

Born 1979. Employed since 2016. Nationality: Swedish.

## Previous experience:

Jesper Flemme previously worked as Group Financial Controller at CDON Group (now Qliro Group), and has worked as a consultant at Addedo and within audit at Deloitte.

## Education:

Jesper Flemme holds a master's degree in economics from Lund University.

## Board assignments:

Chairman of Heisenberg Invest AB and Board member of J. Flemme Invest AB.

## Own and related party holdings:

Jesper Flemme owns, indirectly through companies, 20,000 shares and 96,015 warrants in the company.

**MIKAEL HAGMAN**

GROUP COO

Born 1968. Employed since 2017. Nationality: Swedish.

Previous experience:

Mikael Hagman founded Vitvaruexperten.com in 2015 and has continued to successfully develop the business since the company was acquired by BHG in 2017. Prior to this, he was CEO of Media Markt Nordic (2007-2013) and Country Manager for Sony Sweden and Finland (1999-2006).

Education:

IHM Business School.

Board assignments:

Chairman of Mikael Hagman AB and Greasy Lake AB.

Own and related party holdings:

Mikael Hagman owns 12,000 shares and 27,000 warrants in the company.



## **GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

The annual general meeting held on 5 May 2020 adopted the following guidelines for remuneration to senior executives.

### **General**

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

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

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

For more information regarding the company's business strategy, please see the company website [www.wearebhg.se](http://www.wearebhg.se).

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

Long-term share-based incentive programmes have been implemented in the company. Such programmes have been resolved by the General Meeting and are therefore excluded from these guidelines. The long-term share-based incentive programme proposed by the Board of Directors and submitted to the 2020 Annual General Meeting for approval is excluded for the same reason. The proposed programme essentially corresponds to the existing programmes. The programmes include senior executives, key individuals and employees in the Group. The programmes are conditional upon the participant's own investment and holding periods of several years. For more information regarding these incentive programmes, please see [www.bygghemmagroup.com](http://www.bygghemmagroup.com).

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

### **Types of remuneration, etc.**

Remuneration is to be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-based or share price-based remuneration.

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

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

For the CEO, pension benefits, including health insurance, are to be premium-defined. Variable cash remuneration does not qualify for pension benefits. The pension premiums for premium-defined pension are to amount to a maximum of 100% of the fixed annual cash salary. For other executives, pension benefits, including health insurance, are to be premium-defined unless the individual concerned is subject to defined-benefit pension under mandatory collective agreement provisions. Variable cash remuneration is to qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium-defined pension are to amount to a maximum of 100% of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance and company car benefits. Premiums and other costs relating to such benefits may amount to a maximum of 100% of the fixed annual cash salary.

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

### **Termination of employment**

Upon termination of employment by the company, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay, combined, may not exceed an amount corresponding to the fixed cash salary for two years. Upon termination of employment by the senior executive, the notice period may not exceed nine months, without any right to severance pay.

### **Criteria for awarding variable cash remuneration, etc.**

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

The satisfaction of criteria for awarding variable cash remuneration is to be measured over a period of one year. The extent to which the criteria for awarding variable cash remuneration have been satisfied is to be evaluated/determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation insofar as it concerns variable remuneration to the





CEO. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation is to be based on the latest financial information made public by the company..

### **Salary and employment conditions for employees**

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

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

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors is to prepare a proposal for new guidelines at least every four years and submit this proposal to the General Meeting. The guidelines are to remain in force until new guidelines are adopted by the General Meeting. The Remuneration Committee is also responsible for monitoring and evaluating programmes for variable remuneration for executive management, the application of the guidelines for executive remuneration and the current remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent of the company and its executive management. The CEO and other members of executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### **Derogation from the guidelines**

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

## **THE BOARD OF DIRECTORS PROPOSAL REGARDING GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES**

### **General**

The CEO and the two additional individuals in the company's executive management fall within the provisions of these guidelines. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed,

after adoption of the guidelines by the 2021 Annual General Meeting. These guidelines do not apply to any remuneration decided by the General Meeting of Shareholders.

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

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

For more information regarding the company's business strategy, please see the company website [www.wearebhg.com](http://www.wearebhg.com).

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

Long-term share-based incentive programmes have been implemented in the company. Such programmes have been resolved by the General Meeting and are therefore excluded from these guidelines. The long-term share-based incentive programme proposed by the Board of Directors and submitted to the 2021 Annual General Meeting for approval is excluded for the same reason. The proposed programme essentially corresponds to the existing programmes. The programmes include senior executives, key individuals and employees in the Group. The programmes are conditional upon the participant's own investment and holding periods of several years. For more information regarding these incentive programmes, please see [www.wearebhg.com](http://www.wearebhg.com).

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

### **Types of remuneration, etc.**

Remuneration is to be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-based or share price-based remuneration.

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

Variable cash remuneration may amount to a maximum of 200% of the fixed annual cash salary. Additional variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100% of the fixed annual cash salary and may not be paid more than once each year.

per individual. Any resolution on such remuneration is to be made by the Board of Directors based on a proposal from the Remuneration Committee.

For the CEO, pension benefits, including health insurance, are to be premium-defined. Variable cash remuneration does not qualify for pension benefits. The pension premiums for premium-defined pensions are to amount to a maximum of 100% of the fixed annual cash salary. For other executives, pension benefits, including health insurance, are to be premium-defined unless the individual concerned is subject to defined-benefit pension under mandatory collective agreement provisions. Variable cash remuneration is to qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium-defined pensions are to amount to a maximum of 100% of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance and company car benefits. Premiums and other costs relating to such benefits may amount to a maximum of 100% of the fixed annual cash salary.

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

#### **Termination of employment**

Upon termination of employment by the company, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay, combined, may not exceed an amount corresponding to the fixed cash salary for two years. Upon termination of employment by the senior executive, the notice period may not exceed nine months, without any right to severance pay.

#### **Criteria for awarding variable cash remuneration, etc.**

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

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

#### **Salary and employment conditions for employees**

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

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

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors is to prepare a proposal for new guidelines at least every four years and submit this proposal to the General Meeting. The guidelines are to remain in force until new guidelines are adopted by the General Meeting. The Remuneration Committee is also responsible for monitoring and evaluating programmes for variable remuneration for executive management, the application of the guidelines for executive remuneration and the current remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent of the company and its executive management. The CEO and other members of executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters insofar as they are affected by such matters.

#### **Derogation from the guidelines**

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



## PARENT COMPANY

BHG Group AB (publ) is the Parent company of the Group. The company does not engage in the sale of goods and services to external customers. The parent Company holds shares in its subsidiaries, as specified in Note 15.

The Parent Company's net sales amounted to SEK 1.6 million (0.9). The Group's CEO, CFO and COO were previously the only employees of the Parent Company. Due to organisational changes in the second quarter, an additional number of employees was transferred to the Parent Company. Outstanding incentive programmes were charged to Parent Company earnings with an amount of SEK -14.2 million (-1.7). The Parent Company posted an operating loss of SEK -43.9 million (-21.4). The Parent Company's cash and cash equivalents totalled SEK 58.8 million at the end of the reporting period, compared with SEK 17.2 million at the beginning of the year.

The Board of Director's proposal to the Annual General Meeting is that no dividend is to be paid for the 2020 financial year. The basis for this proposal is the high availability of investments in profitable growth, not least through continued acquisitions.

## APPROPRIATION OF PROFITS

### BHG Group AB

559077-0763

### Appropriation of profits (SEK)

At the disposal of the annual general meeting	
Retained earnings	73,655,020
Share premium reserve	2,667,441,766
Profit/loss for the year	67,579,901
	<b>2,808,676,687</b>
The Board of Directors proposes	
to be carried forward	141,234,921
whereof share premium reserve	2,667,441,766
	<b>2,808,676,687</b>





# Sustainability Report



### COMMENTS FROM THE CEO

2020 was record-breaking and transformative year for us: we were well positioned to take advantage of the opportunities that arose in a total market that performed well and where online penetration accelerated. With growth of approximately 44%, we further strengthened our position as Europe's largest e-commerce company in home improvement – an area that combines both of our segments: DIY and Home Furnishing. I'm convinced that sustainability is a prerequisite for BHG's continued long-term growth. That's why in 2020 we took important steps and began several processes that will drive our sustainability forward. Our first sustainability report according to GRI Standards, the one you're reading now, is a result of this work!

Our ambition is for sustainability to be a self-evident part of BHG's operations and during the year we picked up the pace. To create the right conditions for our long-term sustainability work, we carried out a materiality analysis that included customers, investors, suppliers and employees. This analysis helped us understand what sustainability means for BHG and how in the coming years we can develop a strategy that reflects our business model and development as a company. We also carried out a major review among our companies, laid the foundation for a structure for collecting data and gathered sustainability data from our operations and our companies. There's still a lot of work to do, but when I look back on the year, I'm proud of our efforts!

I look forward to continuing this work and developing our sustainability strategy. This will also include setting clear goals and working together with our companies to jointly create a strategy that suits us as a group. Our decentralised business model is one of our strengths, but it also creates challenges. As we grow and acquire more companies, we realise the need to harmonise our work flows and establish more central and uniform processes for coordination and governance of sustainability within the Group. We will also continue to focus on delivering a first-class customer experience, with sustainability as an integrated part of our operations!

**Adam Schatz,**  
President and CEO





## THIS IS BHG

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

## About BHG

Our strong position in these markets makes us the largest online European pure-play within the home improvement space, which includes DIY and home furnishings. DIY includes all types of home improvement products, including products for building, renovating and maintaining homes and gardens. The Home Furnishing segment includes furniture and home furnishings. We have approximately one million unique products in our range. In addition to products, we offer services such as our own last-mile deliveries and installations for over 10,000 products. BHG has over 70 showrooms and 100 online destinations, including leading destinations such as Bygghemma.se, Trademax.se and NordicNest.se as well as category and expert stores such as Golvpoolen.se, Nordiskafönster.se and Stonefactory.se.

The majority of customers are located in the Swedish, Norwegian, Finnish and Danish markets. BHG is also present in most of Eastern and Central Europe and, through the acquisition of Nordic Nest, in additional countries in Europe and other parts of the world. We were active in a total of 22 countries in 2020. BHG's head office is located in Malmö, together with certain Group-wide functions such as accounting, finance, legal and IT. Sales of goods and services to external customers are carried out through our operating companies rather than at the Group's head office. The Group has no manufacturing plants of its own. Instead, all products are purchased through business partners, agents or directly from suppliers.

## SUSTAINABILITY FOR BHG

To understand what sustainability means for our operations, and to ensure that we maintain the right strategic focus in the future, we carried out our first materiality analysis this year. This analysis relies on dialogues with our most important stakeholders and understanding the impact that BHG has.

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Large Cap.

**Number of employees:** 2,018

**Net sales:** SEK 8,968 million

**Equity:** SEK 2,823 million

**Liabilities:** SEK 5,807 million

## Stakeholder dialogues

Successful sustainability work requires an understanding of the expectations and viewpoints of our stakeholders. Given this, we carried out dialogues with our most important stakeholder groups during the year. Stakeholder groups were identified based on impact and interest to BHG according to the AA1000 Stakeholder Engagement Standard. Dialogues were then carried out via interviews and questionnaires. Refer to the table below for the sustainability areas that were highlighted for each stakeholder group..

Stakeholder group	Method	Top three prioritised areas
Owners	Questionnaire and interview	Ensuring a high level of data protection and protecting customer privacy
		Eliminating child labour and forced labour
		Ensuring a healthy and safe work environment
Board of Directors	Questionnaire and interview	Minimising resource consumption
		Eliminating child labour and forced labour
		Minimising climate impact
Head office	Questionnaire and interview	Attracting and retaining employees and providing competence development
		Minimising climate impact
		Eliminating child labour and forced labour
Group companies	Questionnaire and interview	Attracting and retaining employees and providing competence development
		Minimising resource consumption
		Ensuring a healthy and safe work environment
Customers	Questionnaire	Eliminating child labour and forced labour
		Minimising climate impact
		Maintaining high levels of product safety and quality
Suppliers	Questionnaire	Working actively to eliminate corruption
		Protecting biodiversity and ecosystems
		Ensuring a healthy and safe work environment

## Impact analysis

During the year, we carried out an impact analysis. The impact analysis provides insight and understanding regarding BHG's impact in terms of sustainability factors as well as how these factors affect our operations. The impact analysis is based on a double materiality perspective and identifies our negative and positive impact on, and from, the areas of human rights, labour rights, the environment and anti-corruption- across our value chain. The analysis also includes impact from a financial, operational and reputational perspective.

## The materiality pyramid

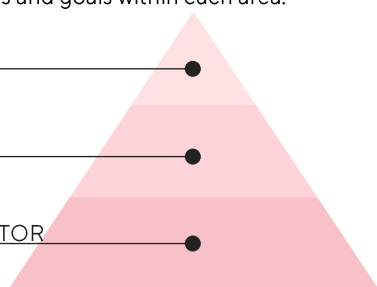
The results from the stakeholder dialogues and impact analysis were combined to form a materiality pyramid. This pyramid is the basis for BHG's strategic focus, illustrating three levels of strategic work: focus, develop, and manage

and monitor. Focus reflects the areas that BHG should prioritise in the future and focus on in its sustainability agenda; develop refers to topics that BHG needs to continuously highlight and develop in its agenda; manage and monitor remains important topics that BHG will work with, for example through annual follow-ups of key performance indicators (KPIs). During the coming year, we will focus on using the results from the materiality analysis to formulate ambitions and goals within each area.

FOCUS

PROMOTE

MANAGE & MONITOR



Focus	<ul style="list-style-type: none"> <li>• Maintaining high levels of product safety and quality</li> <li>• Ensuring sustainable supply and distribution chains</li> <li>• Transparent sustainability communication</li> <li>• Minimising climate impact</li> </ul>
Promote	<ul style="list-style-type: none"> <li>• Minimising resource consumption</li> <li>• Ensuring a high level of data protection and protecting customer privacy</li> <li>• Promoting equality and diversity at workplaces</li> <li>• Attracting and retaining employees and providing competence development</li> </ul>
Manage and monitor	<ul style="list-style-type: none"> <li>• Working actively to eliminate corruption</li> <li>• Integrating circular economy into our business model</li> <li>• Ensuring a healthy and safe work environment</li> <li>• Protecting biodiversity and ecosystems</li> <li>• Eliminating child labour and forced labour</li> <li>• Building business resiliency and adapting to climate change</li> </ul>

## GOVERNANCE AND RESPONSIBILITY FOR SUSTAINABILITY

BHG is a growing company with a decentralised business model. One of our strengths as a group is the entrepreneurial spirit in our companies, which is why we give them the freedom to decide over their operations themselves. However, when it comes to implementing Group-wide sustainability policies, this model has its own set of challenges. Within the Group, the Board of Directors has the overall responsibility for sustainability, while the CEO is responsible for enacting the decisions and strategies of the Board. The Group's CFO is responsible for leading and coordinating sustainability at BHG and developing proposals, carrying out analyses and leading the work on sustainability reports. The CFO reports directly to the CEO. The Group also holds monthly meetings with key individuals from each company. During these meetings, the companies receive up-to-date information about the Group's work and they can also bring up issues like sustainability for discussion. We intend to further improve our sustainability governance across the Group in the coming years, for example by reviewing how we

can establish more uniform governance that is better aligned with our operations.

## Policy documents

The central policies that BHG applies are our Code of Conduct, Supplier Code of Conduct, Environmental policy, Employee policy, Purchasing policy, CSR policy and Information security policy. The CEOs and management of our companies receive the Code of Conduct and the other policies, after which it is up to each company to implement the policies.

Our Code of Conduct makes the company's position clear when it comes to issues concerning respect for human rights, labour rights, environmental issues and anti-corruption practices, and is based on the Ten Principles of the UN Global Compact. It applies to all Board members and employees at BHG. In previous years, BHG employees have undergone training in the Code of Conduct's guidelines, and we see the importance of renewing this training during the coming operating years. We also strive for all new employees to receive the Code of Conduct as an appendix to their employment contract. Deviations from the Code of Conduct can be reported anonymously through our whistleblower system.

We are satisfied with our level of policy implementation, since we have had low levels of deviations reported. Because we are growing, however, we realise the need to harmonise our work flows and follow up on our policies centrally. Over the next few years, we will therefore review how the Code of Conduct and other central policy documents can be implemented more uniformly in the Group's operations.

## Risk analysis

In 2020, BHG carried out a sustainability risk analysis. BHG's entire value chain was analysed, looking at risks from the perspective of human rights, employees, social conditions, the environment and anti-corruption. The risk analysis also included industry and operation-specific sustainability risks. The risks identified primarily occurred in the supply chain, since BHG do not own manufacturing plants but instead purchase products from manufacturers and business partners/agents. The risks are primarily related to emissions, resource and material use and the risk of corruption, and human rights or labour rights not being respected. In addition to risks in the supply chain, risks were also identified in logistics and transportation, and in relation to BHG as an employer. As an e-commerce company, we are focused on greenhouse gas (GHG) emissions from shipping, something we continuously need to address by ensuring low return rates, an area where BHG is on the cutting edge. It is also important to attract the right talent and ensure that our employees thrive in our workplaces. Otherwise we risk losing important expertise.

Going forward, we will develop our risk management process to strengthen and build up the company's long-term resiliency. We started by identifying our material sustainability topics during the year, taking into consideration the results of our risk analysis and insights into the areas where our largest sustainability risks arise. You can read more about how we are addressing these material topics in the following sections of the Sustainability Report.

### Business ethics

BHG takes a zero tolerance stance towards all forms of corruption. Our largest corruption risk is in connection with the purchase of products and in the close and long-term relationships we develop with our suppliers. Our requirements and expectations for our employees, business partners and suppliers when it comes to anti-corruption are stipulated in our Code of Conduct, the Supplier Code of Conduct and the business ethics guidelines in our management handbook. In previous years, our employees have undergone training in the Code of Conduct, which provided them with information about guidelines and our preventative work regarding bribes and corruption. Over the next few years, we will review the possibility of renewing this training. As of 2019, new employees also receive information about BHG's guidelines, requirements and preventative work at the beginning of their employment with us. Any deviations from the Code of Conduct and the Group's business ethics guidelines can be reported anonymously to the Group's whistleblower system. 0 cases of corruption were reported during the year.

### SUSTAINABLE SUPPLY AND DISTRIBUTION CHAINS

As Europe's largest home improvement e-commerce company, our operations and the products we sell have an impact on society, people and the environment. BHG strives to create an attractive e-commerce environment with the market's broadest and most complete product range, where sustainability is integrated into the entire process all the way from production to delivery.

#### Our supply chain

BHG provides almost a million unique products in a mix of external and proprietary brands, and we have several thousand suppliers. We have the market's broadest home improvement product range, which covers furniture, home furnishings and the DIY segment (all types of home improvement products, including products for building, renovating and maintaining homes and gardens). BHG has no manufacturing plants of its own. Instead, all products are purchased directly from business partners, suppliers or through agents in the Nordic region, Eastern Europe and Asia. Our proprietary brands are continuously supplemented with strong brands from third-party suppliers.

Because BHG does not own its own manufacturing plants but instead purchases all products, our largest sustainability impact is in the production side of our supply chain. This includes climate and environmental impacts, since the manufacturing of our products causes GHG emissions that contribute to climate change or deplete natural resources. In the production of our proprietary brands, we strive to be a part of the circular economy by optimising resource consumption and using sustainable materials. Protecting biodiversity and ecosystems has also been identified as a key area for BHG. Over the next year, we will investigate how we can better understand the indirect impact we have on biodiversity and ecosystems and what we can do to manage it. The material in our products, for example the wood used in furniture production or the sand used in glass and cement, can have a negative impact on biodiversity. Our ability to control this is limited, but through systematic efforts we can

establish requirements for our suppliers. Working with the supply chain also entails ensuring that our products are produced in environments that respect and uphold human rights, labour rights and good business ethics and are not associated with any form of child labour or forced labour. This becomes even more important when we purchase products produced in areas with a high risk for deviations.

#### Working for a sustainable supply chain

To support a sustainable supply chain, we established a Supplier Code of Conduct. This code is based on the Ten Principles of the UN Global Compact and lays out our requirements and expectations for our suppliers and business partners when it comes to respecting human rights and labour rights, minimising their negative environmental impact and maintaining good business ethics. These requirements include zero tolerance for child labour or forced labour. BHG has no central purchasing function. Instead, the supplier policy is presented to the companies' management groups, who are responsible for its implementation and compliance. Our companies are also responsible for evaluating new business partners, suppliers and agents according to the Supplier Code of Conduct. Our ambition is for the Supplier Code of Conduct to be included in all of BHG's agreements with new suppliers. Some of our companies have systematic processes in place for evaluating suppliers and conducting follow-ups in low-cost countries where the risk of deviations is assessed as being the greatest. Of the companies that have a systematic process in place, 100% of their new suppliers were evaluated based on human rights and labour rights criteria, while 69% of new suppliers were evaluated based on environmental criteria.

As a growing group with a decentralised business model, we face challenges when it comes to coordinating the supply chain, and our companies' efforts to achieve a sustainable supply chain vary. Over the next few years, we will therefore look at how we can improve our governance, implementation and follow-up of sustainable supply chains. This also includes reviewing how we can ensure that the products we provide are manufactured sustainably, for example by setting stringent requirements for manufacturing our proprietary brands and the external brands we purchase.

#### Working for a sustainable distribution chain

We constantly strive to streamline our operations and optimise our processes, which also applies to how we distribute goods. We have a high share of direct deliveries from third-party distributors, an arrangement whereby goods are distributed directly from our suppliers to our customers. We supplement these direct deliveries by distributing products through our own distribution network, where we combine deliveries through third parties (such as DSV and Postnord) with our own last-mile deliveries using our own vehicles and drivers. Today, we have our own infrastructure for last-mile deliveries in Stockholm, Gothenburg and Skåne County. 100% of deliveries in the Home Furnishing segment's operations in Eastern Europe are distributed via our own storage warehouses through our last-mile deliveries. The ambition going forward is to increase the share of own deliveries to customers in the Nordic region, since this has proven to be a successful concept.



We have the greatest possibility of affecting transportation and resource management in our own distribution network. When it comes to our last-mile deliveries, we engage in regular dialogues with our logistics partners about improving efficiency in the flow of goods between suppliers, warehouses and end customers. We aim to have a higher fill factor and improve loading, which indirectly leads to reduced emissions from customer deliveries. The emissions generated from our own transportation is included in our CO2e reporting in the section “Environmental impact of BHG’s own operations” on page 44. It is also important to minimise the return rate, since this helps to avoid unnecessary shipments and thereby emissions. However, the share of returns for BHG is low, well under 5%. In addition, our companies engage in dialogues with our logistics partners regarding smarter packaging and use of packing material. The goal is to minimise resource consumption when shipping and delivering our products to customers.

#### **PRODUCT SAFETY AND QUALITY**

At BHG, we are proud of our broad product offering, which allows people to maintain their homes and gardens. Since our products often end up in people’s homes, it is important to us that they are safe, high quality and do not contain any hazardous substances.

#### **Our work related to product safety and quality**

BHG’s range consists of external brands, mainly well-known brands such as Bosch, Husqvarna and Ifö, as well as proprietary brands. When it comes to external brands, the manufacturers are responsible for product safety. We supplement the external brands offered with a portfolio of proprietary brands that meet or exceed customer expectations. Product safety and quality play an important role in this structure. Our proprietary brands are primarily manufactured in Eastern Europe and Asia. In Asia, product safety standards can be lower than the EU regulations for product safety and quality. In order to live up to our customers’ expectations, it is important that we ensure that all of our suppliers meet the requirements for product safety set by the EU. Each company in BHG is responsible for the design and quality-assurance of their own products. 0 confirmed incidents related to non-compliance on product safety were reported during the year. However, some of our companies have received complaints about their products.

For next year, our ambition is to improve control of product safety and quality throughout BHG. We will start by developing Group-wide requirements for product safety, materials and quality and implement them in all of our companies and supplier agreements. Our ambition is also to clarify our risk assessment in order to better identify high-risk products in our range.

## ENVIRONMENTAL IMPACT OF BHG'S OWN OPERATIONS

We strive to use energy and materials efficiently and to reduce our GHG emissions and the waste generated by our operations. Since a significant portion of our climate and environmental impact occurs in the supply chain, where our products are manufactured, this is an important area that we will focus more on in the coming year. Read more about BHG's work with sustainable supply chains on page 42. The section below focuses on the environmental impact of BHG's own operations.

### Minimising environmental impact

BHG applies the precautionary principle. Over the next year, we will evaluate whether this principle needs to be featured more prominently in our existing steering documents and whether its implementation needs to be followed up to a greater extent than it currently is. Our Environmental policy establishes our overall expectations for our operations and our companies when it comes to environmental and climate issues. The Environmental policy stipulates that we are to work proactively to reduce our negative impact on the environment and climate, including GHG emissions, resource use and waste generation. Our energy consumption is connected to our offices, warehouses, showrooms, logistics, transportation and the data servers we use to conduct our operations. Energy-saving measures are implemented regularly at our warehouses, showrooms and offices. Our operations generate waste in the form of paper, plastic, cardboard and packaging. We sort paper, plastic and other consumables at our offices. Our companies work with well-established third parties within the recycling industry and going forward we will review how we can measure and collect data on waste generation and management. This will enable a more systematic approach to the issue.

For better insight and to find more efficient ways to reduce our negative impact on the environment, we began to collect data from our operations and our companies during the year.

The results are presented in the table "Energy use and emissions" below. The data collected represents 83% of the Group in terms of sales, which means that BHG's total emissions are actually higher than the data would suggest. To estimate BHG's total emissions, we used the reported carbon dioxide emissions (83% of sales generated 3,638 tonnes of CO<sub>2</sub>e) and calculated an estimate for the remaining companies (17% of sales). Based on this calculation, we generated an estimated 4,371 tonnes of CO<sub>2</sub>e in 2020. However, we are aware that this figure could be higher since we have yet to receive complete data from all of our companies and our Scope 3 data only includes business trips, transportation and logistics. During the coming years, we will focus on further improving the quality of the data and using insights from the year's analysis to review how we can reduce our climate impact, both in our own operations and in the production of the products we provide.

### Energy consumption in BHG (MWh)

Energy source	Total
Fuel (diesel and natural gas)	1,696
Electricity	4,389
Heat	2,617
Cooling	8
<b>Total energy consumption</b>	<b>8,710</b>

*We currently lack reliable information about the proportions of renewable and non-renewable energy sources as well as data for heat, cooling and steam. We intend to address this in 2021.*

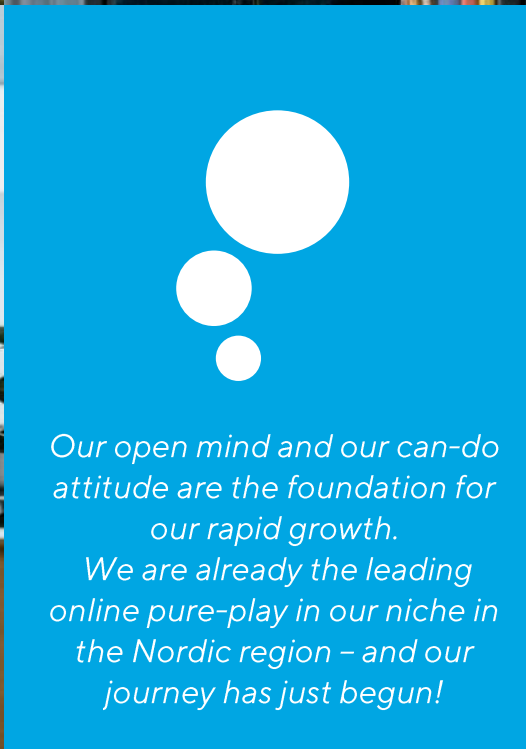
### Total emissions, tonnes CO<sub>2</sub>e\*

	Total
Scope 1	416
Scope 2	499
Scope 3**	2,722
<b>Total</b>	<b>3,638</b>

\* Emission factors from DEFRA 2019 and AIB 2019 were used.

\*\* Scope 3 data currently consists of emissions from business trips and transportation. Total CO<sub>2</sub>e includes data items that are stated in CO<sub>2</sub>, due to the availability of data





## OUR MOST IMPORTANT ASSETS

Our employees are our most important resource. Although we are growing quickly, we know that our success depends on having talented, driven and capable employees. We strive to be an attractive employer, creating an environment where our employees thrive at work, always have room to learn and grow, and think outside the box.

### Our employees

We are convinced that BHG thrives when our employees thrive. We actively work to ensure that our employees feel motivated, thrive at the workplace and have access to competence development. Our Code of Conduct and employee policy include our requirements for our employees and workplaces, including equality and diversity, work environment, occupational health and safety, recruitment and development and training. 52% of our employees are part of a collective bargaining agreement.

We actively work to be a good employer, and BHG's entrepreneurial spirit and growth enable employees to take their own initiative and grow into new roles and career paths. We believe in developing and cultivating the best in our employees. All of our employees are expected to have individual development plans with goals and feedback concerning their performance as well as annual performance reviews, where we also follow up on how our employees perceive us as an employer. To see the share of BHG's employees who participated in these reviews over the year, refer to the table "Performance reviews" on the next pages.

### An equal and inclusive workplace

BHG strives to be a diverse and inclusive workplace. We do not allow any form of discrimination, harassment or bullying. Our presence in many different countries and our broad customer group means that supporting gender, age and ethnic diversity is part of our DNA. We work continuously to provide a workplace where everyone feels welcome and where differences are appreciated and utilised. These expectations are stipulated in our employee policy and our Code of Conduct, which are distributed to each company in the Group. 0 confirmed cases of discrimination were reported during the year.

BHG strives for gender parity within the Group and aims for men and women to each represent 50% of the total number of employees as well as among management. Our employees are often young and come from different backgrounds. The diversity challenges we see in our operations largely concern people in upper management who are often the same age and gender and from similar backgrounds. This is partially a result of acquiring several companies where the founders and entrepreneurs had similar backgrounds. Another reason is that diversity was not previously part of our agenda, but it is something we need to integrate into our operations to ensure our continued success. During the next few years, we will review how we can best reach this goal.

### Employment contract and type, by gender

Employment contract	Women	Men	Total
Permanent employment	838	1,040	1,878
Temporary employment	46	94	140
Total	884	1,134	2,018
Full-time	668	972	1,640
Part-time	216	160	376
Total	884	1,134	2,018

Data includes employees from all of the companies in the Group. In addition to our employees, we have 65 people working in finance, marketing, IT and customer service.

### Employment contract, by region

Region	Total	Permanent employment	Temporary employment
Nordic region	1,580	1,498	82
Other countries in Europe	436	378	58
Other countries outside Europe	2	2	-
Total	2,018	1,878	140

### Number of employees who have started and ended employment by gender, age and region

	New employees (%)	Employee turnover (%)
Total	546	443
Women	320 (24 %)	237 (18 %)
Men	226 (17 %)	206 (15 %)
<30 years	381 (28 %)	317 (24 %)
30-50 years	143 (11 %)	111 (8 %)
>50	22 (2 %)	14 (1 %)
Nordic region	546 (41 %)	443 (33 %)

Share (%) is based on the total number of employees in the companies included in this report (1,340).

### BHG management and employees, gender and age (%)

Employment category	Women	Men	<30 years	30-50 years	>50 years
Board of Directors	17%	83%	0%	17%	83%
Management group	0%	100%	0%	67%	33%
Managers	20%	80%	0%	80%	20%
Other employees	21%	79%	7%	86%	7%

Share (%) is based on the total number of employees in the BHG Group (22).

### Other companies' management and employees, gender and age (%)

Employment category	Women	Men	<30 years	30-50 years	>50 years
Management group	19%	81%	5%	74%	21%
Managers	38%	62%	20%	68%	12%
Other employees	53%	47%	61%	32%	7%



Share (%) is based on the total number of employees in the companies included in this report (1,340). For information about the scope of this report, refer to "About the report" on page 48.

#### Number of employees who have had a performance review, by gender and employment category

Employment category	Women	Men	Total
Management group	11%	54%	65%
Managers	28%	25%	54%
Other employees	36%	23%	60%

Share (%) is based on the total number of employees in the companies included in this report. The employment categories include both BHG (head office) and other companies. One company did not conduct performance reviews during the reporting year, and some companies lack comprehensive records in their existing systems about reviews conducted.

#### A healthy and safe workplace

It is important for us that our employees thrive and feel that our workplace is supportive and safe. At BHG, health and safety is included in our Employee policy and Environmental policy, but since we are a quickly growing company with many new acquisitions in several countries, our approach to health and safety varies across the Group. Work is under way to review the health and safety measures that have been implemented in our companies. During the year, 12 minor work-related injuries were reported, such as injuries caused when using a forklift. There were also 7 registered cases of stress-related ill health. Because of our structure, the reporting in the rest of this section will focus on BHG's head office and Bygghemma Sweden, which share office premises in Malmö.

BHG's head office and Bygghemma Sweden have joint policies for health and safety and follow the same health and safety agenda. Our occupational health and safety policies include guidelines for physical and psychosocial health, preventive healthcare, alcohol and threats, violence and/or other types of harassment at the workplace. We therefore offer company healthcare and preventive healthcare subsidies to the employees at our head office and Bygghemma Sweden. During the year, we also took measures to improve the physical work environment at our office by adding a lounge, among other things.

At the head office and Bygghemma Sweden, we have an occupational health and safety management system that was implemented to ensure our compliance with the Swedish Work Environment Act. An important part of the management system involves identifying work environment risks, which we do twice a year through safety inspections carried out by the office manager, the safety officer, the HR manager and unit heads. We ensure that the individuals responsible for these inspections, i.e., the safety officer, the HR manager and the unit heads, learn the requirements of the Swedish Work Environment Act.

The risks that have been identified include psychosocial health when working alone, which is a risk we have also taken measures to address. Aside from the risks we identified at the head office, we are aware that other occupational risks may arise in other parts of the operations, for example in our showrooms. The risks in stores are primarily related to assault and robbery, which require different procedures than the ones we have at our offices.

It is important to us that our employees participate in the development, implementation and evaluation of our health and safety agenda. In 2020, we established a safety committee tasked with discussing and making decisions related to health and safety. The safety committee meets four times per year and addresses issues related to reported risks, company healthcare, suppliers of health and safety services, etc. The safety committee's work is currently focused on our employees at the head office in Malmö. In addition to the safety committee, we have a designated person to represent our employees in work environment matters. We have not yet conducted systematic training in health and safety for our employees.

#### DATA PROTECTION AND PROCESSING OF PERSONAL DATA

We place great emphasis on data protection and on protecting our customers' and our employees' privacy and personal data. The anonymous customer behaviour data we use to optimise our offering and the customer experience on our online destinations is received from third-parties. We do not process any credit card information.

BHG has steering documents and processes in place to ensure a high level of data protection and appropriate processing of personal data. In our Information security policy and CSR policy, we undertake to ensure that personal data from our customers and employees is processed in a secure manner. Our GDPR handbook is also distributed to our companies, which are responsible for implementing and following up on the requirements in their own operations. As a result of this, the companies are, for example, developing data security policies, training employees, striving to minimise the storage of personal data and conducting internal audits. The companies also regulate who has access to data and cooperate with their suppliers to provide guidance and information about data processing. BHG's work is followed up through annual IT audits and internal audits. In 2020, we had 1 confirmed case of a customer privacy breach. Processes and routines have been adapted to prevent similar events from happening again. We had 0 confirmed cases of identified leaks, theft or loss of customer data.

## ABOUT THIS REPORT

This is BHG's annual sustainability report pursuant to the Swedish Annual Accounts Act. This is the first time we have prepared a sustainability report in accordance with the GRI Standards: Core option. The goal of this report is to transparently describe our strategy, results and ambitions within sustainability.

## Scope

This report covers the following companies: BHG Group AB (publ), Bygghemma Group Nordic AB, Bygghemma Sverige AB, Home Furnishing Nordic AB, Netrauta Finland Oy, Taloon Yhtiöt Oy, M & M Visions Oy, Edututor Oy, Handelmark OÜ, Golvpoolen Arredo AB, Arc E-commerce AB, Domino Møbler ApS, My Home 2 A/S, My Home 3 A/S, My Home 4 A/S, My Home 7 A/S, My Home 8 A/S and Hemfint Kristianstad AB, which represent 83% of the Group's sales. The remaining companies have been excluded this year for reporting and size reasons, but we aim to include the majority of our companies in the coming years. For a complete picture of the BHG Group, please refer to Note 15.

The figures presented in this report are from 1 January 2020 to 31 December 2020 unless otherwise stated. Employee data is calculated per employee (head count) and collected via the HR systems at our subsidiaries. Data pertaining to energy consumption and CO<sub>2</sub>e emissions is primarily collected from invoices and suppliers and has been calculated according to the GHG Protocol. When invoices or comprehensive information is not available, energy consumption has been calculated based on the previous

year's consumption for the same period and/or through calculations based on total consumption and space used. In some cases, we excluded individual premises since we did not have access to its data, which means that we were unable to calculate estimates for these premises. In 2021, we will work to ensure a comprehensive collection of energy and CO<sub>2</sub> emissions data, which means that the corresponding figures will probably change in the next report. Our goal for next year to be our base year for GHG emissions data. This report has not been reviewed by any third party, but a statement about the report has been prepared pursuant to the Swedish Annual Accounts Act.

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## GRI INDEX

### General Disclosures

GRI Standard	Disclosure	Page	Comments
<b>GRI 102: General Disclosures 2016</b>			
<b>Organisational profile</b>			
	102-1 Name of the organisation	40	
	102-2 Activities, brands, products, and services	40	
	102-3 Location of headquarters	40	
	102-4 Location of operations	40	
	102-5 Ownership and legal form	40	
	102-6 Markets served	40	
	102-7 Scale of the organisation	40	
	102-8 Information on employees and other workers	46	
	102-9 Supply chain	42	
	102-10 Significant changes to the organisation and its supply chain	Note 5	
	102-11 Precautionary Principle or approach	44	
	102-12 External initiatives	41	
	102-13 Membership of associations	/	BHG Group has no such partnerships.
<b>Strategy</b>			
	102-14 Statement from senior decision-maker	39	
<b>Ethics and integrity</b>			
	102-16 Values, principles, standards, and norms of behaviour	41	
<b>Governance</b>			
	102-18 Governance structure	41	
<b>Stakeholder engagement</b>			
	102-40 List of stakeholder groups	41	
	102-41 Collective bargaining agreements	46	
	102-42 Identifying and selecting stakeholders	40	
	102-43 Approach to stakeholder engagement	40	
	102-44 Key topics and concerns raised	40	
<b>Reporting practice</b>			
	102-45 Entities included in the consolidated financial statements	48	
	102-46 Defining report content and topic Boundaries	40	
	102-47 List of material topics	41	
	102-48 Restatements of information	/	Not relevant*
	102-49 Changes in reporting	/	Not relevant*
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	102-50 Reporting period	48	
	102-51 Date of most recent report	/	Not relevant*
	102-52 Reporting cycle	48	
	102-53 Contact point for questions regarding the report	48	
	102-54 Claims of reporting in accordance with the GRI Standards	48	
	102-55 GRI content index	49-51	
	102-56 External assurance	48	

\* Not relevant since this is our first sustainability report using the GRI Standards



**Specific General Disclosures**

<b>GRI Standard</b>	<b>Title</b>	<b>Page</b>	<b>Comments</b>
<b>Topic: Working actively to eliminate corruption</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	41-42	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	42	
<b>Topic: Minimising climate impact</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42-44	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	44	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	44	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	44	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	44	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	43	
<b>Topic: Minimising resource consumption</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42-44	Omission*
<b>Topic: Integrating circular economy into our business model</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42-44	Omission*
<b>Topic: Protecting biodiversity and ecosystems</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42-44	Omission*
<b>Topic: Ensuring a healthy and safe work environment</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	47	
GRI 403: Occupational Health and Safety	403-1-403-7	47	Omission**
GRI 403: Occupational Health and Safety	403-9 Work-related injuries	47	Omission**
GRI 403: Occupational Health and Safety	403-10 Work-related ill health	47	Omission****
<b>Topic: Attracting and retaining employees and providing competence development</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	46	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	46	
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	47	
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GRI 103: Management approach 2016	103-1-103-3 Management approach	46	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	46	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	46	
<b>Topic: Ensuring sustainable supply and distribution chains</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	42	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	42	
<b>Topic: Eliminating child labour and forced labour</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	42	
<b>Topic: Maintaining high levels of product safety and quality</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	42-43	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	43	
<b>Topic: Ensuring a high level of data protection and protecting customer privacy</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	47	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	47	



GRI Standard	Title	Page	Comments
<b>Topic: Building business resiliency and adapting to climate change</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	41	Omission*
Own KPI: Annual risk analysis		41	
<b>Topic: Transparent sustainability communication</b>			
GRI 103: Management approach 2016	103-1-103-3 Management approach	/	The entire report covers BHG's management and efforts to systematically and transparently report sustainability information
Own KPI: Sustainability Report		/	Own KPI: Published sustainability report

\* Omission 103-2 & 103-3: Due to our rapid growth and decentralised business model, our management approach is not sufficiently developed for reporting this year. Our management approach will be developed in the coming years.

\*\* Omission: This year is the first time we are reporting using this comprehensive standard and we therefore did not have all the information available prior to preparation of the report.

\*\*\* Omission: Injuries per hour worked cannot be reported since we were unable to obtain reliable data from the HR systems at the various companies.

\*\*\*\*Omission: Ill health per hour worked cannot be reported since we were unable to obtain reliable data from the HR systems at the various companies



# Corporate Governance Report



## CORPORATE GOVERNANCE REPORT

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

BHG does not deviate from the Code in any regard.

More information about the Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se). BHG's Articles of Association and Code of Conduct are available at [www.wearebhg.com](http://www.wearebhg.com).

### Shares and shareholders

At the end of 2020, the total number of shares in BHG consisted of 107,368,421 ordinary shares with one vote each, distributed between approximately 6,500 shareholders. The company's largest shareholder, EQT, represented 19.96% of the shares. There were no limitations on how many votes each shareholder could cast at the General Meeting of Shareholders.

Further information regarding the ownership structure and share performance is available on page 24.

### General Meeting of Shareholders

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

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

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

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

Normally, the request must have reached the Board not later than seven weeks prior to the General Meeting.

The General Meeting may be held in Malmö or Stockholm.

### General Meetings 2020

At the Annual General Meeting on 5 May 2020:

- the income statement and balance sheet as well as the consolidated income statement and balance sheet were adopted and it was resolved that profit would be appropriated in accordance with the proposal of the Board in the Annual Report, and that the Board and CEO would be discharged from liability;
- it was resolved that the Board is to consist of seven Board members and no deputy Board members;
- it was resolved that remuneration is to be paid to the Board members and committee members as follows: SEK 400,000 to the Chairman of the Board, SEK 200,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee;
- Bert Larsson, Ingrid Jonasson Blank, Johan Giléus and Niklas Ringby were re-elected as Board members, and Christian Bubenheim, Gustaf Öhrn and Niclas Thiel were elected as new Board members. Gustaf Öhrn was elected as Chairman of the Board;
- Öhrlings PricewaterhouseCoopers AB was re-elected as auditor up until the end of the 2021 Annual General Meeting;
- the Board's proposal concerning principles for the establishment of a Nomination Committee was adopted;
- the Board's proposal concerning guidelines for remuneration to senior executives was adopted;
- the name of the company was changed to BHG Group AB;
- an incentive programme through the issuance of warrants to senior executives, employees and other key individuals in the Group (LTIP 2020/2023) was implemented;
- the Board was authorised to decide on the issuance of new shares corresponding to a maximum of 20% of the shares outstanding after this mandate is exercised; and
- the Board was authorised to acquire up to 10% of the shares.

### Nomination Committee

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

At the Annual General Meeting on 5 May 2020, it was resolved that the Nomination Committee prior to the 2021 Annual General Meeting is to comprise four members, one of whom should be the Chairman of the Board. Other members are to be appointed by the three largest shareholders in terms of votes – based on the share register maintained by Euroclear as of 30 September 2020 – with the shareholders offered the possibility to appoint one member each. The

Chairman of the Nomination Committee is to be the committee member representing the largest shareholder in terms of votes, unless the members agree to appoint another Chairman.

A shareholder who has appointed a member of the Nomination Committee has the right to dismiss the member and appoint a replacement. If a member leaves the Nomination Committee prior to completion of the committee's work, the shareholder who appointed the departing member has the right to appoint a new member of the Nomination Committee.

If a significant change in BHG's ownership structure occurs more than two months before the Annual General Meeting, and a shareholder, who after such a material change in ownership becomes one of BHG's three largest shareholders, makes a request to the Chairman of the Nomination Committee to appoint a member of the Nomination Committee, the committee is to invite the shareholder to appoint a member of the Nomination Committee. This member shall replace the member appointed by the shareholder who, after the ownership change, is no longer one of the three largest shareholders.

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

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

Ahead of the 2021 Annual General Meeting, the names of the members of the Nomination Committee are:

- Fredrik Åtting (Chairman), appointed by EQT,
- Ulrik Grönvall, appointed by Swedbank Robur Fonder,
- Sussi Kvart, appointed by Handelsbanken Fonder, and
- Gustaf Öhrn, in his capacity as Chairman of the Board.

In its work, the Nomination Committee applies rule 4.1 of the Code as its diversity policy. Additional information is available in the Nomination Committee's reasoned opinion regarding the Nomination Committee's proposal to the 2021 Annual General Meeting.

### Board of Directors

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

Board members are normally elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to BHG's Articles of Association, the Board, insofar as it is elected by the General Meeting, is to consist of at least three members and at most ten members with no deputy members.

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

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

The Board's work is evaluated annually through established procedures whereby all Board members answer questions about the results of the work of the Board and the committees. The Chairman of the Nomination Committee is responsible for the evaluation and, together with the Chairman of the Board, ensures that the results are presented and discussed in the Board and the Nomination Committee. The evaluation of the Board's work during the financial year was presented and discussed at the Board meeting on 10 December 2020.

During the financial year, the Board held 19 meetings.

The Board members' independence and attendance are shown in the table on page 55.

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

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

### Audit Committee

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

- monitor BHG's financial reporting,
- monitor the efficiency of BHG's internal control and risk management with regard to financial reporting,
- remain informed about the audit of the Annual Report and consolidated accounts,
- inform the Board of the results of the audit and of the manner in which the audit contributed to the reliability of the financial reporting and the committee's specific functions,
- review and monitor the auditor's impartiality and independence and note, in particular, whether the auditor provides BHG with services other than audit services,
- approve the auditor's advisory services and adopt a policy for the auditor's advisory services,
- assist in the preparation of proposals for the General Meeting's decision regarding the election of an auditor,



- evaluate the need for an internal audit function each year, and
- assure the quality of the year-end report and interim reports prior to Board decisions.

During the year, the Audit Committee held 7 meetings

### Remuneration Committee

The Remuneration Committee comprises three members: Gustaf Öhrn (Chairman), Christian Bubenheim and Ingrid Jonasson Blank. The Remuneration Committee is mainly a preparatory body and prepares proposals for the Board. The Remuneration Committee works according to rules of procedure adopted by the Board. The main duties of the Remuneration Committee are to:

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

During the year, the Remuneration Committee held 2 meetings.

### Board members independence and attendance 1 January 2020–31 December 2020

Name	Position	Member since	Independent in Relation to		Attendance		
			The company and its management	Major shareholder	Board meetings	Audit Committee	Remuneration Committee
Gustaf Öhrn	Chairman	2020	Yes	Yes	12/12	2/2	0/0
Bert Larsson	Member	2016	Yes	Yes	19/19	7/7	-
Christian Bubenheim	Member	2020	Yes	Yes	12/12	-	0/0
Ingrid Jonasson Blank	Member	2017	Yes	Yes	19/19	-	2/2
Johan Giléus	Member	2019	Yes	Yes	18/19	7/7	-
Niklas Ringby	Member	2019	Yes	No	18/19	-	-
Niclas Thiel*	Member	2020	Yes	No	4/5	-	-

\* Stepped down on his own accord.

### CEO and senior executives

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

The CEO and other senior executives are presented on page 32–33. During the year, Martin Edblad served as acting CEO until 20 February 2020, when Adam Schatz was appointed as the company's VD.

### Auditors

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

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

with Authorised Public Accountant Eva Carlsvi as auditor in charge.

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

The auditor participated in all of the Audit Committee's meetings and in one Board meeting. In connection with the Board meeting on 21 January 2020, the auditor met with the Board without the attendance of any employees of the Group (including senior executives).

Information on full remuneration to the auditors is presented in Note 6.

### Remuneration to Board members

Fees and other remuneration to Board members, including the Chairman, are decided at the Annual General Meeting. The Annual General Meeting on 5 May 2020 resolved that the following remuneration is to be paid for the period until the next Annual General Meeting: SEK 400,000 to the Chairman of the Board, SEK 200,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee.

### Remuneration to the CEO and other senior executives

The Annual General Meeting on 5 May 2020 adopted guidelines for remuneration to senior executives. The guidelines stipulate that total remuneration is to be based on conditions that are market competitive and well balanced. In addition, the remuneration should promote the company's business strategy, long-term interests and sustainability. Remuneration to the senior executives is to consist of fixed and variable cash salary, pension benefits and other benefits. In addition, the General Meeting can resolve on share-based and share price-based remuneration.

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

Variable cash remuneration to the CEO may amount to a maximum of 200% of the fixed annual cash salary. In extraordinary circumstances, the Board may decide to pay additional variable cash remuneration amounting to a maximum of 100% of the fixed annual cash salary. Variable cash remuneration is to be linked to predetermined and measurable financial or non-financial criteria designed to promote the company's business strategy and long-term interests.

The CEO's pension benefits are to be premium defined. Variable cash remuneration does not qualify for pension benefits. The pension premiums for premium-defined pensions are to amount to a maximum of 100% of the fixed annual cash salary. For other senior executives, pension benefits are to be premium-defined benefits unless the individual concerned is subject to defined-benefit pension under mandatory collective agreement provisions. Variable cash remuneration is to qualify for pension benefits to the extent required by mandatory collective agreement provisions applicable to the senior executive concerned. The pension premiums for premium-defined pensions are to amount to a maximum of 100% of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance and company car benefits. Premiums and other costs relating to such benefits may amount to a maximum of 100% of the fixed annual cash salary.

Upon termination of employment by the company, the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay, combined, may not exceed an amount corresponding to the fixed cash salary for two years. Upon termination of employment by the senior executive, the notice period may not exceed nine months, without any right to severance pay.

For employment governed by rules other than Swedish rules, pension benefits and other benefits may be duly adjusted to ensure compliance with mandatory local rules or established local practice.

The Board may derogate from the guidelines if it is necessary to do so, in a specific case, in order to serve the company's long-term interests or to ensure the company's financial viability.

### Control environment

The Board has overall responsibility for the internal control in relation to financial reporting. In order to create and maintain

a functioning control environment, the Board has adopted a number of policies, guidelines and steering documents governing financial reporting.

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

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

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

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

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

### Risk assessment and control activities

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

BHG actively performs different control activities in order to identify, address and rectify risks in all parts of the organisation, and to ensure and improve internal control in the operations. As part of the work related to internal control and risk, the key risks are assessed, evaluated and compiled on a yearly basis. Each identified risk is assessed based on its probability and potential impact/effect on the operations. This work primarily concerns strategical and operational risks, but financial and legal risks as well as other key risks are also addressed.



Uniform accounting and reporting instructions apply to all entities within the Group. The guidelines for internal control are followed up in all entities during the financial year. The local entities' financial development is continuously monitored through monthly reporting, which focuses mainly on revenue, earnings and the order book. This reporting also includes legal and operational follow-up, with a focus on individual projects. Other key components of the internal control are the annual business planning process and budget and forecast processes.

#### **Information and communication**

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

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

#### **Monitoring**

The compliance and effectiveness of the internal control are constantly monitored. The CEO ensures that the Board continuously receives reports on the performance of the operations, including developments related to earnings and financial position, as well as information regarding important issues and events. The CEO also reports on these matters at every scheduled Board meeting.

The Board and the Audit Committee examine the Annual Report and interim reports and conduct financial evaluations in accordance with an established plan and model. The Audit Committee monitors the financial reporting and other related matters and regularly discusses these matters with the auditors.

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

# Consolidated income statement

(SEKm)	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<b>Operating income</b>			
Net sales	4	8,968.2	6,212.5
Other operating income	9	5.6	0.4
		<b>8,973.8</b>	<b>6,212.8</b>
<b>Operating expenses</b>			
Cost of goods sold		-6,637.4	-4,721.9
Personnel costs	7, 8	-657.2	-493.4
Other external costs and operating expenses	6, 27	-775.0	-525.5
Other operating expenses	9	-1.5	-5.0
Depreciation and amortization of tangible and intangible fixed assets	13, 14	-245.0	-185.0
		<b>-8,316.0</b>	<b>-5,930.8</b>
<b>Operating income</b>		<b>657.8</b>	<b>282.0</b>
<b>Financial items</b>			
Financial income	10	3.4	8.1
Financial expenses	10, 21	-110.9	-57.0
		<b>-107.5</b>	<b>-48.9</b>
<b>Profit/loss before tax</b>		<b>550.3</b>	<b>233.1</b>
<b>Tax</b>			
Income tax	11	-130.0	-53.2
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>420.3</b>	<b>179.9</b>
<b>Attributable to:</b>			
Equity holders of the parent		415.1	176.2
Non-controlling interest		5.1	3.6
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>420.3</b>	<b>179.9</b>
Earnings per share before dilution, (SEK)	12	3.87	1.64
Earnings per share after dilution, (SEK)	12	3.80	1.64



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEKm)	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Profit/loss for the year		420.3	179.9
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences for the year		-11.0	5.8
	12, 19	<b>-11.0</b>	<b>5.8</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>409.3</b>	<b>185.7</b>
<b>Attributable to:</b>			
Parent company shareholders		405.7	181.6
Non-controlling interest		3.6	4.1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>409.3</b>	<b>185.7</b>



# Consolidated statement of financial position

(SEKm)	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible fixed assets</b>	13		
Development expenses		169.6	125.9
Trademarks		1,175.7	855.4
Customer relationships		454.2	304.9
Goodwill		4,395.1	2,896.7
Other intangible fixed assets		4.9	7.4
		<b>6,199.5</b>	<b>4,190.2</b>
<b>Tangible fixed assets</b>	14		
Equipment		44.5	21.6
Leased fixed assets		601.9	459.2
Buildings and land		10.0	10.7
Leasehold improvements		19.5	18.3
		<b>675.9</b>	<b>509.8</b>
<b>Financial fixed assets</b>			
Other financial fixed assets		9.4	6.6
		<b>9.4</b>	<b>6.6</b>
Deferred tax asset	11	19.1	13.5
<b>Total fixed assets</b>		<b>6,904.0</b>	<b>4,720.1</b>
<b>Current assets</b>			
Inventories	16		
Finished goods and merchandise		871.4	650.0
Advances to suppliers		120.9	18.4
		<b>992.3</b>	<b>668.4</b>
<b>Short term receivables</b>			
Accounts receivable	17	116.6	84.1
Other current receivables, non-interest-bearing		130.3	142.0
Prepaid expenses and accrued income	18	187.6	133.3
		<b>434.5</b>	<b>359.5</b>
<b>Cash and cash equivalents</b>	26		
Cash and cash equivalents		299.0	270.3
		<b>299.0</b>	<b>270.3</b>
<b>Total current assets</b>		<b>1,725.7</b>	<b>1,298.1</b>
<b>TOTAL ASSETS</b>		<b>8,629.7</b>	<b>6,018.2</b>



(SEKm)	Note	31/12/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
<i><b>Equity attributable to owners of the parent</b></i>			
Share capital		3.2	3.2
Other capital contributions		2,667.4	2,667.4
Reserves		5.3	14.7
Retained earnings		111.3	204.3
		<b>2,787.2</b>	<b>2,889.7</b>
<i><b>Non-controlling interest</b></i>			
Non-controlling interest		35.8	35.4
<b>Total equity</b>		<b>2,823.0</b>	<b>2,925.1</b>
<b>Non-current liabilities</b>	26		
<i><b>Interest-bearing</b></i>			
Liabilities to credit institutions	21	2,042.6	813.6
Non-current lease liabilities	27	449.8	339.7
Other liabilities	23, 26	948.0	507.0
		<b>3,440.4</b>	<b>1,660.3</b>
<i><b>Non-interest-bearing</b></i>			
Deferred tax liability	11	375.0	249.6
Other provisions	22	22.7	23.0
		<b>397.7</b>	<b>272.7</b>
<b>Long term liabilities to Group companies</b>		<b>3,838.1</b>	<b>1,933.0</b>
<b>Current liabilities</b>	26		
<i><b>Interest-bearing</b></i>			
Current lease liabilities	27	149.8	118.9
Other liabilities	23, 26	75.3	47.5
		<b>271.4</b>	<b>166.3</b>
<i><b>Non-interest-bearing</b></i>			
Advance from customers		181.2	98.7
Accounts payable		776.8	534.7
Tax liabilities		93.5	32.6
Other liabilities		369.6	169.4
Accrued expenses and prepaid income	24	276.0	158.4
		<b>1,697.2</b>	<b>993.8</b>
<b>Total current liabilities</b>		<b>1,968.6</b>	<b>1,160.1</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>8,629.7</b>	<b>6,018.2</b>

For information concerning pledged assets and contingent liabilities, see Note 25.

# Consolidated statement of changes in equity

(SEKm)	Equity attributable to the parent company's shareholders						Non-controlling interest	Total equity
	Not e	Share capital	Other capital contributions	Translations reserve	Retained earnings incl. Profit/loss for the year	Total		
<b>Opening balance, 1 January 2019</b>		<b>3.2</b>	<b>2,667.4</b>	<b>9.4</b>	<b>103.0</b>	<b>2,783.1</b>	<b>31.3</b>	<b>2,814.4</b>
Effects from changed accounting standards					-10.4	-10.4	-0.0	-10.5
<b>Comprehensive income for the year</b>								
Profit/loss for the year					176.2	176.2	3.6	179.9
Other comprehensive income				5.4		5.4	0.4	5.8
		-	-	<b>5.4</b>	<b>176.2</b>	<b>181.6</b>	<b>4.1</b>	<b>185.7</b>
<b>Transactions with owners</b>								
Warrants	7				6.0	6.0		6.0
Remeasurement of liabilities to non-controlling interest	23				-70.5	-70.5		-70.5
		-	-	-	<b>-64.5</b>	<b>-64.5</b>	-	<b>-64.5</b>
<b>Closing balance, 31 December 2019</b>		<b>3.2</b>	<b>2,667.4</b>	<b>14.7</b>	<b>204.3</b>	<b>2,889.7</b>	<b>35.4</b>	<b>2,925.1</b>
<b>Comprehensive income for the year</b>								
Profit/loss for the year					415.1	415.1	5.1	420.3
Other comprehensive income				-9.5		-9.5	0.4	-11.0
		-	-	<b>-9.5</b>	<b>415.1</b>	<b>405.7</b>	<b>3.6</b>	<b>409.3</b>
<b>Transactions with owners</b>								
Warrants	7				7.5	7.5		7.5
Remeasurement of liabilities to non-controlling interest	23				-501.5	-501.5		-501.5
Changes in ownership in subsidiaries					-10.2	-10.2	-1.6	-11.9
Dividends to non-controlling interests **					-4.0	-4.0	-1.6	-5.5
		-	-	-	<b>-508.2</b>	<b>-508.2</b>	<b>-3.2</b>	<b>-511.4</b>
<b>Closing balance, 31 December 2020</b>		<b>3.2</b>	<b>2,667.4</b>	<b>5.3</b>	<b>111.3</b>	<b>2,787.2</b>	<b>35.8</b>	<b>2,823.0</b>

\* Pertains to dividends paid to non-controlling interests whose holdings were previously derecognised in connection with the Group's recognition of a liability for put options issued to the non-controlling interests (see also section 2.4.4. in Note 2)

# Consolidated statement of cash flows

(SEKm)	Note	01/01/2020 31/12/2020	01/01/2019* 31/12/2019
<b>Operating operations</b>			
Profit before tax		550.3	233.1
Reversal of financial net		30.7	28.9
Adjustments for non-cash items	28	307.5	213.8
Income tax paid		-56.0	-34.4
		<b>832.5</b>	<b>441.3</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in inventories		-92.3	-90.4
Increase (-)/decrease (+) in other current receivables		-75.7	-41.1
Increase (+)/decrease (-) in accounts payable		86.0	-7.9
Increase (+)/decrease (-) in other current liabilities		243.9	120.2
		<b>161.8</b>	<b>-19.2</b>
<b>Cash flow from operating activities</b>		<b>994.3</b>	<b>422.2</b>
<b>Investing activities</b>			
Investment in operations	5	-1,859.1	-251.4
Redemption of loan to seller upon acquisition of operations	5	-91.8	-
Divestment of operations		0.4	-
Investments in tangible fixed assets	14	-25.1	-24.4
Divestment of tangible fixed assets	14	0.4	1.3
Investments in intangible fixed assets	13	-69.4	-73.6
Divestment of intangible fixed assets	13	0.1	-
Investments in financial fixed assets		-	-0.0
Divestment of financial fixed assets		0.4	-
Received interest		3.2	1.5
<b>Cash flow from/ to investing activities</b>		<b>-2,040.9</b>	<b>-346.5</b>
<b>Financing activities</b>			
Issue of warrants		12.9	6.0
Dividend to non-controlling interest		-5.5	-
Loans raised	26, 29	1,277.1	307.4
Amortization of loans	26, 27, 29	-	-200.7
Amortization of lease liabilities		-147.3	-115.0
Interest paid		-33.9	-30.5
<b>Cash flow to/from financing activities</b>		<b>1,103.4</b>	<b>-32.8</b>
<b>Cash flow</b>		<b>56.8</b>	<b>42.8</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>270.3</b>	<b>226.9</b>
Translation differences in cash and cash equivalents		-28.1	0.6
<b>Cash and cash equivalents at the end of the year</b>	<b>29</b>	<b>299.0</b>	<b>270.3</b>

\* The cash flow statement for 2019 has been restated taking into account the change of policy for the presentation interest paid and received. For more information, see section 2.1.3 in Note 2.

# Parent Company income statement

(SEKm)	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<b>Operating income</b>			
Net sales	4	1.6	0.9
		<b>1.6</b>	<b>0.9</b>
<b>Operating expenses</b>			
Personnel costs	7, 8	-34.2	-15.4
Other external costs and operating expenses	6, 27	-11.2	-6.9
Other operating expenses		-0.0	-0.0
		<b>-45.4</b>	<b>-22.2</b>
<b>Operating income</b>		<b>-43.9</b>	<b>-21.4</b>
<b>Financial items</b>			
Financial income	10	0.7	0.1
Financial expenses	10, 21	-3.0	-1.8
		<b>-2.4</b>	<b>-1.7</b>
<b>Profit/loss after financial items</b>		<b>-46.3</b>	<b>-23.1</b>
<b>Appropriations</b>			
	20	-28.6	-
Group contributions received		222.5	33.0
Group contributions paid		-61.6	-
		<b>132.3</b>	<b>33.0</b>
<b>Profit/loss before tax</b>		<b>86.0</b>	<b>9.9</b>
<b>Tax</b>			
Income tax	11	-18.4	-2.5
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>67.6</b>	<b>7.5</b>

Comprehensive income for the year corresponds to net profit for both the current financial year and the comparative year.





# Parent Company balance sheet

(SEKm)	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible fixed assets</b>	13		
Development expenses		0.7	0.3
Other intangible fixed assets		0.1	0.1
		<b>0.8</b>	<b>0.5</b>
<b>Financial fixed assets</b>			
Participations in group companies	15	2,691.6	2,691.6
Receivables in group companies		1,000.0	-
		<b>3,691.6</b>	<b>2,691.6</b>
<b>Total fixed assets</b>		<b>3,692.4</b>	<b>2,692.0</b>
<b>Current assets</b>			
<b>Short term receivables</b>			
Receivables in group companies		223.2	32.9
Other receivables		0.9	0.4
Prepaid expenses and accrued income	18	4.7	7.5
		<b>228.8</b>	<b>40.8</b>
<b>Cash and cash equivalents</b>	26		
Cash and cash equivalents		58.8	17.2
		<b>58.8</b>	<b>17.2</b>
<b>Total current assets</b>		<b>287.6</b>	<b>57.9</b>
<b>TOTAL ASSETS</b>		<b>3,979.9</b>	<b>2,749.9</b>

(SEKm)	Note	31/12/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	19		
<i><b>Restricted equity</b></i>			
Share capital		3.2	3.2
		<b>3.2</b>	<b>3.2</b>
<i><b>Unrestricted equity</b></i>			
Share premium reserve		2,667.4	2,667.4
Retained earnings		73.7	58.6
Profit/loss for the year		67.6	7.5
		<b>2,808.7</b>	<b>2,733.5</b>
<b>Total equity</b>		<b>2,811.9</b>	<b>2,736.8</b>
<b>Untaxed reserves</b>	20		
Tax allocation reserve		28.6	-
<b>Total untaxed reserves</b>		<b>28.6</b>	<b>-</b>
<b>Non-current liabilities</b>	21		
Liabilities to credit institutions		996.9	-
<b>Total non-current liabilities</b>		<b>996.9</b>	<b>-</b>
<b>Current liabilities</b>			
Accounts payable		1.4	0.2
Liabilities to group companies		61.6	0.0
Tax liabilities		18.4	0.1
Other liabilities		44.0	0.2
Accrued expenses and prepaid income	24	17.1	12.6
<b>Total current liabilities</b>		<b>142.5</b>	<b>13.2</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITY</b>		<b>3,979.9</b>	<b>2,749.9</b>

# Parent Company statement of changes in equity

(SEKm)	Not e	Restricted equity	Unrestricted equity			Total equity
		Share capital	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening balance, 1 January 2019</b>		<b>3.2</b>	<b>2,667.4</b>	<b>54.8</b>	<b>-2.1</b>	<b>2,723.3</b>
<b>Comprehensive income for the year</b>						
Appropriation of profits according to decision on annual general meeting				-2.1	2.1	-
Profit/loss for the year					7.5	7.5
		-	-	-2.1	9.6	7.5
<b>Transactions with owners</b>						
<b>Contributions from and value transfers from Group owners</b>						
Warrants	7			6.0		6.0
		-	-	6.0	-	6.0
<b>Closing balance, 31 December 2019</b>		<b>3.2</b>	<b>2,667.4</b>	<b>58.6</b>	<b>7.5</b>	<b>2,736.8</b>
<b>Comprehensive income for the year</b>						
Appropriation of profits according to decision on annual general meeting				7.5	-7.5	-
Profit/loss for the year					67.6	67.6
		-	-	7.5	60.1	67.6
<b>Transactions with owners</b>						
<b>Contributions from and value transfers from Group owners</b>						
Warrants	7			7.5		7.5
		-	-	7.5	-	7.5
<b>Closing balance, 31 December 2020</b>		<b>3.2</b>	<b>2,667.4</b>	<b>73.7</b>	<b>67.6</b>	<b>2,811.9</b>

# Parent Company statement of cash flows

(SEKm)	Note	01/01/2020 31/12/2020	01/01/2019* 31/12/2019
<b>Operating operations</b>			
Profit before tax		86.0	9.9
Reversal of financial net		1.1	1.7
Adjustments for non-cash items	28	-130.8	-32.9
Income tax paid		-0.1	-0.1
		<b>-43.9</b>	<b>-21.4</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) in other current receivables		-3.9	-6.2
Increase (+)/decrease (-) in accounts payable		1.2	-0.5
Increase (+)/decrease (-) in other current liabilities		43.8	6.1
		<b>41.1</b>	<b>-0.6</b>
<b>Cash flow from operating activities</b>		<b>-2.8</b>	<b>-22.0</b>
Investments in intangible fixed assets	13	-0.5	-0.3
Loans to group companies		-1,000.0	-
Reimburse of loans group companies		-	29.0
Received interest		0.7	0.1
<b>Cash flow from/ to investing activities</b>		<b>-999.8</b>	<b>28.8</b>
<b>Financing activities</b>			
Issue of warrants		12.9	6.0
Loans raised	26, 29	1,000.0	27.6
Amortization of loans		-	-57.6
Group contributions received		33.0	72.7
Group contributions paid		-	-43.2
Interest paid		-1.7	-1.8
<b>Cash flow to/from financing activities</b>		<b>1,044.2</b>	<b>3.8</b>
<b>Cash flow</b>		<b>41.6</b>	<b>10.5</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>17.2</b>	<b>6.6</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>58.8</b>	<b>17.2</b>

\* The cash flow statement for 2019 has been restated taking into account the change of policy for the presentation interest paid and received. For more information, see section 2.1.3 in Note 2.



# Supplementary disclosures

## NOTE 1 GENERAL INFORMATION

BHG is a leading Nordic online-based provider of home improvement products. The Group includes over 100 online destinations – including sites like [www.bygghemma.se](http://www.bygghemma.se), [www.trademax.se](http://www.trademax.se), [www.chilli.se](http://www.chilli.se) and [www.furniturebox.se](http://www.furniturebox.se) – and over 70 showrooms. BHG has continuously increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY and home furnishings.

The DIY segment mainly comprises brands active in sales of building materials and garden and leisure products, including Bygghemma, Taloon, Golvpoolen, Nordiska Fönster and Outlet1.

The Home Furnishing segment mainly comprises brands active in sales of furniture and home furnishings, including Trademax, Chilli, Nordic Nest, Sleepo and Furniturebox.

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

This annual report was approved for publication by the Board of Directors and the CEO on 24 March 2021.

## NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES

### 2.1 Compliance with standards and legislation

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

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

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

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

#### 2.1.1 Disclosures concerning IFRS and interpretations that became effective in 2020

No amendments to IFRS or IFRIC interpretations that came into effect in 2020 had a material impact on the Group's financial statements.

#### 2.1.2 New IFRS that have not yet been applied

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

Group does not plan to apply introductions or changes with future application in advance.

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

#### 2.1.3 Voluntary change of accounting policy regarding recognition of interest payments in the statement of cash flows

From 1 January 2020, BHG Group recognises interest paid under financing activities in the statements of cash flows for the Group and the Parent Company. Interest paid was previously recognised as part of operating activities. Comparative periods for 2019 have been restated to reflect this change. BHG Group believes that recognition of interest paid under financing activities leads to more reliable and relevant information about cash flows attributable to financing via interest-bearing liabilities. This is because financing activities in the cash flow statement will not then only include cash flows attributable to raising and amortising loans, but also cash flows attributable to the payment of interest on the loans raised. As a result of the change in policy, the amount of interest paid can also be seen directly in the statement of cash flows since interest paid is presented on a separate row under financing activities. In connection with this, BHG Group has also chosen to present interest received as part of investing activities.

#### Effects of change of accounting policy

Due to the change of accounting policy, the cash flow from operating activities for the comparative year of 2019 increased by an amount corresponding to net interest payments, while the cash flow from financing activities decreased by an amount corresponding to interest paid, and investing activities increased by an amount corresponding to interest received. The items below describe the effects of the change of accounting policy for 2019 for the Group and the Parent Company.

#### Group

- Cash flow from operating activities increased SEK 28.9 million for 2019
- Cash flow from financing activities decreased SEK 30.5 million for 2019
- Cash flow from investing activities increased SEK 1.5 million for the full year

#### Parent Company

- Cash flow from operating activities increased SEK 1.7 million for 2019
- Cash flow from financing activities decreased SEK 1.8 million for 2019
- Cash flow from investing activities increased SEK 0.1 million for 2019.

#### 2.1.4 Measurement basis applied to the preparation of the financial statements

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

#### 2.2 Classification

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

#### 2.3 Operating segment reporting

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

The DIY segment mainly comprises brands active in sales of building materials and garden and leisure products, including Bygghemma, Taloon, Golvpoolen, Nordiska Fönster and Outlet1.

The Home Furnishing segment mainly comprises brands active in sales of furniture and home furnishings, including Trademax, Chilli, Nordic Nest, Sleepo and Furniturebox.

#### 2.4 Consolidation policies and business combinations

##### 2.4.1 Subsidiaries

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

##### 2.4.2 Acquisitions

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

In business combinations where the transferred remuneration, any non-controlling interests and the fair value of previously held participations (step acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are to be recognised separately, the difference is

recognised as goodwill. If the difference is negative, known as a bargain acquisition, it is recognised directly in profit or loss.

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

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

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

##### 2.4.3 Acquisitions of non-controlling interests

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

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

In connection with acquisitions, the Group has issued options to non-controlling interests that entitle the non-controlling interests to require the Group to purchase their holdings at some point in the future. In certain cases, the Group also holds call options that entitle BHG to purchase the non-controlling interest at some point in the future. Put options issued to non-controlling interests give rise to a financial liability, which is measured at the discounted present value of the estimated future strike amount. The value of the liability reduces the equity of non-controlling interests in the Group when the shares are considered to be acquired. Accordingly, the Group does not recognise non-controlling interests for these entities in subsequent periods and their profit/loss is attributed in its entirety to Parent Company shareholders. Any remeasurements are recognised directly in equity.

Despite this, dividends paid to non-controlling interests for which the holdings are derecognised in accordance with the above are recognised as "Dividends to non-controlling interests" in the consolidated statement of changes in equity. In such cases, the dividends are recognised against equity attributable to Parent Company shareholders.

##### 2.4.5 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising in intra-Group transactions between Group companies are eliminated in

their entirety when preparing the consolidated financial statements.

## 2.5 Foreign currency

### 2.5.1 Transactions in foreign currency

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

### 2.5.2 Financial statements for foreign operations

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

## 2.6 Revenue

### 2.6.1 Sale of goods

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

sheet date and updates the amount of the asset and the liability accordingly.

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

### 2.7 Leases

The Group primarily leases storage, office and retail premises. The Group recognises leases both as a right-of-use asset, which represents the right to use the underlying asset, and as a lease liability, which represents an obligation to make lease payments. Lease payments are divided between repayments of the principal and the interest of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or over the useful life of the asset, if it is shorter than the term of the lease).

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

The interest rate is determined based on officially published swap curves of each currency to which is added a margin that reflects the Group's credit rating and quality of the underlying asset to be pledged. Lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives
- variable lease payments that depend on an index or a rate,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

The lease liability for the Group's premises with index-dependent rent is calculated based on the rent at the end of

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

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

## 2.8 Financial income and expenses

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

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

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

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

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

## 2.9 Taxes

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

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

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

Furthermore, temporary differences related to participations in subsidiaries that are not expected to be transferred within a foreseeable future are not taken into account. The measurement of deferred tax is based on how

the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules resolved, or in practice resolved, as of the balance-sheet date. Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognised only to the extent that it is probable that it will be possible to utilise them. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

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

## 2.10 Financial instruments

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

### 2.10.1 Recognition in and derecognition from the statement of financial position

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

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

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





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

### 2.10.2 Classification and measurement of financial assets

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

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

### 2.10.3 Subsequent classification and measurement of financial liabilities

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

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

## 2.11 Tangible fixed assets

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

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

### 2.11.1 Depreciation policies for tangible fixed assets

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

The estimated useful lives are:

Buildings	20 years
Equipment	5 years
Leasehold improvements	5 years

## 2.12 Intangible assets

### 2.12.1 Intangible assets with an indefinite useful life

#### 2.12.1.1 Goodwill

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

#### 2.12.1.2 Trademarks

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

### 2.12.2 Intangible assets with a definite useful life

#### 2.12.2.1 Development expenditure

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

#### 2.12.2.2 Customer relationships

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

#### 2.12.2.3 Other intangible assets

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

### 2.12.3 Amortisation policies for intangible assets

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

The estimated useful lives are:

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

## 2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out principle (FIFO). Net realisable value is the estimated selling price in the operating activities less the estimated cost of



completion and sale. Inventory cost is based on cost and includes costs arising in connection with acquisition of goods and bringing the goods to their condition and location. Reserves for obsolescence are included in the cost of goods sold.

## 2.14 Impairment

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

### 2.14.1 Impairment of tangible and intangible assets

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated (see below). The recoverable amount of goodwill, trademarks and intangible assets not yet ready for use is also calculated annually.

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

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

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

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

### 2.14.2 Impairment of financial assets

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

A need for impairment of accounts receivable is established using historical experience of customer bad debts for similar claims. The credit losses are measured as the present value of all deficits in the cash flows (meaning the difference between the contractual cash flows and the cash

flow the Group expects to receive). Accounts receivable are normally 100% impaired 90 days after the repayment date since, according to the Group's assessment, this corresponds to the expected credit loss at this point in time.

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

## 2.15 Dividends to owners

### 2.15.1 Dividends

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

### 2.15.2 Buyback of own shares

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

## 2.16 Employee benefits

### 2.16.1 Short-term employee benefits

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

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

### 2.16.2 Long-term employee benefits

#### *Incentive programme 2018*

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

#### *Incentive programme 2019*

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

#### *Incentive programme 2020*

In 2020, the Group introduced a warrant programme that allows employees to acquire shares in the company. Programme participants are offered an opportunity to

acquire warrants at a price corresponding to the fair value of the warrants on the subscription date. Participants receive a salary subsidy from the Group reflecting 50% of the warrants' fair value at the subscription date after a deduction for withholding tax. An amount corresponding to the subsidy (net after the deduction of withholding tax) is therefore recognised as share-based remuneration according to IFRS 2. Social security contributions arising in connection with the salary subsidy have been recognised as an expense in the period when the employee received the subsidy. The value of the subsidy is recognised as an employee benefit expense over the vesting period, with an equivalent increase of equity. The warrant premium received has been recognised in equity.

### 2.16.3 Defined-contribution pension plans

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

### 2.16.4 Termination benefits

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

### 2.16.5 Government assistance received for personnel costs

The Group has received government assistance related to personnel costs. This assistance mainly pertained to compensation for sick pay costs as well as certain other personnel-related assistance. This assistance has been recognised as a reduction in personnel costs. In addition to government assistance, the Group – like other Swedish companies – was granted a reduction in employer's contributions for employees in Swedish Group companies in 2020. This reduction in employer's contributions has also been recognised as a cost reduction.

### 2.17 Provisions

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

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

### 2.18 Contingent liabilities

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

### 2.19 Parent Company accounting policies

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

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

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

##### 2.19.1.1 Changed accounting policies

The Parent Company's accounting policies are unchanged compared with the preceding financial year.

##### 2.19.1.2 Classification and presentation formats

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

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

**2.19.1.3 Subsidiaries**

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

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

**2.19.1.4 Group and shareholder contributions for legal entities**

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

**2.19.1.5 Financial instruments**

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

**NOTE 3 IMPORTANT ESTIMATES AND ASSUMPTIONS**

Preparing financial statements in accordance with IFRS requires the Board of Directors and executive management to make assessments and estimates that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and costs. The estimates and assumptions are based on historical experience and a number of other factors which under the current conditions seem reasonable. The results of these judgements and estimates are used to determine the carrying amounts of assets and liabilities that are not otherwise apparent from other resources.

**3.1 Significant sources of estimation uncertainty**

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

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

**3.1.1 Goodwill and other intangible fixed assets**

Goodwill and other intangible assets with an indefinite useful life are impairment tested annually or when there are indications of a need for impairment. The impairment testing requires that executive management establishes the fair value of cash generating units based on cash flow forecasts

and internal business plans and forecasts. Note 13 contains information on assumptions and risk factors applying to impairment testing of goodwill and other intangible assets with an indefinite useful life.

**3.1.2 Insolvency testing of inventories**

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

**3.1.3 Assessment of return rate**

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

**3.1.4 Measurement of earn-outs and liabilities to non-controlling interests**

In many of the Group's business combinations, contingent considerations to the seller arise or, in the event that the Group has issued a put option to a non-controlling interest, a liability to the non-controlling interest arises. Both contingent considerations and liabilities to non-controlling interests are largely dependent on the acquired company's earnings trend. Accordingly, an important estimate in determining the fair value of these items is the Group's assessment of the acquired company's future earnings trend. Changes in the value of contingent considerations are recognised through profit or loss, while changes in the value of liabilities to non-controlling interests are recognised directly in equity.

**3.1.5 Deferred taxes**

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

**3.2 Significant judgements in applying the group's accounting policies****3.2.1 Length of lease term**

Several of the Group's leases include an extension option. According to IFRS 16, extension options are included in the lease term if the lessee is reasonably certain to exercise them, thus significantly impacting the size of the lease liability and the right-of-use asset that are reported for the lease in accordance with IFRS 16. See Note 27 for further details of the judgements that the Group applies when judging the length of the lease term.

**NOTE 4 OPERATING SEGMENTS**

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

- The DIY segment mainly comprises brands active in sales of building materials and garden and leisure products, including Bygghemma, Taloon, Golvpoolen, Nordiska Fönster and Outlet1.

- The Home Furnishing segment mainly comprises brands active in sales of furniture and home furnishings, including Trademax, Chilli, Nordic Nest, Sleepo and Furniturebox. Subsidiaries are attributed in their entirety to a particular segment.

**Other**

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

**2020**

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Net sales	5,663.1	3,337.2	18.0	-50.1	8,968.2
Net sales to other segments	13.6	18.7	17.9	-50.1	-
Depreciation, amortization and impairment	-127.8	-117.0	-0.2	-	-245.0
Operating income	444.0	265.0	-51.2	-	657.8
Financial income					3.4
Financial expenses					-110.9
<b>Profit/loss before tax</b>					<b>550.3</b>

**2019**

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

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

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

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

**2020**

(SEKm)	DIY	Home Furnishing	Other	Eliminations	Group
Sweden	3,659.5	1,575.2	18.0	-42.7	5,210.1
Finland	1,330.1	141.6	-	-2.6	1,469.0
Denmark	380.8	612.1	-	-	992.9
Norway	252.0	264.1	-	-	516.1
Other Europe	40.7	744.2	-	-4.9	780.1
<b>Net sales</b>	<b>5,663.1</b>	<b>3,337.2</b>	<b>18.0</b>	<b>-50.1</b>	<b>8,968.2</b>

## 2019

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

(SEKm)	Fixed assets	
	2020	2019
Sweden	6,295.5	4,146.3
Finland	90.2	82.5
Denmark	237.7	211.2
Norway	71.9	80.3
Other Europe	180.2	179.7
	<b>6,875.5</b>	<b>4,700.0</b>

(SEKm)	Contract balances	
	2020	2019
<b>Assets</b>		
Refund asset	11.7	5.3
Account receivables	116.6	84.1
Accrued income	7.8	9.7
	<b>136.1</b>	<b>99.2</b>
<b>Liabilities</b>		
Advance from customers	-181.2	-98.7
Refund liability	-19.7	-8.5
Other prepaid income	-1.2	-0.8
	<b>-202.1</b>	<b>-107.9</b>
<b>Contract balances</b>	<b>-66.1</b>	<b>-8.7</b>

All contract liabilities recognised at the beginning of the year were recognised as revenue in 2020. No information is presented regarding transaction price allocated to the remaining performance obligations since there were no such obligations with an original expected term of more than one year as of 31 December 2020.

#### NOTE 5 BUSINESS COMBINATIONS

Subsidiaries are companies that are under BHG Group AB's (publ) controlling influence. Controlling influence entails a direct or indirect right to shape a company's financial and operational strategies in order to obtain financial benefits. To

assess whether a controlling influence exists, potential voting shares that can be immediately utilised or converted are taken into account.

Summary acquisition (SEKm)	Group	
	2020	2019
<b>Acquisition of shares</b>		
Net identifiable assets and liabilities	393.5	108.7
Goodwill	1,463.9	348.3
<b>Purchase price</b>	<b>1,857.4</b>	<b>457.0</b>
Cash and cash equivalents	104.0	42.8
Contingent/ deferred purchase price, vendor loans	110.0	283.5
	<b>-1,643.4</b>	<b>-130.7</b>
Acquisition from non-controlling interests in Furniture1 UAB	-182.4	-
Additional purchase price	-45.0	-108.3
<b>Net cash flow</b>	<b>-1,870.9</b>	<b>-239.1</b>

#### Acquisitions in 2020

- In 2020, the Group acquired 51% of the shares in Hemfint Kristianstad AB. The acquisition is recognised in the DIY segment.
- In 2020, the Group acquired 95.6% of the shares in Sleepo AB. The acquisition is recognised in the Home Furnishing segment.
- In 2020, the Group acquired 97.5% of the shares in Nordic Nest Group AB. The acquisition is recognised in the Home Furnishing segment.





(SEKm)	2020					
	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalent s	Contingent/ deferred purchase price, vendor loans	Net cash flow
Acquisition of shares in Hemfint Kristianstad AB	26.1	71.9	98.0	3.8	58.0	-36.2
Acquisition of shares in Sleepo AB	20.8	35.2	56.0	2.1	2.5	-51.4
Acquisition of shares in Nordic Nest Group AB	346.7	1,356.8	1,703.4	98.0	49.6	-1,555.8
Acquisition from non-controlling interests in Furniture1 UAB	-	-	-	-	-	-182.4
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-0.9
Additional purchase price, Edututor Oy	-	-	-	-	-	-5.3
Additional purchase price, Designkupp AS	-	-	-	-	-	-11.3
Additional purchase price, Vitvarubolaget i Sundbyberg AB	-	-	-	-	-	-0.7
Additional purchase price, LampGallerian Växjö AB	-	-	-	-	-	-3.4
Additional purchase price, Arc E-commerce AB	-	-	-	-	-	-22.6
Additional purchase price, Vitvaruexpertern.com Nordic AB	-	-	-	-	-	-0.8
	393.5	1,463.9	1,857.4	104.0	110.0	-1,870.9

Lindström & Sondén AB was acquired in late December 2019 and consolidated from 1 January 2020, whereby the paid consideration of SEK 48.9 million was recognised in the statement of cash flows for 2019, while cash and cash equivalents of SEK 12.4 million in the acquired company was recognised in 2020.

#### Revenue and earnings

Since the acquisition date, the acquisitions have contributed SEK 258.9 million to consolidated revenue and SEK 22.3 million to consolidated after-tax profit. If the acquisitions had been consolidated for the full financial year, the companies would have contributed SEK 1,221.4 million to consolidated revenue and SEK 53.9 million to consolidated after-tax profit.

#### Transaction costs

Transaction costs for the acquisitions amounted to SEK 4.7 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

#### Acquired receivables

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

#### Acquisition of shares in Hemfint Kristianstad AB

On 17 February, the Group acquired 51% of the shares in Hemfint Kristianstad AB (Hemfint.se). Hemfint, founded in 2013, is a fast-growing online provider of doors, windows, bathroom products and leisure products in Sweden, with a leading portfolio of proprietary brands primarily in the value-for-money segment. In 2018, Hemfint.se had sales of nearly SEK 150 million and operating income (EBIT) of around SEK 3 million. Hemfint is fully consolidated in the DIY segment and

the impact of the acquisition on the Group's balance sheet is presented below.

#### Revenue and earnings

Since the acquisition date, Hemfint has contributed SEK 219.7 million to consolidated revenue and SEK 22.0 million to consolidated after-tax profit. If Hemfint had been consolidated for the full financial year, the company would have contributed SEK 230.9 million to consolidated revenue and SEK 20.7 million to consolidated after-tax profit.

**Acquired net assets - Hemfint Kristianstad AB (SEKm)**

	Booked value
Trademarks	12.3
Customer relationships	1.9
Tangible fixed assets	1.0
Deferred tax asset	0.5
Inventories	28.9
Accounts receivables	5.7
Other receivables	1.0
Cash and cash equivalents	3.8
Deferred tax liability	-4.2
Accounts payable	-9.4
Other liabilities	-15.4
<b>Net identifiable assets and liabilities</b>	<b>26.1</b>
Goodwill	71.9
<b>Purchase price</b>	<b>98.0</b>
Liability to non-controlling interest	58.0
<b>Cash flow</b>	<b>-40.0</b>

**Goodwill**

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

**Transaction costs**

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

**Liabilities to non-controlling interests**

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 49% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 49% of the shares in Hemfint. The maximum consideration for 100% of the company amounts to SEK 275 million.

**Acquisition of shares in Sleepo AB**

On 27 August 2020, after making a recommended cash offer to the shareholders of Sleepo AB (Sleepo.se) on 27 July, BHG decided to complete the offer. On 31 December 2020, BHG had acquired 95.6% of the shares in Sleepo AB and had commenced the compulsory redemption of the remaining shares. Sleepo is one of Sweden's leading online retailers of furniture and home furnishings. Sleepo is fully consolidated in the Home Furnishing segment and the impact of the acquisition on the Group's balance sheet is presented below.

**Revenue and earnings**

Since the acquisition date, Sleepo has contributed SEK 39.1 million to consolidated revenue and SEK 1.0 million to

consolidated after-tax profit. If Sleepo had been consolidated for the full financial year, the company would have contributed SEK 100.6 million to consolidated revenue and SEK 0.2 million to consolidated after-tax profit.

**Acquired net assets - Sleepo AB (SEKm)**

	Booked value
Trademarks	11.8
Customer relationships	4.9
Intangible fixed assets	3.4
Tangible fixed assets	0.1
Financial fixed assets	0.1
Deferred tax asset	6.5
Inventories	7.2
Accounts receivables	2.6
Other receivables	0.7
Cash and cash equivalents	2.1
Deferred tax liability	-3.5
Accounts payable	-10.9
Other liabilities	-4.3
<b>Net identifiable assets and liabilities</b>	<b>20.8</b>
Goodwill	35.2
<b>Purchase price</b>	<b>56.0</b>
Deferred purchase consideration	2.5
<b>Cash flow</b>	<b>-53.5</b>

**Goodwill**

Goodwill includes synergies and personnel. In particular, significant synergies are expected to arise with respect to product range sharing between the group's various destinations, will strengthen the Group's total offering in the Swedish market.

**Transaction costs**

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

**Liabilities to non-controlling interests**

On 15 September 2020, BHG called for a redemption in order to acquire the shares that had not been included in the offer, corresponding to 5.1% of the outstanding shares and votes in Sleepo. Because the redemption process had not been completed by the balance-sheet date, a liability to a non-controlling interest has been recognised.

**Acquisition of shares in Nordic Nest Group AB**

On 18 December 2020, the Group acquired 97.5% of the shares in Nordic Nest Group AB ("Nordic Nest"). Nordic Nest is a leading online player in home furnishing products with sales in 70 countries - including the Nordics, Germany and South Korea. During the 2020/21 split financial year, ending on 31 March 2021, sales are estimated to be slightly more than SEK 1 billion, corresponding to a growth rate (CAGR) of approximately 50% since 2016, and EBITDA to amount to approximately SEK 120 million. Nordic Nest is fully consolidated in the Home Furnishing segment and the

impact of the acquisition on the Group's balance sheet is presented below.

#### Revenue and earnings

Nordic Nest was consolidated as of the date of acquisition. However, the company's revenue and earnings were not consolidated until 1 January 2021 and, accordingly, did not contribute to the Group's consolidated revenue or after-tax profit in 2020. If Nordic Nest's revenue and earnings had been consolidated for the full financial year, the company would have contributed SEK 889.9 million to the consolidated revenue and SEK 33.0 million to consolidated after-tax profit.

#### Acquired net assets – Nordic Nest Group AB (SEKm)

	Booked value
Trademarks	293.0
Customer relationships	175.0
Intangible fixed assets	10.0
Leased fixed assets	50.0
Tangible fixed assets	14.3
Financial fixed assets	0.8
Deferred tax asset	0.1
Inventories	160.6
Accounts receivables	12.1
Other receivables	46.7
Cash and cash equivalents	98.0
Deferred tax liability	-102.1
Shareholder loan to selling company (acquired receivables)	-91.8
Non-current leasing liabilities	-45.4
Accounts payable	-149.0
Current leasing liabilities	-4.6
Other liabilities	-121.1
<b>Net identifiable assets and liabilities</b>	<b>346.7</b>
Goodwill	1,356.8
<b>Purchase price</b>	<b>1,703.4</b>
Liability to non-controlling interest	49.6
<b>Cash flow</b>	<b>-1,653.9</b>

#### Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. In particular, the acquisition entails that BHG has created a platform for an extended product range and growth in new geographic markets. Through the acquisition, BHG further strengthens its position as the largest online player within home furnishings in the Nordics.

#### Transaction costs

Transaction costs for the acquisition of Nordic Nest amounted to SEK 2.2 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

#### Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 2.5% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 2.5% of the shares in Nordic Nest.

#### Acquisition of shares in Furniture1 UAB from non-controlling interests

During the third quarter of 2018, BHG Group acquired 30% of Furniture1 UAB ("Furniture1"), with an option to acquire up to 80%. The company has been consolidated since the date of acquisition. During the fourth quarter of 2020, the Group acquired a further 20.1% of the shares in Furniture1 for SEK 182.4 million. Following the acquisition, the ownership share amounts to 50.1%. In addition, the shareholder agreement with the non-controlling interests was renegotiated, as was the exercise price in the put option that entitles the non-controlling interests to sell a further 29.9% of the shares in Furniture1 to BHG Group. As a consequence of this, the Group remeasured the liability for the present value of the redemption amount of the option by SEK 340.5 million, which was recognised in equity. The maximum price for the option is EUR 40 million according to the shareholder agreement.

#### Acquisitions in 2019

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

(SEKm)	2019					
	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Contingent/deferred purchase price, vendor loans	Net cash flow
Acquisition of shares in Designkupp AS	27.5	53.8	81.4	11.3	43.7	-26.4
Acquisition of shares in Nordiska Fönster i Ängelholm AB	5.0	21.8	26.8	0.9	11.8	-14.1
Acquisition of shares in LampGallerian Växjö AB	11.3	38.0	49.4	1.9	34.1	-13.4
Acquisition of shares in Arc E-commerce AB	30.1	176.2	206.4	15.3	151.4	-39.7
Acquisition of shares in Vitvarubolaget i Sundbyberg AB	1.6	12.6	14.2	1.1	12.4	-0.7
Acquisition of shares in Lindström & Sondén AB *	33.1	45.9	79.0	12.4	30.1	-36.5
Additional purchase price and acquisition of shares in My Home	-	-	-	-	-	-45.0
Additional purchase price, Arredo Holding AB	-	-	-	-	-	-1.3
Additional purchase price, Camola ApS	-	-	-	-	-	-37.8
Additional purchase price, M & M Visions Oy	-	-	-	-	-	-6.7
Additional purchase price, Stonefactory Scandinavia AB	-	-	-	-	-	-10.6
Additional purchase price, Vitvaruexperter.com Nordic AB	-	-	-	-	-	-1.9
Additional purchase price, WeGot AB	-	-	-	-	-	-5.0
	108.7	348.3	457.0	42.8	283.5	-239.1

\* Lindström & Sondén AB was acquired in late December 2019 and consolidated from 1 January 2020, whereby the paid consideration of SEK 48.9 million was reported in the statement of cash flows for 2019, while cash and cash equivalents of SEK 12.4 million in the acquired company has been reported in 2020.

#### NOTE 6 FEES AND REMUNERATION TO AUDITORS

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>PwC</b>				
Audit engagements	-4.1	-2.6	-0.8	-0.6
Audit-related services	-0.2	-0.4	-0.2	-0.4
Tax consulting	-0.1	-	-0.1	-
Other services	-0.3	-0.0	-0.3	-
	-4.7	-3.0	-1.4	-1.0
<b>Other audit firms</b>				
Audit engagements	-0.6	-0.7	-	-
Audit-related services	-0.1	-0.0	-	-
Tax consulting	-0.0	-	-	-
Other services	-0.0	-0.0	-	-
	-0.7	-0.7	-	-
<b>Total all audit firms</b>	-5.4	-3.7	-1.4	-1.0

Of the above fees to PwC, SEK 3.1 million (2.4) pertains to the Group's fee to Öhrlings PricewaterhouseCoopers AB. For the Parent Company, the entire fee pertains to Öhrlings PricewaterhouseCoopers AB.

Audit engagement refers to the statutory audit of the annual report, the consolidated financial statements and the accounting records as well as the administration by the Board of Directors and the CEO, and any audit work and other reviews performed in accordance with agreements or contracts. This includes other tasks incumbent on the company's auditor as well as consulting services or other assistance required as a result of observations made during such an audit or the execution of such other tasks.

#### NOTE 7 PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Remuneration to senior executives refers to the remuneration expensed in 2020 for the individuals who belonged to the group "senior executives" during the financial year. Accordingly, these disclosures do not reflect the change in executive management announced on 4 January 2021 after the end of the financial year.



(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Salaries	-475.4	-356.0	-10.4	-8.4
Received governmental aid	4.1	-	-	-
Social security contributions	-109.2	-82.4	-8.8	-3.1
Share-based remuneration	-6.0	-1.6	-6.0	-1.6
Pension expenses, defined contribution plans	-38.8	-27.7	-1.2	-0.6
	<b>-625.3</b>	<b>-467.7</b>	<b>-26.4</b>	<b>-13.7</b>

The Group has received government assistance related to personnel costs. This assistance mainly pertained to compensation for sick pay costs as well as certain other personnel-related assistance.

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Senior executives (4 persons)	-7.4	-9.7	-6.9	-7.9
of which variable salary	-4.4	-6.0	-4.0	-5.0
Other employees	-468.0	-346.3	-3.5	-0.5
	<b>-475.4</b>	<b>-356.0</b>	<b>-10.4</b>	<b>-8.4</b>

## 2020

Remuneration and other benefits (SEKm)	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
<b>Board of Directors</b>						
Gustaf Öhrn	-0.3	-	-	-	-	-0.3
Christian Bubenheim	-0.1	-	-	-	-	-0.1
Johan Giléus	-0.3	-	-	-	-	-0.3
Ingrid Jonasson Blank	-0.2	-	-	-	-	-0.2
Bert Larsson	-0.2	-	-	-	-	-0.2
Niklas Ringby	-0.1	-	-	-	-	-0.1
Niclas Thiel	-0.1	-	-	-	-	-0.1
Henrik Theilbjørn	-0.2	-	-	-	-	-0.2
Peter Möller	-	-	-	-	-	-
Tom Tang	-0.1	-	-	-	-	-0.1
Christophe Le Houédec	-0.1	-	-	-	-	-0.1
<b>CEO (remuneration from the parent company)</b>						
Adam Schatz (10 months)	-0.9	-1.7	-	-0.2	-0.1	-2.9
Martin Edblad (2 months)	-0.2	-0.3	-	-0.0	-	-0.6
<b>Other senior executives (2 persons)</b>						
Remuneration from parent company	-1.9	-2.3	-	-0.4	-0.1	-4.8
	<b>-4.6</b>	<b>-4.4</b>	<b>-</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-9.8</b>

Accrued variable remuneration to be paid to the CEO and other senior executives after year-end amounts to SEK 2.0 million (2.0) and SEK 2.3 million (3.4), respectively.

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



	2019					
	Basic salary/ Board remunerati on	Variable remunerati on	Other benefits	Pension expenses	Rights issue expenses	Total
Remuneration and other benefits (SEKm)						
Board of Directors						
Henrik Theilbjørn	-0.3	-	-	-	-	-0.3
Peter Möller	-	-	-	-	-	-
Ingrid Jonasson Blank	-0.1	-	-	-	-	-0.1
Bert Larsson	-0.1	-	-	-	-	-0.1
Johan Giléus	-0.2	-	-	-	-	-0.2
Tom Tang	-0.1	-	-	-	-	-0.1
Christophe Le Houédec	-0.1	-	-	-	-	-0.1
Niklas Ringby	-	-	-	-	-	-
Martin Edblad, CEO						
Remuneration from parent company	-1.0	-2.0	-	-0.2	-	-3.3
Other senior executives (3 persons)						
Remuneration from parent company	-1.8	-3.0	-	-0.4	-0.4	-5.6
Remuneration from subsidiaries	-0.9	-1.0	-	-0.3	-	-2.1
	-4.8	-6.0	-	-0.9	-0.4	-12.0

### Share-based remuneration

The General Meetings on 5 May 2020, 15 May 2019 and 26 March 2018 resolved to introduce incentive programmes for key employees in the Group. Accordingly, there are three incentive programmes running in parallel (LTIP 2018, LTIP 2019 and LTIP 2020).

Under all three programmes, each warrant entitles the holder to subscribe for one new ordinary share in BHG Group AB. The price for the warrants (warrant premium) corresponds to the market value of the warrants on the date of subscription and allotment, which has been calculated in accordance with the Black-Scholes pricing model, with measurement policies in accordance with market practice.

### Subscription prices

The subscription price for LTIP 2018 amounted to 130% of the company's listing price on 27 March 2018, corresponding to SEK 61.75 per share. The subscription price for warrants in LTIP 2019 amounts to 130% of the volume-weighted average price quoted during the five trading days up to and including 31 May 2019, corresponding to SEK 48.20 per share. The subscription price for warrants in LTIP 2020 amounts to 130% of the volume-weighted average price quoted during the five trading days up to and including 28 August 2020, corresponding to SEK 145.00 per share.

### Subscription periods for new shares

Holders of warrants under LTIP 2018 can subscribe for shares between 1 January 2021 and 26 March 2021. After the end of the period, all outstanding warrants under LTIP 2018 were exercised. For LTIP 2019, shares can be subscribed for during

the period from 1 June 2022 until 31 August 2022. For LTIP 2020, shares can be subscribed for during the period from 1 June 2023 until 31 August 2023.

### Cost effects

The participants in all three programmes received a subsidy from BHG Group AB (formerly Bygghemma Group First AB) reflecting 50% of the warrants' fair value at the subscription date. In 2020, the Group expensed an amount totalling SEK -6.0 million (-1.6) for share-based remuneration in accordance with IFRS 2.

### Dilution

Holders of warrants LTIP 2018 can subscribe for a maximum of 2,760,016 shares in BHG Group AB, while holders of warrants under LTIP 2019 can subscribe for a maximum of 1,610,526 shares and holders of outstanding warrants under LTIP 2020 can subscribe for a maximum of 1,037,000 shares.

If all of the outstanding warrants in the three programmes had been exercised as of 31 December 2020, the shares issued by the company would have increased by 5,407,542 ordinary shares, corresponding to a dilution of 5.0% of the capital and votes at year-end 2020.

Granted warrants	Parent company			
	President and CEO	Senior executives	Other key-employees	Total
Long-term incentive program, 2020	50,000	50,000	937,000	1,037,000
Long-term incentive program, 2019	92,030	46,015	1,472,481	1,610,526
Long-term incentive program, 2018	-	78,256	2,681,760	2,760,016
<b>Total outstanding as of 31 December 2020</b>	<b>142,030</b>	<b>174,271</b>	<b>5,091,241</b>	<b>5,407,542</b>

Outstanding warrants	Parent company			
	2020	Weighted redemption price	2019	Weighted redemption price
Outstanding as of 1 January	4,370,542	56.76	2,760,016	61.75
Granted during the period	1,037,000	145.00	1,610,526	48.20
<b>Outstanding as of 31 December</b>	<b>5,407,542</b>	<b>73.68</b>	<b>4,370,542</b>	<b>56.76</b>

Fair value and assumptions regarding warrants	Parent company		
	LTIP 2020	LTIP 2019	LTIP 2018
Share price	111.60	36.70	37.33
Redemption price	145.00	48.20	61.75
Expected volatility (%)	30.00	28.00	28.00
Expected maturity (years)	3.00	3.25	2.95
Risk-free interest (%)	-0.31	-0.47	-0.34
<b>Fair value</b>	<b>12.48</b>	<b>3.72</b>	<b>1.66</b>

Specification of warrants	Parent company			
	Number of options	Value at distribution	Redemption time	Redemption price
Long-term incentive program, 2020	1,037,000	12.48	2023	145.00
Long-term incentive program, 2019	1,610,526	3.72	2022	48.20
Long-term incentive program, 2018	2,760,016	1.66	2021	61.75

## NOTE 8 AVERAGE NUMBER OF EMPLOYEES

Group	2020		2019	
	Men	Women	Men	Women
Sweden	504	434	353	239
Denmark	140	66	125	46
Finland	74	106	60	94
Norway	10	5	10	6
Bulgaria	20	7	10	4
Estonia	19	14	19	13
Greece	13	5	6	2
Croatia	31	10	26	9
Hong Kong	2	-	2	-
Hungary	49	10	25	8
Lithuania	64	42	49	31
Latvia	7	11	10	6
Romania	56	14	16	4
Slovenia	17	7	8	7
<b>Total</b>	<b>1,006</b>	<b>731</b>	<b>719</b>	<b>469</b>
<b>Total average no. of employees</b>	<b>1,737</b>		<b>1,188</b>	

Parent company	2020		2019	
	Men	Women	Men	Women
Sweden	5	1	3	-
<b>Total</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>-</b>
<b>Total average no. of employees</b>	<b>6</b>		<b>3</b>	

## Gender balance among senior executives

Group	2020		2019	
	Men %	Women %	Men %	Women %
Board of Directors	96	4	98	2
CEO and other executives	91	9	90	10
<b>Total</b>	<b>95</b>	<b>5</b>	<b>96</b>	<b>4</b>

	2020		2019	
	Men %	Women %	Men %	Women %
<b>Parent company</b>				
Board of Directors	83	17	88	13
CEO and other executives	100	-	100	-
<b>Total</b>	<b>90</b>	<b>10</b>	<b>91</b>	<b>9</b>

#### NOTE 9 OTHER OPERATING REVENUE AND OPERATING EXPENSES

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>Other operating income</b>				
Gain from sale of fixed assets	0.1	0.3	-	-
Exchange gains on operating receivables/liabilities	5.2	0.1	-	-
Other operating income	0.3	-	-	-
	<b>5.6</b>	<b>0.4</b>	<b>-</b>	<b>-</b>
<b>Other operating expenses</b>				
Loss from sale of fixed assets	-0.1	-1.1	-	-
Exchange losses on operating receivables/liabilities	-1.4	-3.9	-0.0	-0.0
	<b>-1.5</b>	<b>-5.0</b>	<b>-0.0</b>	<b>-0.0</b>
	<b>4.1</b>	<b>-4.6</b>	<b>-0.0</b>	<b>-0.0</b>

#### NOTE 10 FINANCIAL ITEMS

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>Financial income</b>				
Interest income	0.9	1.5	-	-
Interest income, Group	-	-	0.7	0.1
Revalued contingent purchase price	0.8	6.4	-	-
Net exchange differences	-	-	-	0.0
Other financial income	1.7	0.2	-	-
	<b>3.4</b>	<b>8.1</b>	<b>0.7</b>	<b>0.1</b>
<b>Financial expenses</b>				
Interest expense, credit institutions	-19.0	-19.3	-2.8	-1.3
Interest expense, leased assets	-11.7	-9.7	-	-
Interest expense, other	-5.1	-0.8	-	-
Revalued contingent purchase price	-66.5	-22.4	-	-
Interest contingent purchase price	-4.6	-2.1	-	-
Net exchange differences	-1.5	-1.7	-	-
Other financial expenses	-2.6	-1.1	-0.2	-0.4
	<b>-110.9</b>	<b>-57.0</b>	<b>-3.0</b>	<b>-1.8</b>
	<b>-107.5</b>	<b>-48.9</b>	<b>-2.4</b>	<b>-1.7</b>

#### NOTE 11 TAXES

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>Current tax expense</b>				
Current tax expense	-114.9	-50.9	-18.4	-0.2
Adjustment of prior year income tax	-2.6	-0.6	0.0	-0.0
	<b>-117.4</b>	<b>-51.6</b>	<b>-18.4</b>	<b>-0.2</b>
<b>Deferred tax</b>				
Deferred tax on temporary differences	-13.0	0.5	-	-
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	0.6	0.8	-	-
Deferred tax expense in loss carry-forwards used during the year	-2.1	-3.2	-	-2.3
Revalued loss carry-forwards	1.6	0.2	-	-
Effects of changes in tax rate	0.3	-	-	-
	<b>-12.6</b>	<b>-1.7</b>	<b>-</b>	<b>-2.3</b>
	<b>-130.0</b>	<b>-53.2</b>	<b>-18.4</b>	<b>-2.5</b>

(SEKm)	Group			
	2020	%	2019	%
Profit before tax	550.3		233.1	
Tax as per applicable tax rate for parent company	-118.4	-21.5	-49.9	-21.4
Effect of other tax rates for foreign subsidiaries	5.6	1.0	3.0	1.3
Non-taxable income	4.6	0.8	0.2	0.1
Non-deductible expenses	-21.8	-4.0	-5.3	-2.3
Loss carry-forwards not capitalised	1.3	0.2	-1.7	-0.7
Utilisation of previously uncapitalised loss carry-forwards	-0.9	-0.2	1.0	0.4
Revalued loss carry-forwards	1.3	0.2	0.2	0.1
Adjustment of prior year income tax	-2.6	-0.5	-0.6	-0.3
Effects of changes in tax rate	0.7	0.1	-	-
<b>Effective tax/tax rate</b>	<b>-130.0</b>	<b>-23.6</b>	<b>-53.2</b>	<b>-22.8</b>

(SEKm)	Parent company			
	2020	%	2019	%
Profit before tax	86.0		9.9	
Tax as per applicable tax rate for parent company	-18.4	-21.4	-2.1	-21.4
Non-deductible expenses	-0.0	-0.0	-0.4	-3.6
Adjustment of prior year income tax	0.0	0.0	-0.0	-0.0
<b>Effective tax/tax rate</b>	<b>-18.4</b>	<b>-21.4</b>	<b>-2.5</b>	<b>-25.0</b>

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>Deferred tax asset</b>				
Loss carry-forwards	9.2	2.2	-	-
Temporary differences	9.9	11.3	-	-
Other	0.0	0.0	-	-
	<b>19.1</b>	<b>13.5</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liability</b>				
Equipment, tools and installations	0.0	0.1	-	-
Intellectual property rights	334.5	236.8	-	-
Untaxed reserves	40.5	12.7	-	-
	<b>375.0</b>	<b>249.6</b>	<b>-</b>	<b>-</b>
<b>Deferred tax, net</b>	<b>-355.9</b>	<b>-236.1</b>	<b>-</b>	<b>-</b>

The Group has loss carryforwards of SEK 5.9 million (13.4), for which no deferred tax assets were recognised. These loss carryforwards have no expiry date.

## NOTE 12 EARNINGS PER SHARE

(SEKm)	Before dilution		After dilution	
	2020	2019	2020	2019
Earnings per share (SEK)	3.87	1.64	3.80	1.64
<b>The amounts used in numerators and denominators are shown below:</b>				
Profit for the year attributable to parent company shareholders	415.1	176.2	415.1	176.2
<b>Profit for the year attributable to parent company shareholders of ordinary shares</b>	<b>415.1</b>	<b>176.2</b>	<b>415.1</b>	<b>176.2</b>
Average number of shares before dilution	107.4	107.4	107.4	107.4
Number of dilutive shares	-	-	1.8	-
<b>Average number of shares after dilution</b>	<b>107.4</b>	<b>107.4</b>	<b>109.1</b>	<b>107.4</b>
<b>Earnings per share (SEK)</b>	<b>3.87</b>	<b>1.64</b>	<b>3.80</b>	<b>1.64</b>

Outstanding warrants under the framework of the company's incentive programmes (see Note 7) gave rise to a dilution effect in 2020 since the average share price during the year was higher than the exercise price in all outstanding programmes (plus the amount still to be expensed in accordance with IFRS 2).

## NOTE 13 INTANGIBLE FIXED ASSETS

## Internally developed intangible assets

	Group		Parent company	
Capitalized expenditures for development (SEKm)	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>216.1</b>	<b>140.8</b>	<b>0.4</b>	<b>0.1</b>
Investments through acquisitions	25.7	3.8	-	-
Investments	66.2	69.9	0.4	0.3
Reclassifications	5.3	3.9	-	-
Divestments	-6.8	-2.8	-	-
Translation difference	-3.5	0.5	-	-
<b>Closing accumulated cost</b>	<b>303.1</b>	<b>216.1</b>	<b>0.8</b>	<b>0.4</b>
<b>Opening accumulated amortization</b>	<b>-89.5</b>	<b>-62.7</b>	<b>-0.0</b>	<b>-</b>
Amortization through acquisitions	-12.6	-0.8	-	-
Amortization for the year	-39.0	-28.2	-0.1	-0.0
Divestments	6.8	2.4	-	-
Translation difference	1.7	-0.2	-	-
<b>Closing accumulated amortization</b>	<b>-132.7</b>	<b>-89.5</b>	<b>-0.1</b>	<b>-0.0</b>
<b>Opening impairment losses</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-</b>	<b>-</b>
<b>Closing impairment losses</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>	<b>169.6</b>	<b>125.9</b>	<b>0.7</b>	<b>0.3</b>

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

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

## Acquired intangible assets

	Group		Parent company	
Trademarks (SEKm)	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>855.4</b>	<b>827.3</b>	<b>-</b>	<b>-</b>
Investments through acquisition	324.0	27.0	-	-
Translation difference	-3.7	1.1	-	-
<b>Closing accumulated cost</b>	<b>1,175.7</b>	<b>855.4</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>	<b>1,175.7</b>	<b>855.4</b>	<b>-</b>	<b>-</b>

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

	Group		Parent company	
Customer relationships (SEKm)	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>420.8</b>	<b>387.0</b>	<b>-</b>	<b>-</b>
Investments through acquisitions	194.3	33.6	-	-
Translation difference	-2.1	0.3	-	-
<b>Closing accumulated cost</b>	<b>613.1</b>	<b>420.8</b>	<b>-</b>	<b>-</b>
<b>Opening accumulated amortization</b>	<b>-116.0</b>	<b>-74.9</b>	<b>-</b>	<b>-</b>
Amortization for the year	-43.5	-41.0	-	-
Translation difference	0.5	-0.1	-	-
<b>Closing accumulated amortization</b>	<b>-158.9</b>	<b>-116.0</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>	<b>454.2</b>	<b>304.9</b>	<b>-</b>	<b>-</b>

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

	Group		Parent company	
Goodwill (SEKm)	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>2,896.7</b>	<b>2,590.7</b>	<b>-</b>	<b>-</b>
Investments through acquisitions	1,512.4	302.5	-	-
Translation difference	-13.9	3.5	-	-
<b>Closing accumulated cost</b>	<b>4,395.1</b>	<b>2,896.7</b>	<b>-</b>	<b>-</b>
<b>Carrying amounts</b>	<b>4,395.1</b>	<b>2,896.7</b>	<b>-</b>	<b>-</b>

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



Other intangible non-current assets (SEKm)	Group		Parent company	
	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>12.5</b>	<b>14.6</b>	<b>0.2</b>	<b>0.2</b>
Investments through acquisitions	3.4	0.4	-	-
Investments	3.3	3.7	0.1	-
Reclassification	-5.6	-3.9	-	-
Divestments	-0.3	-2.2	-	-
Translation difference	-0.0	0.0	-	-
<b>Closing accumulated cost</b>	<b>13.2</b>	<b>12.5</b>	<b>0.2</b>	<b>0.2</b>
<b>Opening accumulated amortization</b>	<b>-5.1</b>	<b>-6.0</b>	<b>-0.0</b>	<b>-</b>
Amortization through acquisitions	-2.5	-0.2	-	-
Amortization for the year	-0.8	-1.0	-0.0	-0.0
Divestments	0.2	2.2	-	-
Translation difference	0.0	-0.1	-	-
<b>Closing accumulated amortization</b>	<b>-8.3</b>	<b>-5.1</b>	<b>-0.1</b>	<b>-0.0</b>
<b>Carrying amounts</b>	<b>4.9</b>	<b>7.4</b>	<b>0.1</b>	<b>0.1</b>

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

#### Impairment testing of goodwill

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

Goodwill and trademark per cash-generating unit (SEKm)	Goodwill		Trademark	
	2020	2019	2020	2019
DIY	1,674.4	1,560.0	473.2	455.1
Home Furnishing	2,720.8	1,336.7	702.5	400.3
	<b>4,395.1</b>	<b>2,896.7</b>	<b>1,175.7</b>	<b>855.4</b>

#### Impairment testing for cash generating units containing goodwill

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

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

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

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

#### Discount interest rate

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

#### Growth assumptions

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

#### Sensitivity

The impairment tests that have been conducted show that there is no need for impairment. The impairment tests

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

Summary of material parameters	2020	2019
CAGR years 1-5	10-15 %	10-15 %
CAGR after year 5	2.5%	2.5%
Discount interest rate before tax	9.6%	9.6%
Average operating margin	6-7 %	5-6 %

#### Impairment testing for cash generating units containing brands

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

#### Indefinite useful lives

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

#### NOTE 14 TANGIBLE FIXED ASSETS

Equipment	Group		Parent company	
	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>38.8</b>	<b>33.7</b>	-	-
Investments through acquisitions	21.0	2.9	-	-
Investments	17.1	16.1	-	-
Reclassification	0.4	-0.6	-	-
Divestments	-1.7	-13.4	-	-
Translation difference	-1.6	0.1	-	-
<b>Closing accumulated cost</b>	<b>74.0</b>	<b>38.8</b>	-	-
<b>Opening accumulated depreciation</b>	<b>-17.2</b>	<b>-22.0</b>	-	-
Depreciation through acquisitions	-5.4	-1.2	-	-
Depreciation for the year	-8.6	-5.4	-	-
Reclassification	-0.1	0.2	-	-
Divestments	1.2	11.2	-	-
Translation difference	0.5	-0.1	-	-
<b>Closing accumulated depreciation</b>	<b>-29.6</b>	<b>-17.2</b>	-	-
<b>Carrying amounts</b>	<b>44.5</b>	<b>21.6</b>	-	-

Buildings and land	Group		Parent company	
	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>12.7</b>	<b>12.9</b>	-	-
Divestments	-	-0.4	-	-
Translation difference	-0.4	0.2	-	-
<b>Closing accumulated cost</b>	<b>12.3</b>	<b>12.7</b>	-	-
<b>Opening accumulated depreciation</b>	<b>-2.0</b>	<b>-1.6</b>	-	-
Depreciation for the year	-0.3	-0.3	-	-
Translation difference	0.1	-0.0	-	-
<b>Closing accumulated depreciation</b>	<b>-2.3</b>	<b>-2.0</b>	-	-
<b>Carrying amounts</b>	<b>10.0</b>	<b>10.7</b>	-	-



Leasehold improvements	Group		Parent company	
	2020	2019	2020	2019
<b>Opening accumulated cost</b>	<b>42.5</b>	<b>30.2</b>	-	-
Investments through acquisitions	1.0	6.8	-	-
Investments	8.0	8.2	-	-
Reclassification	-0.1	0.6	-	-
Divestments	-0.9	-3.4	-	-
Translation difference	-0.5	0.0	-	-
<b>Closing accumulated cost</b>	<b>50.0</b>	<b>42.5</b>	-	-
<b>Opening accumulated depreciation</b>	<b>-24.3</b>	<b>-19.1</b>	-	-
Depreciation through acquisitions	-0.6	-1.3	-	-
Depreciation for the year	-6.8	-6.7	-	-
Reclassification	0.1	-0.2	-	-
Divestments	0.8	3.1	-	-
Translation difference	0.4	-0.0	-	-
<b>Closing accumulated depreciation</b>	<b>-30.4</b>	<b>-24.3</b>	-	-
<b>Carrying amounts</b>	<b>19.5</b>	<b>18.3</b>	-	-

IFRS 16 Properties	Group	
	2020	2019
<b>Opening accumulated cost</b>	<b>551.4</b>	-
Effects from changed accounting standards	-	350.3
Investments through acquisitions	56.2	62.3
New leasing contract	237.9	151.3
End of contract	-43.1	-12.1
Translation difference	-7.0	-0.4
<b>Closing accumulated cost</b>	<b>795.5</b>	<b>551.4</b>
<b>Opening accumulated depreciation</b>	<b>-95.8</b>	-
Depreciation for the year	-144.1	-100.0
End of contract	41.3	3.9
Translation difference	1.8	0.3
<b>Closing accumulated depreciation</b>	<b>-196.9</b>	<b>-95.8</b>
<b>Carrying amounts</b>	<b>598.6</b>	<b>455.6</b>

IFRS 16 Vehicles	Group	
	2020	2019
<b>Opening accumulated cost</b>	<b>1.3</b>	-
Effects from changed accounting standards	-	0.2
Investments through acquisitions	-	0.8
New leasing contract	1.0	0.2
End of contract	-0.2	-
Translation difference	-0.0	0.0
<b>Closing accumulated cost</b>	<b>2.1</b>	<b>1.3</b>
<b>Opening accumulated depreciation</b>	<b>-0.4</b>	-
Depreciation for the year	-0.7	-0.4
End of contract	0.2	-
Translation difference	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>-0.9</b>	<b>-0.4</b>
<b>Carrying amounts</b>	<b>1.2</b>	<b>0.9</b>

IFRS 16 Other	Group	
	2020	2019
<b>Opening accumulated cost</b>	<b>2.8</b>	-
Effects from changed accounting standards	-	2.8
New leasing contract	0.3	2.8
End of contract	-0.2	-2.8
Translation difference	-0.0	-0.0
<b>Closing accumulated cost</b>	<b>2.9</b>	<b>2.8</b>
<b>Opening accumulated depreciation</b>	<b>-0.1</b>	-
Depreciation for the year	-0.8	-1.1
End of contract	0.1	1.0
Translation difference	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>-0.8</b>	<b>-0.1</b>
<b>Carrying amounts</b>	<b>2.1</b>	<b>2.7</b>

## NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)	Carrying amount	Carrying amount
Bygghemma Second Holding AB	559077-0771	Malmö	50,000	100.0	100.0	2,691.6	2,691.6
						<b>2,691.6</b>	<b>2,691.6</b>
Group	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)		
<b>Bygghemma Second Holding AB</b>	<b>559077-0771</b>	<b>Malmö</b>	<b>50,000</b>	<b>100.0</b>	<b>100.0</b>		
Bygghemma Group Nordic AB	556800-9798	Malmö	6,295,794	100.0	100.0		
Bygghemma Sverige AB	556689-4282	Malmö	1,629	100.0	100.0		
Bygghemma Butik i Sthlm AB	556822-1476	Malmö	1,000	100.0	100.0		
Linoleumkompaniet AB	556599-6484	Stockholm	1,000	100.0	100.0		
Bygghjemme Norge AS	993 392 375	Nøtterøy	3,000	100.0	100.0		
Byghjemme.dk ApS	34901783	Frederica	700,000	100.0	100.0		
TM HBG ASIA LIMITED	2255795	Hong Kong	10,000	100.0	100.0		
Camola ApS	32342396	Frederica	80,000	93.1	93.1		
Stonefactory Scandinavia AB	556786-1454	Linköping	1,260	100.0	100.0		
Vitvaruexperten.com Nordic AB	559010-7792	Sollentuna	111,800	54.2	54.2		
Vitvarubolaget i Sundbyberg AB	556962-3267	Sollentuna	300	60.0	60.0		
Bygghemma Finland Holding AB	559023-3853	Malmö	500	100.0	100.0		
Taloon Yhtiöt Oy	1870108-3	Riihimäki	1,000	100.0	100.0		
M & M Visions Oy	1052664-7	Helsinki	150	100.0	100.0		
Netrauta Finland Oy	2166342-8	Hämeenlinna	11,839	100.0	100.0		
Handelmark OÜ	11607700	Talinn	1	100.0	100.0		
Edututor Oy	2357972-1	Kangasala	1,322	100.0	100.0		
Arredo Holding AB	556872-6367	Malmö	1,000	100.0	100.0		
Arredo AB	556245-2994	Malmö	3,333	100.0	100.0		
Gulv og Fliseeksperten ApS	38113844	København	50,000	100.0	100.0		
Frej Jonsson & Co AB	559125-5848	Göteborg	500	100.0	100.0		
Polarpumpen AB	556749-0262	Göteborg	1,000	51.0	51.0		
Svensk Installationspartner AB	556842-1076	Göteborg	500	100.0	100.0		
Pumplagret Sverige AB	556972-5400	Göteborg	500	100.0	100.0		
Designkupp AS	988698571	Grålum	95	95.0	95.0		
Tria VVS AB	556260-7142	Vänersborg	1,000	100.0	100.0		
Nordiska Fönster i Ängelholm AB	556810-2940	Ängelholm	500	100.0	100.0		
Arc E-commerce AB	556945-4274	Haninge	510	51.0	51.0		
Lindström & Sondén AB	556762-7392	Ängelholm	100	100.0	100.0		
Hemfint Kristianstad AB	556917-7305	Kristianstad	255	51.0	51.0		
Inredhemma Sverige AB	556913-0403	Malmö	500	100.0	100.0		
Home Furnishing Nordic AB	556780-9685	Helsingborg	1,000	100.0	100.0		
TM Finland Oy	2662443-6	Helsinki	1,000	100.0	100.0		
Lampgallerian i Växjö AB	559042-2589	Växjö	255	51.0	51.0		
Sleepo AB	556857-0146	Stockholm	11,880,773	95.6	95.6		
Nordic Nest Group AB	559021-1586	Kalmar	233,125	97.5	97.5		
Nordic Nest Holding AB	559021-1578	Kalmar	50,000	100.0	100.0		
Nordic Nest AB	556628-1597	Kalmar	1,924	100.0	100.0		
Inredhemma Danmark ApS	38575945	København	10,879,500	98.0	98.0		
My Home 2 A/S	30601319	Birkeød	500	100.0	100.0		
My Home 3 A/S	30739043	Fårup	500	100.0	100.0		
My Home 4 A/S	30736443	Randers	500	100.0	100.0		
My Home 7 A/S	30526953	Randers	500	100.0	100.0		
My Home 8 A/S	31427800	Fårup	500	100.0	100.0		
Domino Møbler ApS	19176398	Fårup	315,000	100.0	100.0		
Inredhemma Europa AB	38575945	Malmö	50,000	100.0	100.0		
Furniture1 UAB	304742023	Vilnius	89,100	51.0	51.0		
Baldai1 UAB	302935803	Vilnius	100	100.0	100.0		
Eurotrade1 SIA	40103665706	Riga	3,000	100.0	100.0		
ETR1 Group OU	12741670	Tallinn	1	100.0	100.0		
Furniture1 KFT	01-09-270625	Budapest	1	100.0	100.0		
Furniture1 DOO	33412662987	Zagreb	1	100.0	100.0		
Eurotrade1 DOO	7104456000	Ljubljana	1	100.0	100.0		
Mebeli24 EOOD	204743793	Sofia	100	100.0	100.0		
Furniture1 Hellas IKE	801003026	Aspropyrgos	1,000	100.0	100.0		
Mobilier1 Concept SLR	39413592	Bukarest	465	100.0	100.0		

**NOTE 16 INVENTORIES**

The Group's cost of goods sold includes impairment losses on inventories of SEK 8.6 million (-5.1).

**NOTE 17 ACCOUNTS RECEIVABLE**

Accounts receivable were recognised after taking into account credit losses arising in the Group during the year of SEK -3.7 million (-5.0). The credit losses pertain to a number of minor accounts. See also Note 26.

Credit exposure (SEKm)	Group		Parent company	
	2020	2019	2020	2019
Accounts receivable not overdue or impaired	84.3	52.9	-	-
Accounts receivable overdue but not impaired	29.8	28.8	-	-
Accounts receivable impaired	13.0	11.3	-	-
Provision for bad debts	-10.5	-8.8	-	-
	<b>116.6</b>	<b>84.1</b>	<b>-</b>	<b>-</b>

No single customer in the Group accounts for more than 10% of the Group's accounts receivable. For additional information on credit risks, see Note 26.

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

2020 (SEKm)	Group		
	Weighted average loss (%)	Reported value, gross	Loss of reserves
Not overdue	-	84.3	-
Overdue < 30 days	-1.3	22.8	-0.3
Overdue 30 - 90 days	-46.1	8.4	-3.9
Overdue > 90 days	-54.7	11.6	-6.4
		<b>127.1</b>	<b>-10.5</b>

Provision for bad debts (SEKm)	Group		Parent company	
	2020	2019	2020	2019
Opening balance, 1 January	<b>-8.8</b>	<b>-7.6</b>	-	-
Additional provisions	-10.2	-8.3	-	-
Reversed provisions	7.1	5.9	-	-
Actual losses	1.3	1.2	-	-
Translation difference	0.0	-0.0	-	-
Closing balance, 31 December	<b>-10.5</b>	<b>-8.8</b>	<b>-</b>	<b>-</b>

**NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME**

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Prepaid rent	6.1	5.1	-	-
Prepaid insurance expenses	4.8	2.2	0.1	0.0
Prepaid personnel expenses	3.6	6.2	3.6	6.2
Accrued supplier bonus	130.2	92.0	-	-
Accrued income	7.8	9.7	-	-
Refund asset	11.7	5.3	-	-
Other	23.4	12.8	1.0	1.3
	<b>187.6</b>	<b>133.3</b>	<b>4.7</b>	<b>7.5</b>

**NOTE 19 EQUITY**

As of 31 December 2020, the share capital consisted of 107,368,421 shares (107,368,421). Each share has a quotient value of SEK 0.03.

**Change in number of shares after the end of the period**

On 3 February 2021, BHG Group AB carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds for the Group of SEK 1,550.7 million after a deduction for transaction costs of SEK 15.3 million.

The number of shares and votes in BHG Group AB also changed after the end of the period due to the exercise of warrants issued at an Extraordinary General Meeting on 26 March 2018 within the framework of the long-term incentive programme 2018/2021, which comprised a total of 2,760,016 warrants. Each warrant entitled the holder to subscribe for one share. The exercise period was from 1 January 2021 to 26 March 2021. The subscription price according to the warrants was SEK 61.75 per share. All of the warrants have been exercised, generating proceeds of SEK 170.4 million for the Group.

Issued shares (numbers)	Ordinary shares	
	2020	2019
Issued shares at the beginning of the period	<b>107,368,421</b>	<b>107,368,421</b>
	<b>107,368,421</b>	<b>107,368,421</b>

**Other capital contributions**

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

**Translation reserve**

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



(SEKm)	Group	
	2020	2019
<b>Translation difference at the beginning of the period</b>	<b>14.7</b>	<b>9.4</b>
Translation difference, net after tax	-9.5	5.4
<b>Translation difference at the end of the period</b>	<b>5.3</b>	<b>14.7</b>

### Appropriation of profits

**BHG Group AB**

**559077-0763**

### Appropriation of profits (SEK)

At the disposal of the annual general meeting		
Retained earnings	73,655,020	
Share premium reserve	2,667,441,766	
Profit/loss for the year	67,579,901	
	<b>2,808,676,687</b>	
The Board of Directors proposes		
to be carried forward	141,234,921	
whereof share premium reserve	2,667,441,766	
	<b>2,808,676,687</b>	

### NOTE 20 UNTAXED RESERVES

(SEKm)	Parent company	
	2020	2019
Tax allocation reserve opening balance	-	-
Provisions during the year	28.6	-
<b>Tax allocation reserve closing balance</b>	<b>28.6</b>	<b>-</b>

### NOTE 21 LIABILITIES TO CREDIT INSTITUTIONS

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Loans from banks	2,088.9	813.6	996.9	-
	<b>2,088.9</b>	<b>813.6</b>	<b>996.9</b>	<b>-</b>
Liabilities due for payment later than five years after the closing date	-	-	-	-

During 2020, the Group raised new loans of SEK 1,277.1 million (307.4) and repaid SEK 147.3 million (190.0).

### NOTE 22 OTHER PROVISIONS

Other provisions (SEKm)	Group		Parent company	
	2020	2019	2020	2019
Provisions warranties	22.2	22.8	-	-
Provisions pension (endowment insurance)	0.2	0.2	-	-
Other provisions	0.3	0.1	-	-
	<b>22.7</b>	<b>23.0</b>	<b>-</b>	<b>-</b>

### NOTE 23 OTHER INTEREST-BEARING LIABILITIES

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

Changes in value of contingent and deferred considerations are recognised in profit or loss, while changes in value of liabilities to non-controlling interests are recognised in equity.



2020 (SEK m)	Reported values opening balance	Added during the period	Reported values in equity			Reported values in PnL			Cash flow	Reported values closing balance
			Changes in net present value	Interest expenses	Translation difference	Changes in net present value	Interest expenses	Translation difference	Utilized amounts	
My Home	12.2	-	-	-	-0.4	-	-	-	-	11.7
Camola ApS	8.6	-	-	-	-0.3	-	-	-	-	8.3
Stonefactory Scandinavia AB	9.0	-	-	-	-	-	-	-	-	9.0
Polarpumpen AB	30.0	-	-	-	-	-	-	-	-	30.0
Vitvaruexpertern.com Nordic AB	25.0	-	-10.0	-	-	-	-	-	-0.8	14.2
Hus och Stuga	1.0	-	-	-	-	-	-	-1.0	-	-
M & M Visions Oy	-	-	-	-	-	-	-	-	-	-
Edututor Oy	12.5	-	-	-	-	14.0	1.9	-2.0	-5.3	21.1
Wegot AB	0.8	-	-	-	-	-0.8	-	-	-	-
Frej Jonsson & Co AB	-	-	-	-	-	-	-	-	-	-
Furniture1 UAB	198.5	-	335.7	4.8	-14.5	-	-	-	-178.3	346.3
Arredo Holding AB	1.9	-	-	-	-	0.7	-	-	-0.9	1.8
Designkupp AS	44.2	-	-	-	-0.6	-	0.7	-3.7	-11.3	29.3
Vitvarubolaget i Sundbyberg AB	12.4	-	-	-	-	-	-	-	-0.7	11.7
Nordiska Fönster i Ängelholm AB	12.2	-	-	-	-	47.3	0.5	-	-	60.0
LampGallerian Växjö AB	34.2	-	20.0	-	-	-	0.3	-	-3.4	51.1
Arc E-commerce AB	152.0	-	94.3	5.6	-	4.5	0.6	-	-20.0	236.9
Lindström & Sondén AB	-	30.1	-	-	-	-	0.7	-	-	30.8
Hemfint Kristianstad AB	-	58.0	50.0	1.2	-	-	-	-	-	109.1
Sleepo AB	-	2.5	-	-	-	-	-	-	-	2.5
Nordic Nest Group AB	-	49.6	-	-	-	-	-	-	-	49.6
	<b>554.5</b>	<b>140.1</b>	<b>489.9</b>	<b>11.6</b>	<b>-15.8</b>	<b>65.7</b>	<b>4.6</b>	<b>-6.7</b>	<b>-220.7</b>	<b>1,023.3</b>

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

Of the total liability at the end of the period, SEK 948.0 million (507.0) is recognised as non-current and SEK 75.3 million (47.5) as current.

#### NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Accrued personnel expenses	157.5	94.7	13.8	12.0
Accrued marketing expenses	18.9	8.8	-	-
Accrued freight expenses	37.4	16.5	-	-
Accrued cost of goods sold	5.6	5.1	-	-
Accrued audit expenses	3.3	2.4	0.4	0.3
Accrued interest expenses	1.4	0.2	1.2	-
Accrued rent	9.2	8.9	-	-
Refund liability	19.7	8.5	-	-
Prepaid income	1.2	0.8	-	-
Other	22.0	12.5	1.6	0.3
	<b>276.0</b>	<b>158.4</b>	<b>17.1</b>	<b>12.6</b>

#### NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Guarantees to external parties	32.4	22.6	7.9	8.8
Financial guarantees on behalf of subsidiaries	-	-	1,276.8	401.3
Floating charge	0.6	6.8	-	-
	<b>33.0</b>	<b>29.4</b>	<b>1,284.7</b>	<b>410.1</b>

#### NOTE 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

##### Capital management

The Group's objective is to have a good financial position that helps to uphold the confidence of investors, creditors and the market, and provides a basis for further business development at the same time as the long-term return generated for the shareholders is satisfactory. The Group's goal for the capital structure is net debt in relation to pro

forma rolling 12-month (LTM) adjusted EBITDA in the range of 1.5–2.5x, subject to flexibility for strategic activities. At 31 December 2020, the relationship between net debt and pro forma rolling 12-month adjusted EBITDA was 2.2x (1.5x).

Capital is defined as total equity.

(SEKm)	Group	
	2020	2019
Total equity	2,823.0	2,925.1

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

##### Financial policy

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

##### Financing and liquidity risk

The Group's external financing mainly comprises a number of loans raised with the Group's bank, SEB:

- Credit facilities raised in conjunction with the Group's listing on Nasdaq Stockholm in 2018 totalling SEK 1,095 million, of which SEK 300 million comprises an acquisition facility and SEK 300 million comprises a working capital facility.
- An expansion of the acquisition facility by SEK 300 million, which was raised in 2019.
- A credit facility raised in conjunction with the acquisition of Nordic Nest in 2020 amounting to SEK 1,000 million.

The Group's basic facilities below comprises SEK 495 million of the credit facility raised in 2018 and the credit facility raised in conjunction with the acquisition of Nordic Nest in 2020, of which SEK 1,000 million has been utilised.

Facility	2020				2019			
	Credit limit	Utilized amount	Unutilized amount	Remaining maturity (months)	Credit limit	Utilized amount	Unutilized amount	Remaining maturity (months)
Term loan	495.0	495.0	-	27	495.0	495.0	-	39
Term loan	1,000.0	1,000.0	-	17	-	-	-	-
Acquisition facility	600.0	600.0	-	27	600.0	322.9	277.1	39
Working capital facility	300.0	-	300.0	27	300.0	-	300.0	39
	<b>2,395.0</b>	<b>2,095.0</b>	<b>300.0</b>		<b>1,395.0</b>	<b>817.9</b>	<b>577.1</b>	

Total granted credit facilities amounted to SEK 2,395 million at the end of the year. As of the balance-sheet date, the Group had utilised SEK 2,095.0 million (817.9) of the credit facilities.

The basic facilities are bullet loans, meaning that they will be repaid in full after the end of the loan term. With respect to the acquisition facility, the principal is to be repaid at 12.5% per year starting in 2021, while the working capital facility is to be utilised as needed and, consequently, is not subject to any scheduled repayment.

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

The Group also had significant liabilities regarding earn-outs for completed acquisitions and for warrants issued to non-controlling interests. The amount the Group will need to pay for these earn-outs and liabilities to non-controlling interests is primarily based on future EBITDA in the acquired companies. Healthy earnings in the acquired companies means increased liabilities in the Group. As of 31 December 2020, the value of the earn-outs and liabilities to non-controlling interests totalled SEK 1,023.3 million (554.5). For measurement of earn-outs, see below.

Financing and liquidity risk is managed centrally by the Parent Company, which ensures that there is always sufficient cash and cash equivalents available for the Group companies; the Group's liquidity reserve should never fall below 2% of the Group's rolling 12-month sales, which was not the case at any time during the year. The availability of cash and cash equivalents for the subsidiaries is partially secured through the use of a joint cash pool for all Group companies. As of 31 December 2020, the Group had SEK 299.0 million (270.3) in liquidity and available loans of SEK 300.0 million (577.1).

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

#### Market risks – interest-rate risk

Interest-rate risk refers to the risk that financial income and expenses as well as the value of financial instruments could fluctuate due to changes in market rates. Interest-rate risks could lead to changes in market values and cash flows as well as fluctuations in the Group's profit. The Group is exposed to interest-rate risks, primarily through its non-current loans with

variable interest rates. As of the balance-sheet date, all non-current liabilities carried variable interest. All facilities carry an IBOR, plus a margin. The margin is adjusted based on the Group's debt/equity ratio, with certain agreement-based intervals for the debt/equity ratio.

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

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

(SEKm)	Group	
	2020	2019
Loans from banks	2,088.9	813.6
Lease liabilities	599.6	458.5
Earnouts/liabilities to non-controlling interest	1,023.3	554.5
	<b>3,711.8</b>	<b>1,826.7</b>

In 2020, a +/- 1% change in the variable interest rate on the Group's loans would have impacted consolidated net financial items in an amount of SEK 10.0 million (7.5)..

#### Credit risk

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

On some of the Group's e-commerce platforms, customers are offered loans from a financial institution that the Group partners with to finance their purchases. If the customer chooses to utilise such a credit solution, the financial institution receives a receivable from the customer, while the Group receives liquidity from the institution within a couple days of the completed purchases. The Group assumes no credit risk or other risk for the receivables the credit institution has from the customer. The Group's cost for the credit solution offered to customers amounted to SEK 12.5 million (7.7).

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

#### Market risk – currency exchange risk

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

#### Transaction exposure

Transaction exposure is the risk associated with the Group's earnings and cash flows and arises when the value of receipts and disbursements in foreign currencies changes because of

fluctuations in exchange rates. Transactions are not currency hedged.

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

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

(SEKm)	Group	
	2020	2019
DKK	451.1	222.0
EUR	-729.7	-990.6
NOK	274.9	239.4
USD	-676.3	-701.0

Exposure to foreign currencies entails that the Group is subject to currency exchange risk. For 2020 and assuming all other variables remain unchanged, an exchange rate fluctuation of 10% for the various currencies would affect pre-tax profit by the following amounts:

Sensitivity analysis (SEKm)	Group	
	2020	2019
DKK	+/- 45,1	+/- 22,2
EUR	+/- 73,0	+/- 99,1
NOK	+/- 27,5	+/- 23,9
USD	+/- 67,6	+/- 70,1

#### Translation exposure

Translation exposure is the risk that arises from the translation of net assets in foreign subsidiaries to the reporting currency (SEK).

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

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

(SEKm)	Group			
	2020	%	2019	%
DKK	285.9	33.0	305.2	44.8
EUR	486.3	56.1	283.1	41.6
NOK	94.3	10.9	92.5	13.6
	<b>866.5</b>	<b>100.0</b>	<b>680.9</b>	<b>100.0</b>

#### Categorisation of financial instruments

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





2020 (SEKm)	Carrying amounts				Fair value			
	Financial assets measured at amortized cost	Financial assets measured at fair value through PnL	Financial liabilities measured at fair value through PnL	Financial liabilities measured at amortized cost	Total	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Shares in unlisted companies		0.0			0.0		0.0	0.0
<b>Financial assets not measured at fair value</b>								
Deposit	9.1				9.1	9.1		9.1
Accounts receivable	116.6				116.6	116.6		116.6
Other receivable	46.5				46.5	46.5		46.5
Accrued income	7.8				7.8	7.8		7.8
Cash and cash equivalents	299.0				299.0	299.0		299.0
<b>Total financial assets</b>	<b>479.0</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>479.0</b>	<b>479.0</b>	<b>0.0</b>	<b>479.0</b>
<b>Financial liabilities measured at fair value</b>								
Earn-outs			158.3		158.3		158.3	158.3
<b>Financial liabilities not measured at fair value</b>								
Liabilities to non-controlling interest				865.0	865.0	865.0		865.0
Credit facilities				2,095.0	2,095.0	2,095.0		2,095.0
Accounts payable				776.8	776.8	776.8		776.8
Other liabilities				57.9	57.9	57.9		57.9
Accrued expenses				97.6	97.6	97.6		97.6
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>158.3</b>	<b>3,892.3</b>	<b>4,050.6</b>	<b>3,892.3</b>	<b>158.3</b>	<b>4,050.6</b>

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

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

### Measurement of fair value

#### Participations in unlisted companies

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

#### Accounts receivable and payable

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

#### Earn-outs

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

#### Liabilities to non-controlling interests

Liabilities to non-controlling interests relating to issued put options are recognised at the present value of the redemption amount, meaning at amortised cost. The value is initially calculated by discounting future cash flows with a risk-adjusted discount interest rate. Expected cash flows are forecast using probable scenarios for future EBITDA levels, amounts that will result from various outcomes and the probability of those outcomes. Changes in these estimates result in a change in the carrying amount of the liability, which is recognised directly against equity. The carrying amount is deemed to be a reasonable approximation of the fair value of these liabilities.

**Credit facilities**

The Group's credit facilities carry variable interest. Since the time that the facilities were raised, the Group's assessment is that no changes have occurred in credit margins that would

give rise to a material difference between the nominal amount and fair value of the loan.

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

Maturity structure of financial liabilities and lease liabilities – undiscounted cash flows (SEKm)	2020				
	Totalt	0 - 3 mo.	3 mo. - 1 year	1 - 5 years	> 5 years
Credit facilities	2,162.6	7.2	73.7	2,081.7	-
Lease liabilities	599.6	33.3	118.0	375.4	72.8
Earnouts	158.3	-	75.3	83.0	-
Liabilities to non-controlling interest	865.0	-	30.0	835.0	-
Accounts payable	776.8	776.8	-	-	-
Other liabilities	57.9	57.9	-	-	-
Accrued expenses	97.6	97.6	-	-	-
	<b>4,717.7</b>	<b>972.8</b>	<b>297.0</b>	<b>3,375.1</b>	<b>72.8</b>

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

## NOTE 27 LEASES

### Lessee

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

### Right-of-use asset

Additions to right-of-use assets amounted to SEK 295.5 million (217.5). This amount includes the cost of right-of-use assets acquired during the year and costs arising from revising lease liabilities based on changes to payments resulting from a change in the lease term.

(SEKm)	2020	2019
Premises	598.6	455.6
Vehicles	1.2	2.7
Other	2.1	0.9
<b>Total leased assets</b>	<b>601.9</b>	<b>459.2</b>

### Lease liabilities

For maturity analysis of lease liabilities, see Note 26 Financial instruments and financial risk management.

### Amounts recognised in profit or loss

Reported in Profit & Loss	Group	
	2020	2019
Depreciation right of use asset	-145.7	-101.5
Interest lease liabilities	-11.7	-9.7
Variable lease payments	-0.1	-0.1
Costs for short-term leases	-53.1	-40.6
Costs for low-value leases, not low-value short-term leases	-2.7	-2.9
<b>Total earnings effect attributable to leases</b>	<b>-213.2</b>	<b>-154.8</b>

For disclosures on depreciation per class, see Note 14.

### Amounts recognised in the statement of cash flows

Recognised in statement of cash flows	Group	
	2020	2019
Interest	-11.7	-9.7
Amortisation	-158.9	-115.0
Payment of variable, short-term and low-value lease payments	-56.9	-29.4
<b>Total cash flows attributable to leases</b>	<b>-227.5</b>	<b>-154.0</b>

### Extension and termination options

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

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

### Leases in the Parent Company

The Parent Company previously mainly rented cars under operating leases.

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Within a year	-	-	-	-
Between one to five year	-	-	-	-
More than five years	-	-	-	-
<b>Total lease- and other commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Leasing costs during the year	-	-	-	-0.1

**NOTE 28 SUPPLEMENTARY DISCLOSURES FOR THE  
STATEMENT OF CASH FLOWS**

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

(SEKm)	Group		Parent company	
	2020	2019	2020	2019
Depreciation, amortization, impairment and scrapping of non-current assets	244.8	184.2	0.2	0.1
Capital gains disposal of non-current assets	-0.2	1.6	-	-
Change in other provisions	-12.8	6.3	-	-
Group contributions received	-	-	-132.2	-33.0
Omvärderade tilläggsköpeskillingar	64.7	16.0	-	-
Unrealized exchange differences	3.8	2.4	-	-
Accrued interest expenses and income	7.1	3.3	1.2	-0.0
	<b>307.5</b>	<b>213.8</b>	<b>-130.8</b>	<b>-32.9</b>
<b>Other supplementary disclosures</b>				
Interest received during the financial year	0.9	1.5	-	-
Interest paid during the financial year	-22.9	-20.1	-1.6	-1.3
	<b>-22.0</b>	<b>-18.6</b>	<b>-1.6</b>	<b>-1.3</b>

## NOTE 29 RECONCILIATION OF NET DEBT/CASH

2020 (SEKm)	Opening balance	Cash flows	Changes in non-cash items			Closing balance
			Acquisitions /new lease contracts	Exchange rate difference	Accruals	
<b>Liabilities</b>						
Credit facilities	817.9	1,277.1	-	-	-	2,095.0
Lease liabilities	458.5	-147.3	293.6	-5.3	-	599.5
Transaction expenses	-4.3	-	-	-	-1.8	-6.1
<b>Total liabilities</b>	<b>1,272.1</b>	<b>1,129.9</b>	<b>293.6</b>	<b>-5.3</b>	<b>-1.8</b>	<b>2,688.5</b>
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	-270.3	47.2	-104.0	28.1	-	-299.0
<b>Total cash and cash equivalents</b>	<b>-270.3</b>	<b>47.2</b>	<b>-104.0</b>	<b>28.1</b>	<b>-</b>	<b>-299.0</b>
<b>Net debt/ net cash</b>	<b>1,001.9</b>	<b>1,177.0</b>	<b>189.6</b>	<b>22.8</b>	<b>-1.8</b>	<b>2,389.5</b>

2019 (SEKm)	Opening balance	Cash flows	Changes in non-cash items				Closing balance
			Acquisitions /new lease contracts	Exchange rate difference	Accruals	Effects from changed accounting standards	
<b>Liabilities</b>							
Credit facilities	700.5	106.6	10.8	-	-	-	817.9
Lease liabilities	-	-	-	-	-	458.5	458.5
Transaction expenses	-5.6	-	-	-	1.3	-	-4.3
<b>Total liabilities</b>	<b>694.9</b>	<b>106.6</b>	<b>10.8</b>	<b>-</b>	<b>1.3</b>	<b>458.5</b>	<b>1,272.1</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	-226.9	-10.2	-30.4	-2.8	-	-	-270.3
<b>Total cash and cash equivalents</b>	<b>-226.9</b>	<b>-10.2</b>	<b>-30.4</b>	<b>-2.8</b>	<b>-</b>	<b>-</b>	<b>-270.3</b>
<b>Net debt/ net cash</b>	<b>468.0</b>	<b>96.4</b>	<b>-19.7</b>	<b>-2.8</b>	<b>1.3</b>	<b>458.5</b>	<b>1,001.9</b>

## NOTE 30 RELATED-PARTY TRANSACTIONS

Transactions between BHG Group AB (publ) and its subsidiaries, which are related to BHG Group AB, have been eliminated in the consolidated financial statements.

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

## Transactions with the owners

The company issued warrants during the year, which contributed SEK 7.5 million (6.0) in equity for the company.

## Transactions with Board members and senior executives

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



		Parent company				
	Year	Sale of goods/ services to related parties	Purchase of goods/ services from related parties	Other (e.g. interest dividend)	Claims on related parties at December 31	Liability to related parties at 31 December
Subsidiaries	2020	1.6	-	0.7	1,223.2	61.6
Subsidiaries	2019	0.9	-	0.1	32.9	0.0

### NOTE 31 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

#### New share issue

BHG Group AB (publ) has successfully carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds for the Group of SEK 1,546.0 million after a deduction for transaction costs of SEK 20.0 million. The subscription price was determined through an accelerated bookbuilding process led by Carnegie Investment Bank AB (publ) ("Carnegie") as the Sole Global Coordinator and Joint Bookrunner and Danske Bank as Joint Bookrunner. The issue was oversubscribed, and a large number of Swedish and international institutional investors as well as certain shareholders participated in the issue.

#### Exercise of warrants

After the end of the period, warrants issued at an Extraordinary General Meeting on 26 March 2018 under the framework of the long-term incentive programme 2018/2021 were exercised. The programme encompassed a total of 2,760,016 warrants. Each warrant entitled the holder to subscribe for one share. The exercise period was from 1 January 2021 to 26 March 2021. The subscription price according to the warrants was SEK 61.75 per share. All of the warrants have been exercised, generating proceeds of SEK 170.4 million for the Group.

#### Acquisition of IP Agency Finland OY

On 5 February 2021, the Group acquired 51% of IP Agency Finland OY ("IP Agency"), a leading online company in leisure category. The products are made up of proprietary brands that are sold primarily in Finland, Sweden, Belgium, the DACH region and the US. IP Agency's annual sales growth for the past three years has exceeded 120% and sales during 2020 amounted to just over SEK 180 million with an EBITDA margin of over 25%.

#### Acquisition of E. Svenssons i Lammhult AB

On 19 March 2021, the Group acquired 100% of E. Svenssons i Lammhult AB. The transaction is contingent on the customary regulatory approval.

#### Changes in management

On 4 January 2021, Mikael Hagman took over as Group COO and became a member of the management team. Mikael Hagman founded Vitvaruexperten.com in 2015 and has continued to successfully develop the business since the

company was acquired by BHG in 2017. Prior to this, he was CEO of Media Markt Nordic (2007-2013) and Country Manager for Sony Sweden and Finland (1999-2006). After this change, group management now consists of CEO Adam Schatz, CFO Jesper Flemme and COO Mikael Hagman.

In addition to the above changes, Kimmo Lahteenmaki, who has served as President of BHG Finland since 2014, has been appointed Head of the DIY segment. Kimmo Lahteenmaki founded Taloon.com in 2004 and sold the business to BHG in 2012. Prior to this, he held various senior positions at Kemira. Furthermore, Christian Eriksson has been appointed Head of the Home furnishing segment. Christian has been the head of the BHG-owned Home Furnishing Nordic since 2014 and prior to this held various roles at CDON.com, including as President (2011-2013), and business controller and controller (2006-2010). Kimmo Lahteenmaki and Christian Eriksson will become members of BHG's extended management team together with Mikael Olander (Head of Commercial), Henrik Jonsson (Head of Group Legal), Peter Rosvall (Head of New Operations) and Martin Edblad (Head of M&A). In addition, the members of BHG's management team, Adam Schatz (Group CEO), Jesper Flemme (Group CFO) and Mikael Hagman (Group COO), are also members of the extended management team. The extended management team constitutes a forum that, in operational terms, drives the strategic development forward.

On 4 March 2021 BHG announced that Maria Morin will assume the newly established position of Head of HR, Communications and ESG. Maria Morin will be part of BHG's management team and will assume her new position by 1 August 2021 at the latest. Maria Morin has worked as VP HR & Corporate Communications at Cellavision AB since 2014, where she also served as Manager and later as VP Human Resources from 2009 to 2014. Prior to this, Maria Morin held various roles in human resources development, including at Gambro AB.

### NOTE 32 CONSEQUENCES OF THE CORONAVIRUS PANDEMIC

The coronavirus pandemic has led to Nordic consumers travelling less and spending more time at home. Due to the prevailing situation, consumers have therefore chosen to invest more in their homes and to make their purchases to a greater extent online rather than in physical stores. Since BHG sells home improvement products online, this changed customer behaviour has increased demand for BHG's products. BHG's financial position has remained strong throughout the pandemic.

During the coronavirus pandemic, BHG has made a conscious effort to ensure the safety of its personnel and



supply chains. Some personnel have worked from home, travel has been restricted and meetings have been conducted using videoconferencing. BHG has had close cooperation with its suppliers to ensure deliveries and expanded inventory to minimise the risk of goods shortages. At the beginning of the pandemic, certain freight suppliers experienced challenges in meeting the strong increase in demand, but the situation has now improved. The extraordinary increase in demand due to the pandemic has intensified the pressure on BHG's customer service centre,

but by employing a focused work approach, the situation is now better.

BHG's strong position in home improvement products online in the Nordics should continue to benefit the company going forward. It is considered probable that the increased online penetration that has occurred during the pandemic will remain, based on which growth will return to levels around 15% per year over a business cycle.

# Signatures

Malmö, 24 March 2021

**Gustaf Öhrn**

Chairman of the Board

**Christian Bubenheim**

Board member

**Johan Giléus**

Board member

**Ingrid Jonasson Blank**

Board member

**Bert Larsson**

Board member

**Niklas Ringby**

Board member

**Adam Schatz**

President and CEO

Our audit report was submitted on 24 March 2021  
Öhrlings PricewaterhouseCoopers AB

**Eva Carlsvi**

Authorised Public Accountant  
Partner in charge

**Vicky Johansson**

Authorised Public Accountant



# Auditor's report

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### Opinions

We have audited the annual accounts and consolidated accounts of BHG Group AB (publ) for the year 2020 except for the corporate governance statement and the statutory sustainability report on pages 52-57 and 38-51 respectively. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 52-57 and 38-51 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

### Basis for Opinions

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

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

### Our audit approach

#### Audit scope

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

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

#### Materiality

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

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

#### Key audit matters

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

**Particularity important area****Valuation of intangible assets**

*With reference to Note 2 and Note 13.*

Goodwill and other intangible assets with an indefinite useful life represents a significant part of BHG Group's assets. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported. This impairment test is based on a high level of judgements and assumptions regarding future cash flows. Information is provided in Note 2 and Notes 13 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins, overheads, working capital requirements, investment requirements and discount factor (cost of capital).

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

**Recognition of acquisitions**

*With reference to Note 5.*

In the financial year 2020, BHG Group made three business acquisitions across all business areas. Information on these acquisitions is presented in Note 5.

The total purchase price for the business acquisitions was SEK 1 857,4 million, of which SEK 498,9 million refers to identified fair value adjustments in the acquisition analyses for trademarks and customer relationships and SEK 1463,9 million refers to goodwill.

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

**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-23 and 111-116. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and

**How our audit considered the particularly im-portant area**

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

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

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

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

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

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

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

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

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

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes



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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BHG Group AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

#### Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's

financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

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

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

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

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

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

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-57 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

**The auditor's opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the statutory sustainability report on pages 38-51, and that it is prepared in accordance with the Annual Accounts Act.

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

different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2016.

Malmö 24 March 2021

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi  
Authorized Public Accountant  
Partner in charge

Vicky Johansson  
Authorized Public Accountant

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

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

## ADJUSTED EBIT, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

Adjusted EBIT corresponds to operating income excluding amortisation of acquisition-related intangible assets, gains/losses on sales of fixed assets and, where applicable, items affecting comparability. In other words, adjusted EBIT, in accordance with the accounting rules, includes all depreciation and amortisation of tangible and intangible assets attributable to the business (which was also the case for the previously used measure – adjusted EBITA). The difference between adjusted EBIT and EBIT is that the amortisation which arises as a result of the accounting treatment of purchase price allocations in conjunction with acquisitions is added back to adjusted EBIT.

Group (SEKm)	Group	
	2020	2019
Operating income	657.8	282.0
Acquisition-related costs	-	1.7
Costs in connection with the establishment of own distribution network	-	5.8
<b>Total items affecting comparability</b>	<b>-</b>	<b>7.5</b>
Depreciation and amortization of acquisition related intangible fixed assets	43.0	40.6
<b>Adjusted EBIT</b>	<b>700.8</b>	<b>330.1</b>
<b>Adjusted EBIT (%)</b>	<b>7.8</b>	<b>5.3</b>
Depreciation and amortization of tangible and intangible fixed assets	201.9	144.4
Gain/loss from sale of fixed assets	-0.0	0.8
<b>Adjusted EBITDA</b>	<b>902.7</b>	<b>475.3</b>
<b>Adjusted EBITDA (%)</b>	<b>10.1</b>	<b>7.7</b>
Net sales	8,968.2	6,212.5
Cost of goods	-5,609.9	-4,023.8
<b>Gross profit before direct selling costs</b>	<b>3,358.3</b>	<b>2,188.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>37.4</b>	<b>35.2</b>
Direct selling costs	-1,027.5	-698.1
<b>Gross profit</b>	<b>2,330.8</b>	<b>1,490.5</b>
<b>Gross profit (%)</b>	<b>26.0</b>	<b>24.0</b>
Costs in connection with the establishment of own distribution network	-	5.2
<b>Adjusted gross profit</b>	<b>2,330.8</b>	<b>1,495.7</b>
<b>Adjusted gross profit (%)</b>	<b>26.0</b>	<b>24.1</b>

## DIYsegment

(SEKm)	DIY	
	2020	2019
Operating income	444.0	136.9
Acquisition-related costs	-	1.4
<b>Total items affecting comparability</b>	<b>-</b>	<b>1.4</b>
Depreciation and amortization of acquisition related intangible fixed assets	31.8	29.6
<b>Adjusted EBIT</b>	<b>475.8</b>	<b>167.9</b>
<b>Adjusted EBIT (%)</b>	<b>8.4</b>	<b>4.5</b>
Depreciation and amortization of tangible and intangible fixed assets	95.9	67.3
Gain/loss from sale of fixed assets	-0.1	0.2
<b>Adjusted EBITDA</b>	<b>571.6</b>	<b>235.4</b>
<b>Adjusted EBITDA (%)</b>	<b>10.1</b>	<b>6.4</b>
Net sales	5,663.1	3,700.8
Cost of goods	-3,794.1	-2,641.2
<b>Gross profit before direct selling costs</b>	<b>1,869.0</b>	<b>1,059.6</b>
<b>Gross profit before direct selling costs (%)</b>	<b>33.0</b>	<b>28.6</b>
Direct selling costs	-541.6	-265.3
<b>Gross profit</b>	<b>1,327.4</b>	<b>794.3</b>
<b>Gross profit (%)</b>	<b>23.4</b>	<b>21.5</b>
<b>Adjusted gross profit</b>	<b>1,327.4</b>	<b>794.3</b>
<b>Adjusted gross profit (%)</b>	<b>23.4</b>	<b>21.5</b>

## Home Furnishing segment

(SEKm)	Home Furnishing	
	2020	2019
Operating income	265.0	168.0
Acquisition-related costs	-	0.2
Integration costs and costs related to warehouse move	-	5.8
<b>Total items affecting comparability</b>	<b>-</b>	<b>6.0</b>
Depreciation and amortization of acquisition related intangible fixed assets	11.2	11.0
<b>Adjusted EBIT</b>	<b>276.2</b>	<b>185.0</b>
<b>Adjusted EBIT (%)</b>	<b>8.3</b>	<b>7.3</b>
Depreciation and amortization of tangible and intangible fixed assets	105.8	77.1
Gain/loss from sale of fixed assets	0.1	0.6
<b>Adjusted EBITDA</b>	<b>382.1</b>	<b>262.7</b>
<b>Adjusted EBITDA (%)</b>	<b>11.5</b>	<b>10.4</b>
Net sales	3,337.2	2,533.1
Cost of goods	-1,845.9	-1,402.7
<b>Gross profit before direct selling costs</b>	<b>1,491.3</b>	<b>1,130.3</b>
<b>Gross profit before direct selling costs (%)</b>	<b>44.7</b>	<b>44.6</b>
Direct selling costs	-485.9	-432.8
<b>Gross profit</b>	<b>1,005.4</b>	<b>697.5</b>
<b>Gross profit (%)</b>	<b>30.1</b>	<b>27.5</b>
Costs in connection with the establishment of own distribution network	-	5.2
<b>Adjusted gross profit</b>	<b>1,005.4</b>	<b>702.7</b>
<b>Adjusted gross profit (%)</b>	<b>30.1</b>	<b>27.7</b>

**NET DEBT/NET CASH**

Management is of the opinion that because the Group's actual net debt/net cash corresponds to the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities, etc. and transaction fees, other non-current and current interest-bearing liabilities should be excluded. The Group's other non-current and current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense. Lease liabilities reflect the balance sheet effects of IFRS 16.

At the end of the year, net debt amounted to SEK 1,796.0 million, corresponding to net debt in relation to LTM adjusted EBITDA of 2.2x. The Group's other current and non-current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 1,023.3 million at the end of the year, compared with SEK 554.5 million at the beginning of the year. Lease liabilities

reflect the balance sheet effects of IFRS 16 and amounted to SEK 599.6 million at the end of the year, compared with SEK 458.5 million at the beginning of the year.

Net debt / Net cash (SEKm)	Group	
	2020	2019
Non-current interest bearing debt	3,440.4	1,660.3
Short-term interest bearing debt	271.4	166.3
<b>Total interest bearing debt</b>	<b>3,711.8</b>	<b>1,826.7</b>
Cash and cash equivalents	-299.0	-270.3
Adjustment of lease liabilities	-599.6	-458.5
Adjustment of earnouts and deferred payments	-1,023.3	-554.5
Adjustment transaction costs	6.1	4.3
<b>Net debt (+) / Net cash (-)</b>	<b>1,796.0</b>	<b>547.6</b>

# Definitions

Performance measure	Definition	Reasoning
Number of visits	Number of visits to the Group's webstores during the period in question.	This performance measure is used to measure customer activity.
Number of orders	Number of orders placed during the period in question.	This performance measure is used to measure customer activity.
Gross margin	Gross profit as a percentage of net sales.	Gross margin gives an indication of the contribution margin as a share of net sales.
Gross margin before direct selling costs	Gross profit before direct selling costs – primarily postage and fulfilment – as a percentage of net sales.	An additional margin measure, complementing the fully-loaded gross margin measure, allowing for further transparency.
Gross profit	Net sales less cost of goods sold. Gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Gross profit includes items affecting comparability.	Gross profit gives an indication of the contribution margin in the operations.
EBIT	Earnings before interest, tax and acquisition-related amortisation and impairment.	Together with EBITDA, EBIT provides an indication of the profit generated by operating activities.
EBITDA	Operating income before depreciation, amortisation, impairment, financial net and tax.	EBITDA provides a general indication as to the profit generated in the operations before depreciation, amortisation and impairment.
EBITDA margin	EBITDA as a percentage of net sales.	In combination with net sales growth, EBITDA margin is a useful performance measure for monitoring value creation.
EBIT margin	EBIT as a percentage of net sales.	In combination with net sales growth, EBIT margin is a useful performance measure for monitoring value creation.
Average order value (AOV)	Total order value (meaning Internet sales, postage income and other related services) divided by the number of orders.	Average order value is a useful indication of revenue generation.
Investments	Investments in tangible and intangible fixed assets.	Investments provide an indication of total investments in tangible and intangible assets.
Adjusted gross margin	Adjusted gross profit as a percentage of net sales.	Adjusted gross margin gives an indication of the contribution margin as a share of net sales.
Adjusted EBIT	Adjusted EBIT corresponds to operating profit adjusted for amortisation and impairment losses on acquisition-related intangible assets, gain/loss from sale of fixed assets and, from time to time, items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	This performance measure is relevant to creating an understanding of the operational profitability generated by the business.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted selling, general and administrative expenses	The difference between adjusted gross profit and adjusted EBITDA, which excludes other specified items.	Selling, general and administrative expenses provide an indication of operating expenses, excluding cost of goods sold, thereby giving an indication of the efficiency of the Group's operations.
Adjusted gross profit	Net sales less cost of goods sold. Adjusted gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Adjusted gross profit excluding items affecting comparability.	Adjusted gross profit gives an indication of the contribution margin in the operations.



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

**CONTACT INFORMATION**

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**FINANCIAL CALENDAR**

27 April 2021	Interim report Interim report January-March 2021
5 May 2021	Annual General Meeting (Malmö)
22 July 2021	Interim report January-June 2021
28 October 2021	Interim report January-September 2021





## Happy dots, solving knots

2020 was a year like no other. While we were adjusting the new normal, we continued to grow and outperform expectations, delivering a record year to be proud of. And it's all thanks to our people, our brands and every BHG destination, working together in a 'dot-com' environment, each representing a dot within "Our Family of Dots".

At BHG, it's the entrepreneurs, the management teams and all the employees in the operating units – the people on the

front line, closest to the customers – who are the real heroes. In this regard, 2020 was no exception: It was the know-how, passion and drive of our people that allowed us to leverage the opportunities and tackle the challenges that arose.

Our entrepreneurial spirit and ability to shift up a gear when necessary laid the ground for our successes in 2020, reflecting who we are and how we act – and highlighting our everyday attitude: "Happy dots, solving knots".

