"In the third quarter, we continued to deliver on our communicated strategy to strengthen the Group's competitiveness, and our assessment is that we have gained market shares. We lowered our costs, continued to reduce our inventory, significantly improved our balance sheet and streamlined our operations through consolidations and divestments. Having fewer, clearer platforms will make us more cost-effective, while also honing our customer offering and achieving larger economies of scale."

Gustaf Öhrn,
President and CEO

Q3 2023

BHG Group AB (publ)
Nasdaq Stockholm

Interim report: 1 January-30 September 2023

Strategic structural changes, lower cost base and a stronger balance sheet

– Through structural changes in line with our strategy and operational improvements, we have generated SEK 1.2 billion in cash flow from operating activities to date this year

HIGHLIGHTS

1 July-30 September

- Net sales declined -7.9% to SEK 2,861.9 million (3,106.7). Organic growth was -7.5% and pro-forma organic growth was -7.5%
- Adjusted gross profit declined -7.9% to SEK 687.2 million (746.0), corresponding to an adjusted gross margin of 24.0% (24.0)
- Adjusted EBIT amounted to SEK 12.5 million (47.8), corresponding to an adjusted EBIT margin of 0.4% (1.5)
- Cash flow from operating activities amounted to SEK 223.7 million (-133.0)
- Earnings per share amounted to SEK -7.30 (-0.62) before dilution and SEK -7.30 (0.62) after dilution

1 January-30 September

- Net sales declined -11.5% to SEK 8,961.4 million (10,125.7). Organic growth was -11.2% and pro-forma organic growth was -11.2%
- Adjusted gross profit declined -13.1% to SEK 2,226.7 million (2,563.4), corresponding to an adjusted gross margin of 24.8% (25.3)
- Adjusted EBIT amounted to SEK 42.0 million (344.2), corresponding to an adjusted EBIT margin of 0.5% (3.4)
- Cash flow from operating activities amounted to SEK 1,201.3 million (-173.1)
- Earnings per share amounted to SEK -7.84 (1.61) before dilution and SEK -7.84 (1.61) after dilution

Key events during the third quarter and after the period

- On 25 July, an extraordinary general meeting of BHG Group AB resolved, in accordance with a proposal by the Board of Directors, to approve the transfer of 20.1% of the shares in the subsidiary Furniture1 UAB ("F1") to UAB Wechange, which is owned by the CEO of F1. After the transfer, BHG will hold 30.0% of the shares and votes in F1.
- On 29 September, a broad restructuring programme in the Value Home segment was announced. The programme included an agreement to transfer AH-Trading GmbH to the company's current minority owner and founder, an agreement to transfer the Danish operations of My Home Møbler A/S to the company's founder, and the closure of several physical stores in other parts of the Value Home segment. The programme lays a foundation for a long-term cost-efficient and scalable business. As a consequence, BHG Group will have a more focused structure with a lower share of offline retail.

FINANCIAL SUMMARY

	Jul-Sep			Jan-Sep			Jan-Dec
SEKm (if not otherwise stated)	2023	2022	Δ%	2023	2022	Δ%	2022
Net sales	2,861.9	3,106.7	-7.9	8,961.4	10,125.7	-11.5	13,433.6
Gross profit	667.7	371.4	79.8	2,207.2	2,188.8	0.8	2,981.1
Gross margin (%)	23.3	12.0	11.4 p.p.	24.6	21.6	3.0 p.p.	22.2
Adjusted gross profit*	687.2	746.0	-7.9	2,226.7	2,563.4	-13.1	3,368.4
Adjusted gross margin (%)	24.0	24.0	0.0 p.p.	24.8	25.3	-0.5 p.p.	25.1
Adjusted EBIT*	12.5	47.8	-73.8	42.0	344.2	-87.8	374.9
Adjusted EBIT margin (%)	0.4	1.5	-1.1 p.p.	0.5	3.4	-2.9 p.p.	2.8
Operating income	-1,299.3	-361.5	259.5	-1,330.6	-140.1	849.6	-183.9
Operating margin (%)	-45.4	-11.6	-33.8 p.p.	-14.8	-1.4	-13.5 p.p.	-1.4
Net profit for the period	-1,300.2	-83.8	1452.4	-1,393.1	220.9	-730.5	45.7
Earnings per share before dilution, SEK	-7.30	-0.62	1077.4	-7.84	1.61	-587.0	0.25
Earnings per share after dilution, SEK	-7.30	-0.62	1077.4	-7.84	1.61	-587.0	0.25
Cash flow from operating activites	223.7	-133.0	n/a	1,201.3	-173.1	n/a	-105.6
Net debt (+) / Net cash (-)	1,231.5	2,129.8	-42.2	1,231.5	2,129.8	-42.2	1,543.4

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 35 of this report for a more detailed description.

Comments by Gustaf Öhrn

President and CEO, BHG Group

In the third quarter, we continued to deliver on our communicated strategy to strengthen the Group's competitiveness. We reduced our costs, continued the inventory reduction, significantly improved our balance sheet, and simplified and consolidated our operations. Having fewer, clearer platforms will make us more cost-efficient, while also honing our customer offering and achieving larger economies of scale. We have accomplished a lot in all three segments, but there is still a great deal of work to be done.

As part of our strategy, we carried out a major restructuring in the Value Home segment in the third quarter. The decision was taken after a thorough review of the entire Group, which identified a number of operations where we do not see a clear path back to profitability, or which made the Group more complex without enabling scalability.

By divesting our German operations, AH-Trading, and our Danish operations, My Home, and closing a large share of the physical stores in other parts of our Value Home segment, we are laying a foundation for an efficient organisation over the long term and for profitable growth. The financial effects of the programme for the first nine months of the year include a pro-forma improvement in EBIT of SEK 59 million (see table on page 7) and a reduction in fixed costs of SEK 276 million. In line with our strategy, we are continuing to review all three segments in order to become more cost-effective and to consolidate into fewer platforms that will be competitive in the long term.

The market remained challenging in the third quarter. Nevertheless, our assessment is that we are continuing to gain market shares. Inflation and higher interest rates mean that household disposable income is lower than it was a year ago, and the prevailing economic uncertainty is affecting our customers. There is also still an element of "Corona rebalancing" at play, with customers prioritising consumption in the form of dining at restaurants and travel over their homes. We are therefore continuing to adapt the operation for what we believe will be a challenging last quarter of 2023 and 2024. We now expect the consumer market to remain challenging for a longer period than we originally thought at the beginning of the year.

In addition to structural measures to simplify and streamline our operations, we have continued to cut costs, reduce our inventory and strengthen our balance sheet. The previously announced cost savings of SEK 150-200 million are continuing according to plan, and in the third quarter, we reduced our fixed costs compared to the same period last year. Reducing our inventory is the single most important measure to improve cash flow and strengthen the balance sheet in the short term. We reduced our inventory by SEK 222 million in the third quarter (excluding the effect of divested operations), which means that we have reduced our inventory by SEK 731 million so far this year (excluding the effect of divested operations). Looking ahead, we see continued opportunities to further reduce our inventory.

Through a strong cash flow and mainly through the sale of 20.1% of our subsidiary Furniture1, which was completed in the third quarter, we have reduced our net debt by SEK 312 million and total interest-bearing liabilities by SEK 1.0 billion to date this year, primarily through a reduction of our acquisition-related liabilities by SEK 884 million, down to SEK 370 million.

While also taking major steps to simplify our structure and improve our cost base, we are actively implementing numerous measures to maximise our sales and margins, such as price communication, strategic pricing and internationalisation, and focusing on improving our offering and market position. One example is our strong Nordic Nest brand in the Premium Living segment. With a clear concept focused on high-quality Scandinavian design, Nordic Nest continued to expand internationally in the third quarter. Nordic Nest demonstrates that with the right platform and strong brands, we can grow profitably and internationally from a strong Nordic base.

To sum up, our financial focus in 2023 has been on improving our cash flow and strengthening our balance sheet. From a structural perspective, we have simplified our structure by consolidating and divesting operations where we do not see the potential for profitable growth, thereby building a stronger organisation and laying the foundation for a business that will remain cost-efficient and scalable going forward. This has been a necessary condition for the aggressive investments we have made in various areas, such as a geographic expansion from our Nordic base and development of tech platforms. With the measures that have been implemented and planned, our assessment is that we have extremely good prospects for returning BHG to the profitability and cash flow we delivered in the years before the pandemic, as a first step.

Our assessment is also that the migration from brick-and-mortar to online shopping will continue in all of our categories and in all segments. In a difficult market, we are strengthening our business both structurally and financially. When the market recovers, we will be well positioned.

In conclusion, I would like to thank our customers for their trust, our colleagues for their hard work and our 12,700 shareholders, and assure you that we will continue to work hard and decisively to ensure that BHG emerges from this challenging environment even stronger than before.

Malmö, 26 October 2023

Gustaf Öhrn,
President and CEO, BHG Group

We make living easy!

We offer a broad array of products and services in our three segments: Home Improvement, Value Home, and Premium Living.

The business model is based on building blocks such as the broadest product range in the market, competitive prices, a first-class online customer experience, the market's best professional service and support, and cost efficiency.

Sustainability

Sustainability is a long-term strategic focus area in order to accelerate the organisation's capabilities and drive a sustainable offering. By combining the UN Sustainable Development Goals (SDGs) with our materiality pyramid from 2020, we designed the following three overall targets:

Reducing CO_2 emissions by 50% by 2030*

An equitable workplace and sustainable supply chain

Corporate governance and economic growth

2,000
employees

We put the customer first

With the customer as a starting point, we can anticipate wishes, needs and communication preferences. This is the basis for how our destinations and business units build long-lasting relationships with their customer groups.

Nordic home markets

Our presence in continental Europe

>1.9
million products

100+
online destinations

Home Improvement

bygghemma.se

Value Home

trademax.se

Premium Living

NORDIC NEST

Svenssons i Lammhult

Condensed consolidated information

SEKm (if not otherwise stated)	Jul-Sep 2023	Jul-Sep 2022	Δ%	Jan-Sep 2023	Jan-Sep 2022	Δ%	Jan-Dec 2022
Net sales	2,861.9	3,106.7	-7.9	8,961.4	10,125.7	-11.5	13,433.6
Gross profit	667.7	371.4	79.8	2,207.2	2,188.8	0.8	2,981.1
Gross margin (%)	23.3	12.0	11.4 p.p.	24.6	21.6	3.0 p.p.	22.2
Adjusted gross profit*	687.2	746.0	-7.9	2,226.7	2,563.4	-13.1	3,368.4
Adjusted gross margin (%)	24.0	24.0	0.0 p.p.	24.8	25.3	-0.5 p.p.	25.1
Adjusted EBITDA*	139.1	162.9	-14.6	424.8	664.5	-36.1	813.8
Adjusted EBITDA margin (%)	4.9	5.2	-0.4 p.p.	4.7	6.6	-1.8 p.p.	6.1
Adjusted EBIT*	12.5	47.8	-73.8	42.0	344.2	-87.8	374.9
Adjusted EBIT margin (%)	0.4	1.5	-1.1 p.p.	0.5	3.4	-2.9 p.p.	2.8
Items affecting comparability	-1,287.1	-384.1	235.1	-1,297.3	-409.0	217.2	-449.7
Operating income	-1,299.3	-361.5	259.5	-1,330.6	-140.1	849.6	-183.9
Operating margin (%)	-45.4	-11.6	-33.8 p.p.	-14.8	-1.4	-13.5 p.p.	-1.4
Net profit for the period	-1,300.2	-83.8	1452.4	-1,393.1	220.9	-730.5	45.7
Cash flow from operating activites	223.7	-133.0	n/a	1,201.3	-173.1	n/a	-105.6
Visits (thousands)	74,041	80,185	-7.7	236,234	272,938	-13.4	365,076
Orders (thousands)	1,103	1,117	-1.2	3,339	3,510	-4.9	5,033
Conversion rate (%)	1.5	1.4	0.1 p.p.	1.4	1.3	0.1 p.p.	1.4
Average order value (SEK)	2,639	2,815	-6.2	2,727	2,939	-7.2	2,695

* Refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" on page 35 of this report for a more detailed description.

COMMENTS ON THE RESULT FOR THE PERIOD

Third quarter of the year

The third quarter of the year was characterised by a continued challenging market, with a clear slowdown in demand towards the end of the quarter. We continued to see a trend of weak underlying demand in several product categories, particularly capital-intensive categories. In a weak market, we successfully reduced our fixed costs and continued to reduce our inventory during the quarter, and we remain ahead of our original inventory reduction plan.

- The Group's net sales amounted to SEK 2,861.9 million (3,106.7) for the quarter. Total growth amounted to -7.9%, pro-forma organic to -7.5% and organic growth to -7.5%.
- Adjusted EBIT amounted to SEK 12.5 million (47.8) for the quarter, corresponding to an adjusted EBIT margin of 0.4% (1.5).
- We reduced our inventory by a further SEK 222.0 million during the third quarter (excluding the effect of divested operations).
- Cash flow from operating activities improved significantly to SEK 223.7 million (-133.0) during the quarter, mainly driven by a positive development in working capital.
- Interest-bearing liabilities amounted to SEK 3,126,8 million by the end of the quarter, a reduction of SEK 1,014,3 million since the end of last year.

Structural measures to reduce costs and increase competitiveness

Given the challenging market that we have experienced in recent quarters and that we expect to continue for the rest of this year and next, we have taken several decisive measures in line with our strategy in order to streamline our cost base and build a stronger and more competitive business going forward.

Our strategic ambition is to consolidate our companies into a smaller number of larger platforms and thereby achieve economies of scale and simplify our structure, and to divest businesses where we do not see the potential for profitable growth in the future.

During the third quarter, we continued to implement our strategy by divesting our German operations, AH-Trading, and our Danish operations, My Home, and closing a large share of the physical stores in other parts of our Value Home segment. For the first nine months of the year, these structural measures will result in a pro-forma improvement in EBIT of SEK 59.0 million and a reduction in fixed costs of SEK 275.9 million, attributable to selling, general and administrative expenses and amortisation of lease assets.

AH-Trading was acquired during the pandemic, and in retrospect we can see that the decline in the company's product margins from their peak during the pandemic was larger than the decline noted in our comparable Nordic operations. The conditions for achieving the sustainable profitability required for AH-Trading's business model have thus deteriorated, and our assessment is that the company would be a burden on the Group's profitability going forward.

After the sale of AH-Trading, BHG will still have significant sales in Germany from its Nordic base. During the third quarter, BHG's sales in Germany (excluding AH-Trading) amounted to SEK 64.2 million.

My Home's business model is mainly based on offline retail through 22 physical stores and a smaller share of online sales. Given My Home's overall cost structure and business model and BHG's strategic prioritisation of the online business, the Group's assessment is that My Home is not a good fit with the Group's strategy and will be a burden on the Group's profitability going forward.

The closure of several physical stores in other parts of our Value Home segment took place after an evaluation of the current profitability and future potential of all of the stores. By closing the stores, we significantly reduced our fixed costs, thereby reducing our risk. We will continue to have a physical store presence when it strengthens our offering, our brands and our business.

Going forward, we will continue to implement our strategy to consolidate our companies into a smaller number of larger platforms and thereby achieve economies of scale and simplify our structure, but mainly by consolidating smaller businesses into larger platforms within our three segments.

Financial impact of restructuring programme

	Jul-Sep 2023			Jan-Sep 2023			Jan-Dec 2022		
SEKm	Reported	Adj. divested comp.*	Reported excl. divested comp.*	Reported	Adj. divested comp.*	Reported excl. divested comp.*	Reported	Adj. divested comp.*	Reported excl. divested comp.*
Net sales	2,861.9	-304.1	2,557.7	8,961.4	-997.4	7,964.0	13,433.6	-1,309.6	12,124.0
Adjusted gross profit	687.2	-92.9	594.3	2,226.7	-298.6	1,928.1	3,368.4	-422.5	2,945.9
Adjusted gross margin (%)	24.0	30.5	23.2	24.8	29.9	24.2	25.1	32.3	24.3
Adjusted EBITDA	139.1	-5.7	133.4	424.8	-30.0	394.8	813.8	-50.0	763.8
Adjusted EBITDA margin (%)	4.9	1.9	5.2	4.7	3.0	5.0	6.1	3.8	6.3
Adjusted EBIT	12.5	22.9	35.4	42.0	59.0	101.0	374.9	59.3	434.3
Adjusted EBIT margin (%)	0.4	-7.5	1.4	0.5	-5.9	1.3	2.8	-4.5	3.6
Adjusted EBITDA ex. IFRS 16	43.0	20.6	63.6	137.6	49.9	187.4	493.0	44.2	537.3
Adjusted EBITDA margin ex. IFRS 16 (%)	1.5	-6.8	2.5	1.5	-5.0	2.4	3.7	-3.4	4.4

* Definition on page 43.

Operational measures to improve profitability

In addition to strengthening the business through structural changes, we are taking numerous operational measures to improve our profitability.

Our previously announced gross savings of SEK 150-200 million is continuing according to plan. During the quarter, we reduced our personnel costs by SEK 26.4 million and SEK 56.2 million year to date (adjusted for currency effects) compared with the same period last year.

We have also continued to improve the efficiency of our inventory handling during the third quarter, and we are seeing a positive development in the form of lower costs, primarily as we reduce our inventory. During the quarter we have, through efficiency improvements, reduced inventory handling costs by SEK 15.9 million and SEK 38.0 million year to date (adjusted for currency effects) compared to the same period last year. In total personnel cost and inventory handling cost savings amount to SEK 94.3 million (adjusted for currency effects) so far this year compared to last year.

Moreover, we are continuously working to strengthen our margins by adjusting our shipping revenue from customers to compensate for inflationary pressure on last-mile costs and through price communication and strategic pricing.

Measures to improve cash flow and strengthen the balance sheet

The single most important measure taken this year to improve our cash flow and strengthen our balance sheet was to reduce our inventory. Systematic work and clearly defined goals at the subsidiary level enabled us to reduce our inventory by a further SEK 222.0 million during the third quarter (excluding the effect of divested operations). We have reduced our inventory level every quarter since mid-2022. Overall, we have thus reduced our inventory by SEK 731.1 million so far this year (excluding the effect of divested operations) and by SEK 952.8 million over the last four quarters (excluding the effect of divested operations). The pace of inventory reduction so far this year has been faster than our original plan. Our assessment is that we will be able to further reduce our inventory going forward, but not as fast as in previous quarters. If we look beyond 2023, we see the potential to reduce our inventory further.

In addition to significantly improving our cash flow during the quarter, primarily by reducing inventory, we have taken additional measures to strengthen our balance sheet. As we previously announced, we completed the divestment of 20.1% of our subsidiary Furniture1 to its founder in July. The founder refrained from exercising his put option on BHG as part of the transaction. BHG's obligations related to the put option have now been terminated since the founder of Furniture1 is refraining from exercising it. The transaction significantly reduced BHG's acquisition-related liabilities and eliminated the risk of a future cash flow effect of EUR 40 million, equivalent to SEK 439.5 million. In addition, our acquisition-related liabilities were reduced by a further SEK 83.0 million through the divestment of AH-Trading. Combined, this means that we have reduced our acquisition-related liabilities by SEK 522.5 million as a result of the two transactions. Acquisition-related liabilities amounted to SEK 369.8 million at the end of the quarter, down SEK 884.4 million since year-end.

The divestments of AH-Trading and My Home also reduced our lease liabilities by SEK 71.5 million during the quarter.

Total interest-bearing liabilities at the end of the quarter amounted to SEK 3,126.8 million, SEK 1,014.3 million lower than at the beginning of the year.

The market

The third quarter was characterised by a continued challenging market. The quarter started on a relatively strong note, but demand weakened towards the end of the quarter. We are continuing to experience a weak market, primarily in our capital-intensive product categories, due to factors such as lower disposable income among consumers as well as fewer transactions in the housing market and therefore a weaker renovation market. This picture is confirmed by for example E-handelsindikatorn from Swedish Commerce (Sw: Svensk Handel) which shows that online sales in Sweden during the first 9 months of the year has fallen 46% for furniture compared to the same period last year, building materials has fallen 9% and home decoration has fallen 8%.

Available market data indicates that Sweden and Denmark performed worse than the other Nordic markets.

Our assessment is that the online market in our product categories is smaller than in the same period last year, but larger than before the outbreak of the pandemic. At the same time, our assessment is that we performed better than the market as a whole, thereby gaining market share.

Outlook

With the third quarter behind us, the outlook for the consumer market remains uncertain. While we expect there to be less uncertainty concerning interest rate hikes and inflation going forward, the impact of these developments has left consumers with less money in their wallets than at this time last year. Combined with the uncertainty about a potential increase in unemployment and growing geopolitical concerns, this means that our overall outlook remains unchanged: we expect the rest of 2023 and 2024 to be challenging. However, we now expect the consumer market to remain challenging for a longer period than we originally thought when we announced our outlook at the beginning of the year.

High inventory levels in the market and continued weaker demand in some of our product categories have resulted in price pressure, and we expect this to continue until the inventory situation is normalised through reduced purchase volumes and inventories. We have already seen a significant decline in shipping costs for the part of the range purchased from Asia, and the Shanghai Containerized Freight Index is down significantly compared with a year ago. We are also seeing less pressure on production capacity, resulting in declining prices, as market players adjust their purchase volumes downward.

The difficult market situation will also present opportunities. As competitors are weakened, shut down or leave product categories – as we have seen in the past quarter, for example – BHG will be able to advance its leading position.

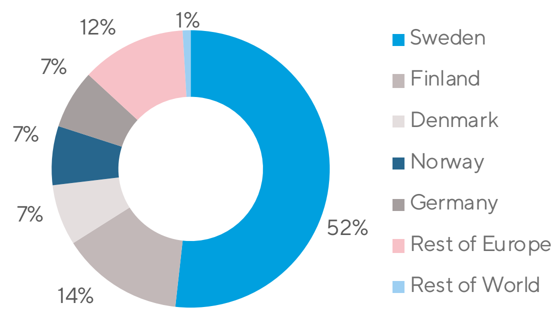
Our assessment is that the fundamental structural trends that have driven BHG's growth journey are continuing. We believe that the migration from brick-and-mortar to online shopping will continue in our categories for the foreseeable future, while at the same time interest in the home and thus in our categories continues to grow. For further information, refer to the Group's medium-term financial targets (page 11).

Acquisitions

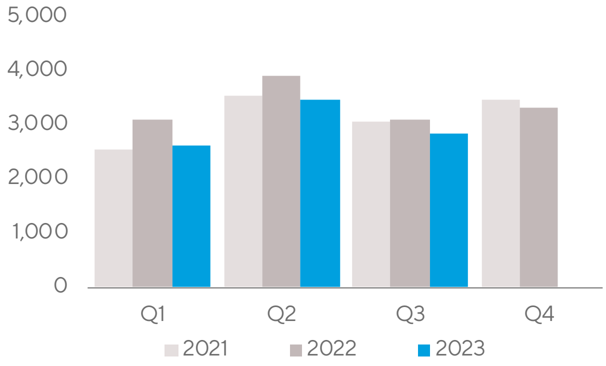
Acquisitions have been a core part of BHG's business model and success since the start and will remain an important part of the Group's development in the future. The rate of activity is lower due to the current market conditions, and acquisitions are currently not our primary focus.

Nonetheless, we are continuing to evaluate potential acquisition candidates and partnerships so that, when we are ready, we will be able to make bolt-on acquisitions that strengthen our offering in the Group's core areas.

Distribution of net sales by country (%), Jul-Sep 2023



Net sales (SEKm)



Net sales

The net sales trend in the third quarter was impacted by a continued challenging market. At the same time, our initiatives to achieve geographic expansion outside our companies' home markets are progressing well.

The gardening category, which is a major category in the third quarter, continued to display a positive trend and performed better than the Group as a whole. Capital-intensive categories such as floors, doors, windows and bathrooms, on the other hand, delivered a weaker performance.

Sales in the Nordic region were weaker than in other geographies, primarily driven by the Swedish market. Sales outside the Nordic region improved during the quarter, and now represent 20% of sales, compared with 16% in the same period last year. In recent quarters, several of our sites have succeeded in efficiently expanding their offerings outside their Nordic home markets, while also maintaining profitability.

Net sales decreased -7.9% to SEK 2,861.9 million (3,106.7) for the quarter and -11.5% to SEK 8,961.4 million (10,125.7) for the first nine months of the year. Organic growth was -7.5% for the quarter and -11.2% for the first nine months of the year, while pro-forma organic growth was -7.5% for the quarter and -11.2% for the first nine months of the year.

Net sales for the Home Improvement segment decreased -13.7% to SEK 1,420.1 million (1,646.5) for the quarter and -16.3% to SEK 4,382.9 million (5,234.8) for the first nine months of the year. Organic growth was -12.9% for the quarter and -15.5% for the first nine months of the year, while pro-forma organic growth was -12.9% for the quarter and -15.5% for the first nine months of the year.

Net sales for the Value Home segment decreased -4.6% to SEK 1,004.0 million (1,052.1) for the quarter and -9.9% to SEK 3,228.4 million (3,583.1) for the first nine months of the year. Organic growth was -4.4% for the quarter and -8.8% for the first nine months of the year, while pro-forma organic growth was -4.4% for the quarter and -8.6% for the first nine months of the year.

Net sales for the Premium Living segment increased 6.1% to SEK 452.0 million (426.1) for the quarter and decreased -1.9% to SEK 1,418.5 million (1,446.3) for the first half of the year. Organic growth was 6.1% for the quarter and -1.9% for the first nine months of the year, while pro-forma organic growth was 6.1% for the quarter and -1.9% for the first nine months of the year.

Gross margin

The adjusted product margin amounted to 37.3% (37.3) for the quarter and 37.8% (38.1) for the first nine months of the year. The adjusted gross margin (that is, the margin after deductions for direct selling expenses, such as logistics, fulfilment, etc.) amounted to 24.0% (24.0) for the quarter and 24.8% (25.3) for the first nine months of the year.

- The product margin in the quarter has been impacted by price pressure from high campaign activity in the market. The margin pressure has been mitigated by higher shipping revenues from customers and positive mix effects.
- Fulfillment costs have been improved as a result of cost initiatives and rationalisation of warehouse staff as well as a decrease in warehouses following a sharp reduction in inventory. However, last-mile costs increased during the quarter compared with the same period last year, primarily driven by inflation-driven cost increases among suppliers. These were partially but not fully offset by higher shipping revenue from customers.

The Group carefully monitors the development of average order value (AOV) and focuses particularly on ensuring that the AOV for bulky products, which are sent on pallets, remains high. The AOV for Home Improvement was lower in the third quarter, driven by mix effects as a result of declining sales in capital-intensive product categories such as doors and windows. The AOV was also slightly lower for Premium Living, as a result of mix effects, but higher for Value Home.

SG&A

Selling, general and administrative expenses (SG&A, defined as total personnel costs and other external costs adjusted for items affecting comparability) amounted to SEK 550.0 million (585.5) for the quarter, corresponding to 19.2% (18.8) of net sales, and to SEK 1,807.1 million (1,911.4) for the first nine months of the year, corresponding to 20.2% (18.9) of net sales.

Previously announced cost cuts equivalent to SEK 150–200 million, which will partially affect SG&A, proceeded according to plan. Personnel costs decreased by SEK 19.3 million compared to last year. In total, SG&A was negatively impacted by a negative currency effect of SEK 19.9 million during the quarter, of which SEK 7.2 million affected personnel costs. Adjusted for effects from currency, personnel costs decreased by SEK 26.4 million for the quarter year-over-year, although the implemented cost cuts have not yet had their full impact and despite inflation-driven cost increases primarily of salaries and rents. So far this year personnel costs have been reduced by SEK 56.2 million (adjusted for currency effects) compared to last year.

The reduction in SG&A for the quarter compared with the previous year is also attributable to lower costs for online marketing. These lower costs are in turn attributable to more effective marketing strategies and lower sales.

Given the uncertainty regarding future demand, we are continuing to identify additional cost-saving measures.

Earnings

The Group's adjusted EBIT amounted to SEK 12.5 million (47.8) for the quarter and SEK 42.0 million (344.2) for the first nine months of the year, corresponding to an adjusted EBIT margin of 0.4% (1.5) and 0.5% (3.4), respectively. Amortisation of tangible and intangible assets amounted to SEK 126.6 million (115.1) for the quarter, of which SEK 89.5 million (79.5) pertained to amortisation of lease assets and SEK 382.9 million (320.2) for the first nine months of the year, of which SEK 269.8 million (222.0) pertained to amortisation of lease assets.

The Group's operating income amounted to SEK -1,299.3 million (-361.5) for the quarter, corresponding to an operating margin of -45.4% (-11.6), and SEK -1,330.6 million (-140.1) for the first nine months of the year, corresponding to an operating margin of -14.8% (-1.4).

Items affecting comparability amounted to SEK -1,287.1 million (-384.1) for the quarter and SEK -1,297.3 million (-409.0) for the first nine months of the year. These items mainly pertain to costs for the restructuring programme launched in the Value Home segment.

Amortisation and impairment of acquisition-related intangible assets amounted to SEK 24.7 million (25.2) for the quarter and SEK 75.3 million (75.4) for the first nine months of the year. Amortisation pertained to identified surplus values related to customer relationships and customer databases in acquired companies. No impairment of goodwill or other assets, except from impairment of leased assets included in items affecting comparability, was identified during the period.

The Group's net financial items amounted to SEK -68.1 million (185.7) for the quarter and pertained to interest expenses amounting to SEK -54.0 million (-24.0) for the quarter, of which SEK -6.0 million (-5.2) are related to lease liabilities in accordance with IFRS 16. The Group's net financial items amounted to SEK -153.6 million (302.1) for the first nine months of the year, which included reassessed earn-outs of SEK +2.5 million (380). Interest expenses amounted to SEK -138.4 million (-62.0), of which SEK -19.1 million (-15.1) pertained to lease liabilities in accordance with IFRS 16.

The Group reported a loss before tax of SEK -1,367.4 million (-175.8) for the quarter and a loss before tax of SEK -1,484.2 million (profit: 162.0) for the first nine months of the year. The Group reported a net loss of SEK -1,300.2 million (-83.8) for the quarter and a net loss of SEK -1,393.1 million (profit: 220.9) for the first nine months of the year. The effective tax rate was -4.9% (-52.4), corresponding to SEK 67.2 million (92.0) for the quarter, and SEK -6.1% (36.4), corresponding to SEK 91.1 million (58.9) for the first nine months of the year.

Currency effects

The Group does not hedge currency exposure, except for Hafa Brand Group (formerly Hafa Bathroom Group), which was acquired in the second quarter of 2021.

Exchange-rate fluctuations had some positive impact on operating income for the quarter.

Cash flow and financial position

Cash flow from operating activities was SEK 223.7 million (-133.0) for the quarter and SEK 1,201.3 million (-173.1) for the first nine months of the year, primarily driven by a positive effect from changes in working capital. The trend in working capital is in turn primarily a result of decreasing inventory levels in the period.

Cash conversion (cash flow from operating activities in relation to adjusted EBITDA) was 137.0 % (-90.0) for the quarter and 275.6% (-17.7) for the first nine months of the year.

The Group's cash flow to investing activities amounted to SEK -374.1 million (-83.3) for the quarter and SEK -608.4 million (-396.7) for the first nine months of the year. During the period, this was mainly attributable to disbursements for contingent considerations related to acquisitions in previous periods as well as IT investments related to technology platforms.

Cash flow to and from financing activities amounted to SEK -116.5 million (392.9) for the quarter and SEK -296.9 million (990.3) for the first nine months of the year, and was primarily attributable to amortisation of lease liabilities and interest payments.

The Group's cash and cash equivalents at the end of the reporting period, compared with the beginning of the year, amounted to SEK 768.5 million (477.6).

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 1,231.5 million at the end of the period, compared with SEK 1,543.4 million at the beginning of the year, corresponding to net debt in relation to pro-forma adjusted EBITDAaL, LTM (see definition on page 46) of 4.28x, which is outside the range of the Group's medium-term capital structure target.

Work to improve profitability and cash flow continues with the aim to return to the profitability and cash flow that BHG delivered in the years before the pandemic, as a first step.

The Group's unutilised credit facilities amounted to SEK 1,300.0 million at the end of the period, compared with SEK 1,300.0 million at the beginning of the year.

FINANCIAL TARGETS

Net sales

The Group's objective is to achieve net sales of SEK 20 billion over the medium term, including acquisitions. The target of SEK 20 billion in net sales is to be achieved by combining organic growth at least in line with the market, which is expected to grow by approximately 15% per year over a business cycle, with acquisitions, which are expected to add 5-10 percentage points of growth per year. The combination of organic and inorganic initiatives is expected to translate into growth in the range of 20–25% per year.

Profitability

The Group intends to continue conducting its operations in such a manner that growth goes hand in hand with healthy profitability. The profitability target is to achieve an adjusted EBIT margin of at least 7%.

Capital structure

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

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.

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Hafa

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NORDIC NEST

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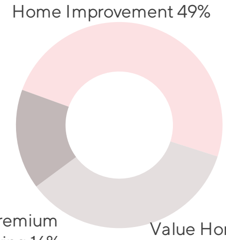
Home Improvement

"Demand in the Home Improvement segment remained weak in all geographic markets. Our companies are continuing their transformation journey with the aim of achieving a lower cost base, lower inventory levels and increased efficiency in line with the current strategy. At the same time, our offering is evolving in an effort to better meet current demand, with a focus on greater depth in categories with lower price points, an increased focus on energy-efficient products, and investments in IT infrastructure in order to better serve customers. We are increasing our competitiveness and strengthening our position as more players disappear from the market," says Mikael Hagman, Vice President and Head of the Home Improvement segment.

- Net sales decreased -13.7% to SEK 1,420.1 million (1,646.5) for the quarter and -16.3% to SEK 4,382.9 million (5,234.8) for the first nine months of the year. Demand was especially weak in the Swedish market. Capital-intensive categories such as bathrooms, windows and doors delivered the relatively weakest performance.
- Organic growth was -12.9% for the quarter and -15.5% for the first nine months of the year, while pro-forma organic growth was -12.9% for the quarter and -15.5% for the first nine months of the year.
- The adjusted gross margin amounted to 20.8% (21.3) for the quarter and 20.9% (21.7) for the first nine months of the year.
- Adjusted EBIT amounted to SEK 27.3 million (57.4) for the quarter and SEK 41.4 million (200.5) for the first nine months of the year, corresponding to an adjusted EBIT margin of 1.9% (3.5) and 0.9% (3.8), respectively. The EBIT margin was positively impacted by lower fulfilment costs but negatively impacted by inflation-driven increases in last-mile costs, which have not been fully offset by higher shipping revenue from customers, as well as a loss of sales since fixed costs have not yet been fully adapted to the current demand situation.

Net sales by segment, Jul-Sep 2023



	Jul-Sep			Jan-Sep			Jan-Dec
SEKm (if not otherwise stated)	2023	2022	Δ%	2023	2022	Δ%	2022
Net sales	1,420.1	1,646.5	-13.7	4,382.9	5,234.8	-16.3	6,856.3
Gross profit	289.2	220.1	31.4	912.2	1,002.2	-9.0	1,387.0
Gross margin (%)	20.4	13.4	7.0 p.p.	20.8	19.1	1.7 p.p.	20.2
Adjusted gross profit	294.9	351.5	-16.1	918.0	1,133.5	-19.0	1,521.1
Adjusted gross margin (%)	20.8	21.3	-0.6 p.p.	20.9	21.7	-0.7 p.p.	22.2
Adjusted EBITDA	74.3	99.8	-25.6	178.0	316.5	-43.8	434.1
Adjusted EBITDA margin (%)	5.2	6.1	-0.8 p.p.	4.1	6.0	-2.0 p.p.	6.3
Adjusted EBIT	27.3	57.4	-52.5	41.4	200.5	-79.4	276.1
Adjusted EBIT margin (%)	1.9	3.5	-1.6 p.p.	0.9	3.8	-2.9 p.p.	4.0
Items affecting comparability	-13.6	-131.4	-89.6	-15.5	-133.4	-88.4	-148.3
Operating income	-0.7	-88.3	-99.2	-17.2	23.9	-172.0	67.1
Operating margin (%)	-0.1	-5.4	5.3 p.p.	-0.4	0.5	-0.9 p.p.	1.0
Net profit for the period	-18.2	110.7	-116.4	-79.6	312.4	-125.5	133.3
Visits (thousands)	24,635	31,183	-21.0	81,011	99,804	-18.8	128,523
Orders (thousands)	533	546	-2.4	1,578	1,665	-5.3	2,256
Conversion rate (%)	2.2	1.8	0.4 p.p.	1.9	1.7	0.3 p.p.	1.8
Average order value (SEK)	2,695	3,018	-10.7	2,803	3,210	-12.7	3,020

COMMENTS ON THE HOME IMPROVEMENT SEGMENT

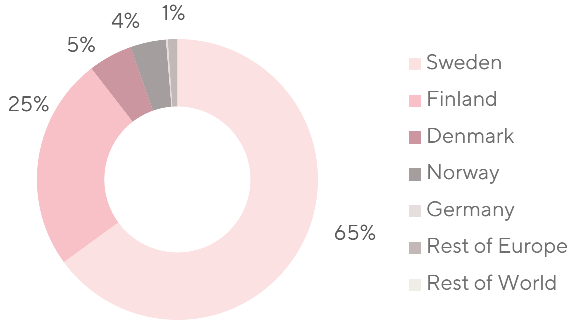
The Home Improvement segment accounted for 49% of the Group's total net sales for the quarter and 49% for the first nine months of the year. Home Improvement operates almost exclusively in the Nordic market, and it is mainly based on a drop shipping model with a low level of tied-up capital, with a broad product range and price matching. Sweden is its largest market, making up approximately two thirds of the segment's sales in the third quarter.

The leading brand in the segment is Bygghemma. Other brands in the segment include Netrauta, Hylte Jakt & Lantman, Hafa, Polarpumpen, Golvpoolen, Vitvaruexperten and Nordiska Fönster.

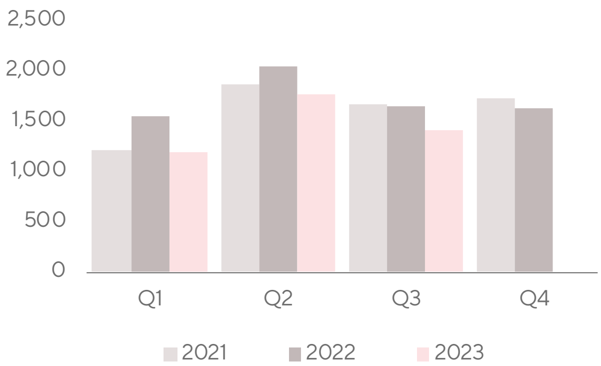
The focus is on:

- Grouping the segment's operations around a smaller number of business units with shared technology platforms, warehouses and organisation in order to maintain a competitive cost structure. We are currently investing in Bygghemma's technology platform in order to enable future consolidations and to improve the customer experience.
- Streamlining purchasing processes, increasing the share of sales from proprietary brands, which generally have higher margins, and broadening the range of additional services.
- Fully leveraging the product range through all relevant sales channels, an initiative supported by the Group's proprietary system for exchanging product information, and continuing to drive geographic expansion for the operations with strong positions in their home markets.

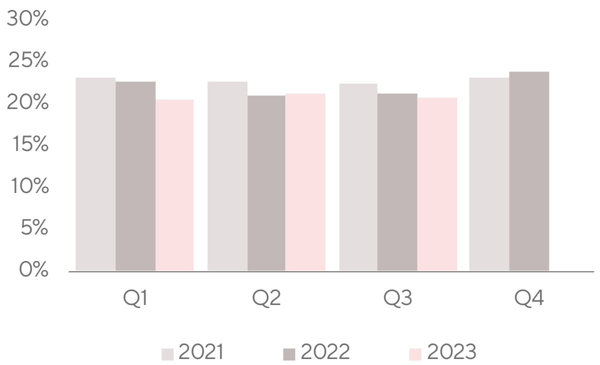
Distribution of net sales by country (%), Jul-Sep 2023



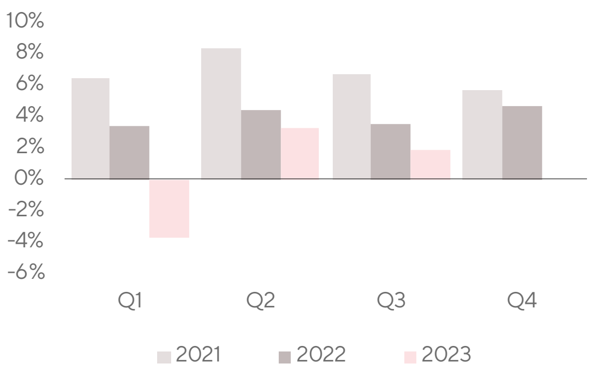
Net sales (SEKm)



Adjusted gross margin (%)



Adjusted EBIT margin (%)

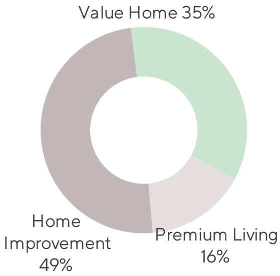


Value Home

"During the third quarter, we focused on designing and partly implementing the structural changes announced on 29 September. We faced headwinds during the period, particularly in our two largest markets of Sweden and Norway, but we also saw positive signals from our newly opened sales channels in new geographies and marketplaces. Our AOV was higher than in the preceding year and we saw a positive trend in our conversion rates. However, our weak performance in terms of traffic had a significant impact on our total sales in the segment, which decreased approximately -5% year-over-year. Our ambition to drastically reduce our inventory levels continued as planned, and our focus in the segment will now shift to increased profitability. During the period, we worked actively to reduce our fixed costs in order to offset our lower volumes," says Christian Eriksson, Head of the Value Home segment.

- Net sales decreased -4.6% to SEK 1,004.0 (1,052.1) for the quarter and -9.9% to SEK 3,228.4 million (3,583.1) for the first nine months of the year. The Nordic market has been especially challenging.
- The segment's organic growth was -4.4% for the quarter and -8.8% for the first nine months of the year, while pro-forma organic growth was -4.4% for the quarter and -8.6% for the first nine months of the year.
- The adjusted gross margin amounted to 29.5% (28.1) for the quarter and 30.4% (30.3) for the first nine months of the year.
- Adjusted EBIT amounted to SEK -3.6 million (-7.8) for the quarter and SEK 27.9 million (114.4) for the first nine months of the year, corresponding to an adjusted EBIT margin of -0.4% (-0.7) and 0.9% (3.2), respectively. The EBIT margin was strengthened by an improved gross margin which was primarily due to a higher product margin as well as the impact of our savings initiatives for fulfilment costs, but it was weakened by slightly higher marketing costs during the quarter.

Net sales by segment, Jul-Sep 2023



	Jul-Sep			Jan-Sep			Jan-Dec
SEKm (if not otherwise stated)	2023	2022	Δ%	2023	2022	Δ%	2022
Net sales	1,004.0	1,052.1	-4.6	3,228.4	3,583.1	-9.9	4,558.7
Gross profit	282.5	63.7	343.6	967.6	855.6	13.1	1,113.4
Gross margin (%)	28.1	6.1	22.1 p.p.	30.0	23.9	6.1 p.p.	24.4
Adjusted gross profit	296.2	295.4	0.3	981.4	1,087.3	-9.7	1,355.1
Adjusted gross margin (%)	29.5	28.1	1.4 p.p.	30.4	30.3	0.1 p.p.	29.7
Adjusted EBITDA	59.3	55.4	7.1	224.1	291.0	-23.0	317.0
Adjusted EBITDA margin (%)	5.9	5.3	0.6 p.p.	6.9	8.1	-1.2 p.p.	7.0
Adjusted EBIT	-3.6	-7.8	-54.2	27.9	114.4	-75.6	76.0
Adjusted EBIT margin (%)	-0.4	-0.7	0.4 p.p.	0.9	3.2	-2.3 p.p.	1.7
Items affecting comparability	-1,269.8	-232.7	445.7	-1,268.0	-234.1	441.7	-250.1
Operating income	-1,278.0	-245.6	420.4	-1,255.2	-134.9	830.8	-199.8
Operating margin (%)	-127.3	-23.3	-103.9 p.p.	-38.9	-3.8	-35.1 p.p.	-4.4
Net profit for the period	-1,244.5	-176.8	603.9	-1,257.8	-15.9	7787.1	-46.7
Visits (thousands)	30,654	32,952	-7.0	97,263	123,412	-21.2	155,953
Orders (thousands)	244	273	-10.5	760	880	-13.6	1,163
Conversion rate (%)	0.8	0.8	0.0 p.p.	0.8	0.7	0.1 p.p.	0.7
Average order value (SEK)	4,030	3,765	7.0	4,154	3,903	6.4	3,779

COMMENTS ON THE VALUE HOME SEGMENT

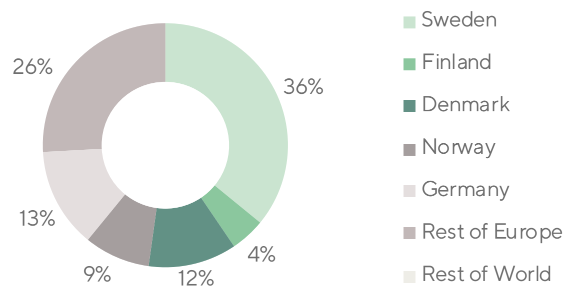
Net sales in the Value Home segment accounted for 35% of the Group's total net sales for the quarter and 36% for the first nine months of the year. Sales to customers from countries outside the Nordic region accounted for 39% of sales for the segment during the third quarter.

Value Home operates primarily in the Nordic, Eastern European and German markets. It is a value-driven model that focuses on offering competitive prices, enabled by private label products. Trademax is the leading brand in the Value Home segment. Other brands include Furniture1, Chilli.se, Furniturebox, Hemfint, Outl1.se and Lampgallerian.

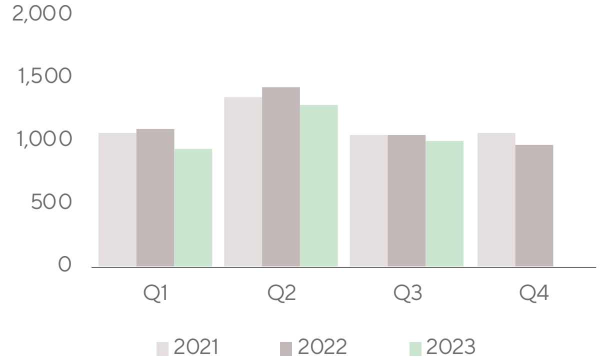
The focus continues to be on:

- Grouping the segment's operations around a smaller number of business units when it comes to technology platforms, warehouses and organisation in order to maintain a competitive cost structure.
- Opening new sales channels through geographic expansion and marketplaces.
- Upgrading technology platforms to provide an improved customer experience on the website as well as reducing ongoing development costs.

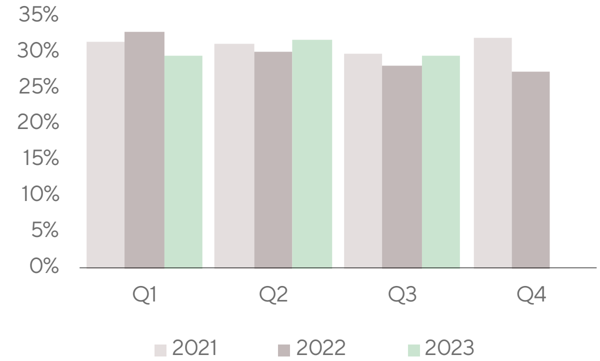
Distribution of net sales by country (%), Jul-Sep 2023



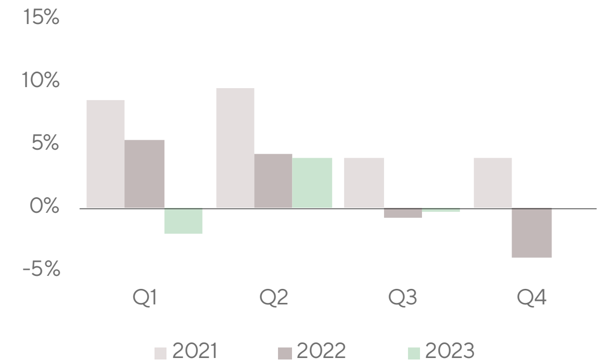
Net sales (SEKm)



Adjusted gross margin (%)



Adjusted EBIT margin (%)

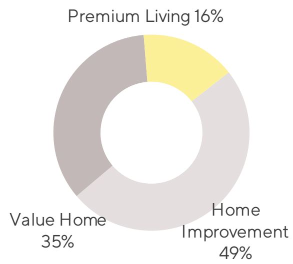


Premium Living

"We continued to see a positive sales trend in the third quarter of 2023, with year-on-year growth of 6%. Our sales in the Nordic region improved compared with the first half of the year, and our international growth outside the Nordic region remained strong. Although we had a positive sales trend, we were also negatively impacted by pressure on our gross margin during the quarter, largely due to the large competition with large promotional activity in the market. It is therefore gratifying to report that our cost efficiency improved during the period. This development confirms the success of our strategy and the impact of our efforts," says Bank Bergström, Head of the Premium Living segment.

- Net sales increased 6.1% to SEK 452.0 (426.1) for the quarter and decreased -1.9% to SEK 1,418.5 million (1,446.3) for the first nine months of the year. Markets outside the Nordic region showed strong growth of 25.3% during the quarter.
- Organic growth was 6.1% for the quarter and -1.9% for the first nine months of the year, while pro-forma organic growth was 6.1% for the quarter and -1.9% for the first nine months of the year.
- The adjusted gross margin amounted to 21.4% (23.8) for the quarter and 23.4% (24.1) for the first nine months of the year.
- Adjusted EBIT amounted to SEK 4.5 million (12.2) for the quarter and SEK 25.6 million (70.8) for the first nine months of the year, corresponding to an adjusted EBIT margin of 1.0% (2.9) and 1.8% (4.9), respectively. Profitability in the quarter improved, mainly as a result of lower fixed costs in relation to sales and lower fulfilment costs, but was negatively affected to a certain extent by lower product margins due to price pressure in the market.

Net sales by segment, Jul-Sep 2023



	Jul-Sep			Jan-Sep			Jan-Dec
SEKm (if not otherwise stated)	2023	2022	Δ%	2023	2022	Δ%	2022
Net sales	452.0	426.1	6.1	1,418.5	1,446.3	-1.9	2,172.1
Gross profit	96.7	89.7	7.8	331.6	336.3	-1.4	487.8
Gross margin (%)	21.4	21.1	0.3 p.p.	23.4	23.3	0.1 p.p.	22.5
Adjusted gross profit	96.7	101.2	-4.5	331.6	347.9	-4.7	499.4
Adjusted gross margin (%)	21.4	23.8	-2.4 p.p.	23.4	24.1	-0.7 p.p.	23.0
Adjusted EBITDA	20.7	21.2	-2.4	73.9	97.1	-24.0	119.4
Adjusted EBITDA margin (%)	4.6	5.0	-0.4 p.p.	5.2	6.7	-1.5 p.p.	5.5
Adjusted EBIT	4.5	12.2	-63.1	25.6	70.8	-63.8	81.2
Adjusted EBITmargin (%)	1.0	2.9	-1.9 p.p.	1.8	4.9	-3.1 p.p.	3.7
Items affecting comparability	-	-11.5	-100.0	0.6	-11.5	n/a	-19.6
Operating income	-1.2	-5.1	-76.0	9.0	42.0	-78.6	38.7
Operating margin (%)	-0.3	-1.2	0.9 p.p.	0.6	2.9	-2.3 p.p.	1.8
Net profit for the period	-8.7	-4.9	79.3	-5.7	31.1	-118.4	25.4
Visits (thousands)	18,752	16,050	16.8	57,960	49,723	16.6	80,600
Orders (thousands)	325	298	9.2	1,001	964	3.8	1,614
Conversion rate (%)	1.7	1.9	-0.1 p.p.	1.7	1.9	-0.2 p.p.	2.0
Average order value (SEK)	1,504	1,574	-4.5	1,523	1,592	-4.3	1,460

COMMENTS ON THE PREMIUM LIVING SEGMENT

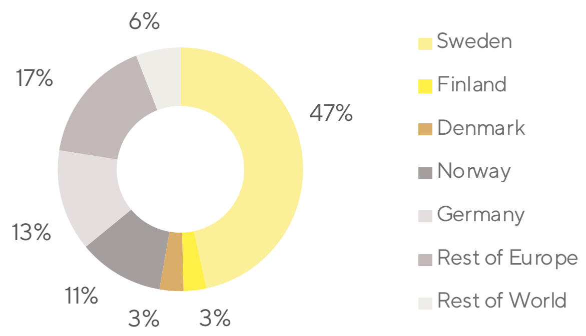
Net sales in the Premium Living segment accounted for 16% of the Group's total net sales for the quarter and 16% for the first nine months of the year.

Premium Living has a premium position that is primarily based on wholesale, which internationalises Scandinavian design in scalable way. From having almost exclusively focused on the Nordic markets until 2018, the segment has since successfully established a rapidly growing presence in the European market. Sales to customers from countries outside the Nordic region accounted for nearly 40% of sales for the segment during the third quarter. The leading brand in the segment is Nordic Nest, including Svenssons i Lammhult.

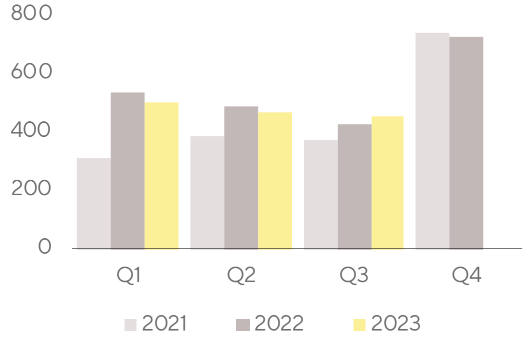
The focus continues to be on:

- Driving geographic growth for Nordic Nest
- Continuing efficiency work. Nordic Nest's warehouse automation solution, which was successfully deployed during the fourth quarter of 2022, is having an impact on the handling cost per order and the work continues.

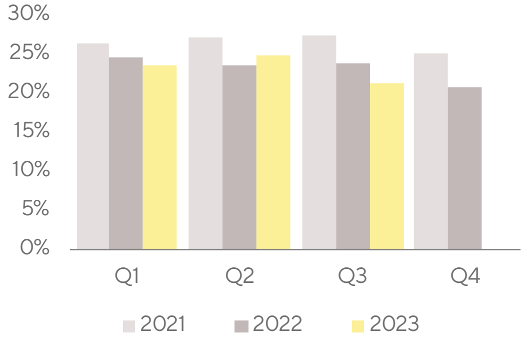
Distribution of net sales by country (%), Jul-Sep 2023



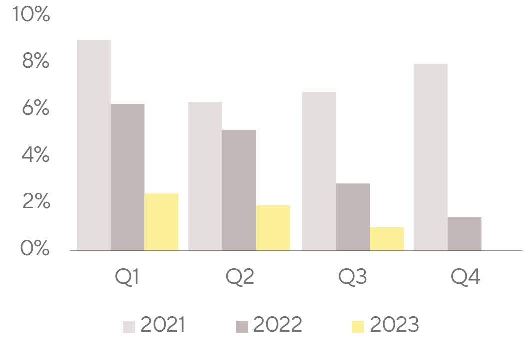
Net sales (SEKm)



Adjusted gross margin (%)



Adjusted EBIT margin (%)



Other

THE BHG SHARE

The BHG Group AB (publ) share is listed on Nasdaq Stockholm under the ticker BHG with the ISIN code SE0010948588.

The share price at the beginning of the year was SEK 18.7. On the last day of trading in the period, the share price was SEK 13.1. The highest price paid, quoted in January, was SEK 23.0, and the lowest price paid, quoted in April, was SEK 8.2.

During the period, 221,766,018 BHG shares were traded, equivalent to a turnover rate of 124%.

As of 30 September, BHG had approximately 12,700 shareholders, of which the largest were EQT (25.2%), Ferd AS (17.8%), Fidelity Investments (5.2%), Norges Bank (3.4%) and Vitruvian Partners (3.3%).

As of 30 September 2023, the number of shares issued was 179,233,563, all of which were ordinary shares.

PARENT COMPANY

The Parent Company's net sales amounted to SEK 1.7 million (1.9) for the quarter and SEK 5.7 million (5.7) for the first nine months of the year. The Parent Company posted an operating loss of SEK -18.9 million (-20.1) for the quarter and SEK -56.7 million (-65.1) for the first nine months of the year. Outstanding incentive programmes were charged to Parent Company earnings for the quarter in an amount of SEK 0.0 million (-0.5). The Parent Company's cash and cash equivalents totalled SEK 33.6 million at the end of the reporting period, compared with SEK 8.9 million at the beginning of the year.

Malmö, 26 October 2023

Gustaf Öhrn
President and CEO

BHG Group AB (publ)
Hans Michelsensgatan 9
SE-211 20 Malmö, Sweden
Corporate registration number: 559077-0763

This information is information that BHG Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 7:00 a.m. CEST on 26 October 2023.

CONTACT INFORMATION

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CONFERENCE CALL IN CONNECTION WITH PUBLICATION OF THE INTERIM REPORT

Gustaf Öhrn, President and CEO, and Jesper Flemme, CFO, will hold a conference call at 10:00 a.m. on Thursday, 26 October in connection with the publication of the interim report.
The call will be held in English. Use the following link to participate in the webcast: https://ir.financialhearings.com/bhg-q3-report-2023. There will be an opportunity to ask questions in writing at the webcast. If you wish to ask questions verbally during the conference call, please register via the following link: https://conference.financialhearings.com/teleconference/?id=5007900. Once you have registered you will receive a telephone number and conference ID to log in to the conference. There will be an opportunity to ask questions verbally at the webcast.

The presentation will be available from the Group's website:
https://www.wearebhg.com/investors/presentations/.

INTERIM REPORTS ON WWW.WEAREBHG.COM

The full interim report for the period January-September 2023 and previous interim and year-end reports are available at https://www.wearebhg.com/investors/financial-reports/.

FINANCIAL CALENDAR

26 January 2024	Year-end report January-December 2023
25 April 2024	Interim report January-March 2024
6 May 2024	Annual General Meeting
18 July 2024	Interim report January-June 2024
24 October 2024	Interim report January-September 2024

Auditor’s report

BHG Group AB, corp. reg. no. 559077-0763

INTRODUCTION
We have reviewed the condensed interim financial information (interim report) of BHG Group AB as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Malmö, 26 October 2023

Öhrlings PricewaterhouseCoopers AB

Eric Salander
Authorized Public Accountant
Auditor in charge

Vicky Johansson
Authorized Public Accountant

Condensed consolidated income statement

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	2,861.9	3,106.7	8,961.4	10,125.7	13,433.6
Other operating income	5.0	2.6	14.0	17.1	17.1
Total net sales	**2,866.9**	**3,109.3**	**8,975.5**	**10,142.8**	**13,450.7**
Cost of goods sold	-2,194.2	-2,735.3	-6,754.2	-7,936.9	-10,452.5
Personnel costs	-247.3	-264.6	-812.4	-835.5	-1,142.3
Other external costs and operating expenses	-327.1	-330.3	-1,034.1	-1,108.8	-1,480.4
Other operating expenses	-1,193.9	-0.9	-1,193.8	-6.4	-10.8
Depreciation and amortisation of tangible and intangible fixed assets	-203.7	-139.6	-511.6	-395.4	-548.5
Operating income	**-1,299.3**	**-361.5**	**-1,330.6**	**-140.1**	**-183.9**
Profit/loss from financial items	-68.1	185.7	-153.6	302.1	165.6
Profit before tax	**-1,367.4**	**-175.8**	**-1,484.2**	**162.0**	**-18.3**
Income tax	67.2	92.0	91.1	58.9	64.1
Profit for the period	**-1,300.2**	**-83.8**	**-1,393.1**	**220.9**	**45.7**
Attributable to:					
Equity holders of the parent	-1,308.8	-87.1	-1,404.9	213.7	34.1
Non-controlling interest	8.7	3.4	11.8	7.2	11.7
Net income for the period	**-1,300.2**	**-83.8**	**-1,393.1**	**220.9**	**45.7**
Earnings per share before dilution, SEK	-7.30	-0.62	-7.84	1.61	0.25
Earnings per share after dilution, SEK	-7.30	-0.62	-7.84	1.61	0.25

* The formula for earnings per share is as follows: earnings per share = net profit/loss for the period/(average number of ordinary shares outstanding + dilution effect due to outstanding warrants and share savings programmes). At the end of the period, there was a total of 8,263,660 (3,602,006) warrants and share awards under the share saving programme outstanding, of which 0 (0) had a dilution effect during the quarter and 0 (248,378) had a dilution effect during the first nine months of the year.

Condensed consolidated statement of comprehensive income

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Profit for the period	-1,300.2	-83.8	-1,393.1	220.9	45.7
Other comprehensive income					
Items that subsequently could be reclassified to profit or loss					
Translation differences for the period	-107.4	27.3	-41.4	79.5	106.4
Other comprehensive income for the period	**-107.4**	**27.3**	**-41.4**	**79.5**	**106.4**
Total comprehensive income for the period	**-1,407.6**	**-56.4**	**-1,434.4**	**300.4**	**152.1**
Total comprehensive income attributable to:					
Parent Company shareholders	-1,418.0	-60.9	-1,451.5	290.1	136.2
Non-controlling interest	10.4	4.5	17.1	10.3	15.9
Total comprehensive income for the period	**-1,407.6**	**-56.4**	**-1,434.4**	**300.4**	**152.1**
Shares outstanding at period's end	**179,233,563**	**140,209,173**	**179,233,563**	**140,209,173**	**179,233,563**
Average number of shares					
Before dilution	179,233,563	140,209,173	179,233,563	132,402,772	136,793,019
After dilution	179,233,563	140,209,173	179,233,563	132,651,149	139,979,303

* The average number of shares before and after dilution differs for the comparative period because the exercise price for one of the outstanding employee warrant programmes is less than the average share price during the first nine months of the year and the full year, respectively.

Condensed consolidated statement of financial position

SEKm	30 Sep 2023	30 Sep 2022	31 Dec 2022
Non-current assets			
Goodwill	5,917.7	6,460.7	6,480.9
Other intangible fixed assets	2,450.4	2,903.0	2,879.2
Total intangible fixed assets	**8,368.1**	**9,363.7**	**9,360.1**
Buildings and land	20.9	21.8	21.5
Leased fixed assets	720.8	893.8	902.2
Tangible fixed assets	110.4	138.8	156.0
Financial fixed assets	16.7	12.8	15.1
Deferred tax asset	93.7	116.3	102.5
Total fixed assets	**9,330.5**	**10,547.2**	**10,557.5**
Current assets			
Inventories	1,481.7	2,704.6	2,482.9
Current receivables	640.2	689.9	763.4
Cash and cash equivalents	768.5	692.3	477.6
Total current assets	**2,890.4**	**4,086.8**	**3,723.9**
Total assets	**12,220.9**	**14,634.0**	**14,281.4**
Equity			
Equity attributable to owners of the parent	6,546.0	6,725.2	7,613.8
Non-controlling interest	179.2	50.4	56.0
Total equity	**6,725.2**	**6,775.6**	**7,669.8**
Non-current liabilities			
Deferred tax liability	502.5	629.6	605.2
Other provisions	38.8	32.0	22.1
Non-current interest-bearing liabilites to credit institutions	1,989.4	2,816.9	2,009.3
Non-current lease liabilities	490.6	571.2	566.3
Non-current acquistion related interest-bearing liabilities	343.3	1,011.6	816.7
Total non-current liabilities	**3,364.6**	**5,061.3**	**4,019.5**
Current liabilities			
Current lease liabilities	277.0	301.5	311.4
Current acquistion related interest-bearing liabilities	26.5	386.7	437.5
Other current liabilities	1,827.7	2,108.9	1,843.1
Total current liabilities	**2,131.2**	**2,797.1**	**2,592.0**
Total equity and liabilities	**12,220.9**	**14,634.0**	**14,281.4**

Condensed consolidated statement of cash flows

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
EBITDA	-1,022.5	-221.2	-747.0	255.5	369.2
Adjustments for items not included in cash flow*	1,065.9	382.3	963.8	379.6	369.2
Income tax paid	-6.3	-27.9	-93.2	-195.3	-216.2
Cash flow from operating activities before changes in working capital	**37.0**	**133.3**	**123.6**	**439.8**	**522.2**
Changes in working capital	186.7	-266.2	1,077.8	-612.8	-627.9
Cash flow from operating activites	**223.7**	**-133.0**	**1,201.3**	**-173.1**	**-105.6**
Investments in operations	-303.3	-43.4	-467.1	-254.3	-257.7
Redemption of loan to seller upon acquisition of operations	-	-	-	-6.9	-6.9
Investments in other non-current assets	-39.0	-41.5	-123.5	-140.0	-198.6
Divestment of operations	-39.5	-	-32.8	0.6	0.6
Divestment of other tangible fixed assets	1.0	0.6	3.2	1.5	2.0
Received interest	6.6	0.9	11.8	2.3	5.8
Cash flow to/from investing activities	**-374.1**	**-83.3**	**-608.4**	**-396.7**	**-454.9**
New share issue	-	-0.6	80.7	988.8	1,693.8
Loans taken	-	500.0	-	800.0	800.0
Amortisation of loans	-77.5	-82.2	-254.6	-732.6	-1,619.7
Issue of warrants	-	0.9	5.2	1.0	1.0
Interest paid	-56.4	-25.2	-145.6	-64.7	-99.5
Transactions with non-controlling interest	17.4	-	17.4	-	-
Dividends to non-controlling interests	-	-	-	-2.1	-10.5
Cash flow to/from financing activities	**-116.5**	**392.9**	**-296.9**	**990.3**	**765.1**
Cash flow for the period	**-266.9**	**176.6**	**296.0**	**420.5**	**204.6**
Cash and cash equivalents at the beginning of the period	**1,050.3**	**519.9**	**477.6**	**273.5**	**273.5**
Translation differences in cash and cash equivalents	-14.9	-4.2	-5.1	-1.7	-0.5
Cash and cash equivalents at the end of the period	**768.5**	**692.3**	**768.5**	**692.3**	**477.6**

* Adjustments for items not included in cash flow consist of capital loss divestment of operations of SEK 1,117.8 million, change in obsolescence provision of SEK -64,1 million, change in other provisions of SEK 16,9 million and other items of SEK -4,8 million. For the first nine months of the year regards SEK 1,117.2 million capital loss divestment of operations, SEK -167,2 million change in obsolescence provisions, SEK 17,0 million change in other provisions and SEK 3,2 million other items.

Condensed consolidated statement of changes in equity

	30 Sep		31 Dec
SEKm	2023	2022	2022
Opening balance	**7,669.8**	**5,256.3**	**5,256.3**
Comprehensive income for the period	-1,434.4	300.4	152.1
Transactions with non-controlling interests	29.3	22.5	22.5
New share issues*	-0.7	988.8	1,775.2
Issue of warrants	8.1	7.1	8.5
Dividends to non-controlling interests	-	-12.6	-12.6
Remeasurement of liabilities to non-controlling interests	453.2	213.1	467.8
Closing balance	**6,725.2**	**6,775.6**	**7,669.8**

* The proceeds from the new issue for 2022 are recognised net after a deduction for transaction costs of SEK 31.2 million for the full year and a tax effect of SEK -6.4 million. The new issues in the fourth quarter of 2022 were carried out in two stages: a first issue of 39,024,390 shares on 6 December 2022 and a second issue of 3,972,097 shares on 30 December 2022 after a resolution by the Extraordinary General Meeting. The Group received proceeds of SEK 81.4 million for the shares issued on 30 December 2022 during the first quarter of 2023. Transaction costs of SEK 0.9 million and a tax effect of SEK -0.2 million were subsequently added, which resulted in a corresponding difference between the statement of changes in equity and the statement of cash flows.

Notes

NOTE 1 ACCOUNTING POLICIES

This report has been prepared by applying the rules of IAS 34 Interim Financial Reporting and applicable regulations contained in the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. For the Group and the Parent Company, the same accounting policies and estimation techniques have been applied as in the 2022 Annual Report. The Group received support in accordance with the Ordinance on Electricity Support for Businesses (2023:223) during the quarter. The support is recognised as Other operating income. During the third quarter, the Group launched a restructuring programme in the Value Home segment that resulted in certain operations in the segment being divested or discontinued. The restructuring has not been recognised as a discontinued operation in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations since the divested and discontinued operations did not comprise separate lines of business and were not deemed to be major geographic areas of operation.

The Group also applies the European Securities and Markets Authority's (ESMA) guidelines for alternative performance measures. Definitions of alternative performance measures can be found in the relevant reconciliations on pages 35–47 of this report.

The interim information on pages 1–19 is an integrated part of this financial report.

NOTE 2 SEASONAL VARIATIONS

The Group's operations are impacted by seasonal variations' effect on demand, especially for building products and outdoor furniture. Due to the effect of weather on demand, the Group's sales and cash flow are usually highest in the second quarter. The third and fourth quarters are generally equal in terms of sales, with demand in the third quarter being impacted by the weather and demand in the fourth quarter growing as the importance of Black Week increased. Demand, and consequently the Group's sales, have historically been lowest in the first quarter. Although seasonal variations do not normally affect the Group's relative earnings and cash flow from year to year, earnings and cash flow may be impacted in years with extremely mild or severe weather conditions, or with very high or low rainfall. Weather conditions may also have a significant impact on individual quarters.

NOTE 3 SEGMENTS

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Net sales					
Home Improvement	1,420.1	1,646.5	4,382.9	5,234.8	6,856.3
Value Home	1,004.0	1,052.1	3,228.4	3,583.1	4,558.7
Premium Living	452.0	426.1	1,418.5	1,446.3	2,172.1
Total net sales	**2,876.2**	**3,124.6**	**9,029.9**	**10,264.2**	**13,587.2**
Other*	7.0	7.0	25.1	21.5	30.4
Eliminations	-21.3	-25.0	-93.5	-159.9	-183.9
Group consolidated total	**2,861.9**	**3,106.7**	**8,961.4**	**10,125.7**	**13,433.6**
Revenue from other segments					
Home Improvement	1.5	2.8	5.1	6.7	9.4
Value Home	12.8	15.2	63.2	131.7	144.1
Premium Living	0.1	-	0.1	-	-
Other*	7.0	7.0	25.1	21.5	30.4
Total	**21.3**	**25.0**	**93.5**	**159.9**	**183.9**

SEKm	Jul-Sep 2023	Jul-Sep 2022	Jan-Sep 2023	Jan-Sep 2022	Jan-Dec 2022
Operating income and profit before tax					
Home Improvement	-0.7	-88.3	-17.2	23.9	67.1
Value Home	-1,278.0	-245.6	-1,255.2	-134.9	-199.8
Premium Living	-1.2	-5.1	9.0	42.0	38.7
Total operating income	**-1,279.9**	**-339.0**	**-1,263.4**	**-68.9**	**-93.9**
Other*	-19.3	-22.5	-67.2	-71.3	-89.9
Group consolidated operating income	**-1,299.3**	**-361.5**	**-1,330.6**	**-140.1**	**-183.9**
Financial net	-68.1	185.7	-153.6	302.1	165.6
Group consolidated profit before tax	**-1,367.4**	**-175.8**	**-1,484.2**	**162.0**	**-18.3**

* The Group's other operations primarily consist of Group-wide functions and financing arrangements. Accordingly, net sales consist in all material aspects of management fees.

	Jul-Sep 2023									
SEKm	Home Improve-ment	%	Value Home	%	Premium living	%	Other	Elim-ination	Group	%
Sweden	922.8	65.0%	360.7	35.9%	210.6	46.6%	7.0	-19.8	1,481.4	51.8%
Finland	348.6	24.5%	46.2	4.6%	13.5	3.0%	-	-0.4	407.9	14.3%
Denmark	71.8	5.1%	117.1	11.7%	14.3	3.2%	-	-	203.2	7.1%
Norway	58.4	4.1%	87.4	8.7%	51.0	11.3%	-	-	196.8	6.9%
Germany	3.0	0.2%	132.8	13.2%	60.9	13.5%	-	-	196.8	6.9%
Rest of Europe	15.5	1.1%	259.8	25.9%	75.2	16.6%	-	-1.2	349.2	12.2%
Rest of World	-	-	-	-	26.5	5.9%	-	-	26.5	0.9%
Net sales	**1,420.1**	**100%**	**1,004.0**	**100%**	**452.0**	**100%**	**7.0**	**-21.3**	**2,861.9**	**100%**

SEKm	Jul-Sep 2022 Home Improve-ment	%	Value Home	%	Premium living	%	Other	Elim-ination	Group	%
Sweden	1,094.4	66.5%	455.3	43.3%	227.5	53.4%	7.0	-23.7	1,760.5	56.7%
Finland	402.0	24.4%	36.3	3.5%	9.2	2.1%	-	-0.3	447.2	14.4%
Denmark	73.0	4.4%	124.4	11.8%	9.4	2.2%	-	-	206.8	6.7%
Norway	66.4	4.0%	70.4	6.7%	50.3	11.8%	-	-	187.0	6.0%
Germany	2.2	0.1%	112.9	10.7%	56.0	13.1%	-	-	171.1	5.5%
Rest of Europe	8.4	0.5%	252.8	24.0%	50.0	11.7%	-	-1.1	310.2	10.0%
Rest of World	-	-	-	-	23.8	5.6%	-	-	23.8	0.8%
Net sales	**1,646.5**	**100%**	**1,052.1**	**100%**	**426.1**	**100%**	**7.0**	**-25.0**	**3,106.7**	**100%**

SEKm	Jan-Sep 2023 Home Improve-ment	%	Value Home	%	Premium living	%	Other	Elim-ination	Group	%
Sweden	2,859.5	65.2%	1,208.0	37.4%	668.1	47.1%	25.1	-89.0	4,671.8	52.1%
Finland	1,067.5	24.4%	141.4	4.4%	38.3	2.7%	-	-1.0	1,246.2	13.9%
Denmark	227.4	5.2%	358.0	11.1%	40.6	2.9%	-	-	626.0	7.0%
Norway	183.7	4.2%	275.5	8.5%	142.9	10.1%	-	-	602.1	6.7%
Germany	9.1	0.2%	478.7	14.8%	224.8	15.8%	-	-	712.6	8.0%
Rest of Europe	35.8	0.8%	766.8	23.8%	218.5	15.4%	-	-3.5	1,017.5	11.4%
Rest of World	-	-	-	-	85.2	6.0%	-	-	85.2	1.0%
Net sales	**4,382.9**	**100%**	**3,228.4**	**100%**	**1,418.5**	**100%**	**25.1**	**-93.5**	**8,961.4**	**100%**

SEKm	Jan-Sep 2022 Home Improve-ment	%	Value Home	%	Premium living	%	Other	Elim-ination	Group	%
Sweden	3,525.3	67.3%	1,603.8	44.8%	769.9	53.2%	21.5	-154.9	5,765.6	56.9%
Finland	1,204.3	23.0%	110.4	3.1%	31.7	2.2%	-	-0.3	1,346.2	13.3%
Denmark	251.7	4.8%	396.0	11.1%	33.0	2.3%	-	-	680.6	6.7%
Norway	208.8	4.0%	214.1	6.0%	165.6	11.5%	-	-	588.4	5.8%
Germany	12.7	0.2%	502.2	14.0%	198.6	13.7%	-	-	713.5	7.0%
Rest of Europe	32.0	0.6%	756.6	21.1%	162.9	11.3%	-	-4.8	946.8	9.4%
Rest of World	-	-	-	-	84.6	5.9%	-	-	84.6	0.8%
Net sales	**5,234.8**	**100%**	**3,583.1**	**100%**	**1,446.3**	**100%**	**21.5**	**-159.9**	**10,125.7**	**100%**

SEKm	Full-year 2022 Home Improve-ment	%	Value Home	%	Premium living	%	Other	Elim-ination	Group	%
Sweden	4,624.1	67.4%	1,760.4	38.6%	1,080.1	49.7%	30.4	-176.6	7,318.4	54.5%
Finland	1,580.9	23.1%	222.9	4.9%	50.6	2.3%	-	-0.6	1,853.9	13.8%
Denmark	311.3	4.5%	520.9	11.4%	49.7	2.3%	-	-	881.8	6.6%
Norway	281.9	4.1%	428.1	9.4%	270.5	12.5%	-	-	980.5	7.3%
Germany	16.8	0.2%	538.2	11.8%	337.3	15.5%	-	-0.6	891.6	6.6%
Rest of Europe	41.3	0.6%	1,088.1	23.9%	261.5	12.0%	-	-6.2	1,384.7	10.3%
Rest of World	-	-	-	-	122.6	5.6%	-	-	122.6	0.9%
Net sales	**6,856.3**	**100%**	**4,558.7**	**100%**	**2,172.1**	**100%**	**30.4**	**-183.9**	**13,433.6**	**100%**

NOTE 4 DISCLOSURES ON ACQUISITIONS

SEKm	Net identifiable assets and liabilities	Goodwill	Purchase price	Cash and cash equivalents	Contingent/ deferred purchase price, vendor loans	Net cash flow
	2023					
Acquisition of non-controlling interests						
Acquisition of shares in LampGallerian Växjö AB	-	-	**-**	-	-	**-42.8**
Acquisition of shares in IP-Agency Oy	-	-	**-**	-	-	**-55.9**
Acquisition of shares in Arc E-commerce AB	-	-	**-**	-	-	**-70.6**
Contingent consideration						
Additional purchase price, Navitek Oy	-	-	**-**	-	-	**-3.2**
Additional purchase price, Hyma Skog & Trädgård AB	-	-	**-**	-	-	**-268.0**
Additional purchase price, Lindström & Sondén AB	-	-	**-**	-	-	**-11.8**
Additional purchase price, E. Svenssons i Lammhult AB	-	-	**-**	-	-	**-13.1**
Additional purchase price, Nordiska Fönster i Ängelholm AB	-	-	**-**	-	-	**-1.5**
	-	**-**	**-**	**-**	**-**	**-467.1**

NOTE 5 FAIR VALUE

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position comprise acquisition-related liabilities and currency forwards. The carrying amount for all financial assets and financial liabilities is deemed to be a reasonable approximation of the fair values of the items.

Acquisition-related interest-bearing liabilities

Acquisition-related interest-bearing liabilities pertain to contingent and deferred considerations attributable to the Group's acquisitions and liabilities to non-controlling interests. These are included in Level 3 of the valuation hierarchy, meaning the level applicable for assets and liabilities that are considered illiquid and difficult to value, and for which inputs for measuring fair value are unobservable inputs in the market. 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. The table below shows the carrying amounts for the Group's acquisition-related interest-bearing liabilities.

	30 Sep		31 Dec
SEKm	2023	2022	2022
Reported value on the opening date	**1,254.2**	**2,121.7**	**2,121.7**
Recognition in profit or loss	7.1	-375.0	-271.6
Recognised in equity	-426.2	-170.7	-414.9
Utilised amount	-465.2	-218.6	-222.0
Acquisition value at cost	-	40.9	41.0
Reported value on the closing date	**369.8**	**1,398.3**	**1,254.2**

Currency forwards

The Group recognises currency forwards at fair value, which as of 30 September 2023 was SEK 0.2 million (2.6), of which SEK 0.2 million (2.6) comprised assets and SEK 0.0 million (0.0) comprised liabilities for the Group. The currency forwards are measured based on a discount comprising the difference between the contracted forward rate and the actual forward rate for a currency forward maturing on the same date. This measurement is included in Level 2 of the valuation hierarchy.

NOTE 6 RELATED-PARTY TRANSACTIONS

Transactions between BHG Group AB and its subsidiaries 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.

NOTE 7 RISKS AND UNCERTAINTIES

There are several strategic, operational and financial risks and uncertainties that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors. There are risks and uncertainties related to IT and management systems, suppliers, season and weather variations and exchange rates, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour for online sales. The Group is also exposed to interest-rate risk.

During the past 12 months, the Group has strengthened its systems and processes in order to minimise risks related to cyber security.

Other than the changes below, no significant changes to the Group's risks and uncertainties are deemed to have taken place compared with what is stated on pages 31–32 of the 2022 Annual Report.

Renegotiated loan terms

As stated on page 32 of the 2022 Annual Report, BHG made the assessment that it could not be precluded that profitability could reach a level in 2023 whereby BHG would risk not meeting the terms of the financial covenants in the Group's credit facilities. During the second quarter of 2023, BHG reached an agreement with its lenders that meant that existing financial covenants concerning the leverage ratio and interest coverage ratio were replaced by new financial covenants concerning earnings and liquidity during the period from 30 June 2023 through 31 March 2024. During the relief period, the pricing of the loans will be adjusted while BHG will pledge certain tangible assets as collateral.

The total credit facilities amount to SEK 3,300 million divided between a term loan, a revolving credit facility and a bank overdraft facility, of which SEK 2,000 million had been utilised as of 30 September 2023. The current facilities expire in May 2025, with the option for BHG to extend them until May 2026. As of 30 September 2023, the Group had fulfilled the financial covenants in its credit facilities.

Condensed Parent Company income statement

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	1.7	1.9	5.7	5.7	8.3
Total net sales	**1.7**	**1.9**	**5.7**	**5.7**	**8.3**
Personnel cost	-11.8	-16.4	-44.0	-41.0	-56.3
Other external costs	-8.7	-5.5	-18.1	-28.1	-33.1
Other operating expenses	-	-	-	-1.5	-1.5
Depreciation and amortisation of tangible and intangible fixed assets	-0.1	-0.1	-0.2	-0.2	-0.2
Operating income	**-18.9**	**-20.1**	**-56.7**	**-65.1**	**-82.9**
Profit/loss from financial items	-31.9	4.1	-60.9	15.3	5.3
Group contributions	-	-	-	-	83.6
Profit/loss before tax	**-50.7**	**-16.0**	**-117.6**	**-49.8**	**6.0**
Income tax	9.7	3.3	23.5	10.1	-0.3
Profit/loss for the period	**-41.0**	**-12.7**	**-94.1**	**-39.7**	**5.7**

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

Condensed Parent Company balance sheet

	30 Sep		31 Dec
SEKm	2023	2022	2022
Non-current assets			
Other intangible fixed assets	0.5	0.8	0.7
Total intangible fixed assets	**0.5**	**0.8**	**0.7**
Financial fixed assets	7.7	-	-
Participations in Group companies	3,678.3	3,678.3	3,678.3
Long-term receivables from Group companies	4,805.5	4,945.5	4,805.5
Deferred tax asset	5.8	-	0.1
Total fixed assets	**8,497.8**	**8,624.6**	**8,484.6**
Current assets			
Short-term receivables	28.3	31.5	112.4
Short-term receivables from Group companies	119.1	61.4	145.7
Cash and cash equivalents	33.6	13.2	8.9
Total current assets	**181.0**	**106.0**	**267.1**
Total assets	**8,678.7**	**8,730.5**	**8,751.7**
Equity			
Restricted equity	5.4	4.2	5.4
Unrestriced equity	6,620.2	5,884.0	6,714.7
Total equity	**6,625.5**	**5,888.3**	**6,720.0**
Untaxed reserves	**20.0**	**28.6**	**20.0**
Other provisions	0.1	-	-
Non-current interest-bearing liabilites to credit institutions	1,989.4	2,794.8	1,988.2
Total non-current liabilities	**1,989.5**	**2,794.8**	**1,988.2**
Current liabilities			
Other current liabilities	43.7	18.9	23.4
Total current liabilities	**43.7**	**18.9**	**23.4**
Total equity and liabilities	**8,678.7**	**8,730.5**	**8,751.7**

Key ratios

	2023				2022				
	Q3	Q2	Q1	Jan-Sep	Q4	Q3	Q2	Q1	Jan-Dec
THE GROUP									
Net sales growth (%)	-7.9	-10.9	-15.9	-11.5	-5.1	1.5	10.1	21.1	6.1
Organic growth (%)	-7.5	-10.8	-16.8	-11.2	-3.7	-5.3	-8.1	0.6	-5.0
Proforma organic growth (%)	-7.5	-10.7	-15.5	-11.2	-5.5	-6.8	-7.4	3.0	-4.5
Adjusted gross profit beofre direct selling costs (%)	37.3	38.3	37.8	37.8	37.6	37.3	37.6	39.7	38.0
Adjusted gross profit (%)	24.0	25.8	24.5	24.8	24.3	24.0	25.0	27.1	25.1
Adjusted EBIT (%)	0.4	2.8	-2.6	0.5	0.9	1.5	4.2	4.3	2.8
Earnings per share before dilution, SEK	-7.30	0.12	-0.66	-7.84	-1.20	-0.62	1.44	0.89	0.25
Earnings per share after dilution, SEK	-7.30	0.12	-0.66	-7.84	-1.20	-0.62	1.43	0.88	0.25
Equity/assets ratio %	55.0	52.6	52.7	55.0	53.7	46.3	45.1	37.2	53.7
Net debt (+) / Net cash (-)	1,231.5	968.8	1,429.3	1,231.5	1,543.4	2,129.8	1,803.2	2,319.3	1,543.4
Cash flow from operating activites (SEKm)	223.7	766.8	210.8	1,201.3	67.5	-133.0	-161.8	121.7	-105.6
Visits (thousands)	74,041	79,955	82,238	236,234	92,138	80,185	92,921	99,832	365,076
Orders (thousands)	1,103	1,220	1,016	3,339	1,523	1,117	1,227	1,166	5,033
Average order value (SEK)	2,639	2,914	2,599	2,727	2,134	2,815	3,121	2,866	2,695
Home Improvement									
Net sales growth (%)	-13.7	-13.7	-22.4	-16.3	-5.9	-1.3	10.0	27.4	6.1
Organic growth (%)	-12.9	-12.7	-22.1	-15.5	-7.8	-7.9	-7.3	0.6	-5.2
Proforma organic growth (%)	-12.9	-12.7	-21.8	-15.5	-7.2	-7.4	-7.4	6.5	-4.5
Adjusted gross profit beofre direct selling costs (%)	31.5	31.6	31.1	31.4	33.9	31.7	31.4	32.4	32.3
Adjusted gross profit (%)	20.8	21.3	20.6	20.9	23.9	21.3	21.1	22.7	22.2
Adjusted EBIT (%)	1.9	3.3	-3.7	0.9	4.7	3.5	4.4	3.5	4.0
Visits (thousands)	24,635	31,264	25,113	81,011	28,719	31,183	34,776	33,844	128,523
Orders (thousands)	533	614	431	1,578	590	546	600	519	2,256
Average order value (SEK)	2,695	2,878	2,830	2,803	2,485	3,018	3,321	3,282	3,020
Value Home									
Net sales growth (%)	-4.6	-10.7	-13.9	-9.9	-8.4	-0.1	6.2	3.3	0.6
Organic growth (%)	-4.4	-10.6	-14.4	-8.8	3.0	-8.3	-15.7	6.6	-2.6
Proforma organic growth (%)	-4.4	-11.4	-13.9	-8.6	-7.5	-13.6	-12.6	-8.5	-10.8
Adjusted gross profit beofre direct selling costs (%)	45.4	46.2	44.4	45.4	43.2	44.9	44.5	47.2	45.0
Adjusted gross profit (%)	29.5	31.7	29.6	30.4	27.4	28.1	30.0	33.0	29.7
Adjusted EBIT (%)	-0.4	3.9	-2.0	0.9	-3.9	-0.7	4.3	5.5	1.7
Visits (thousands)	30,654	32,028	34,581	97,263	32,541	32,952	42,508	47,952	155,953
Orders (thousands)	244	286	230	760	283	273	316	291	1,163
Average order value (SEK)	4,030	4,410	3,969	4,154	3,391	3,765	4,219	3,690	3,779
Premium Living									
Net sales growth (%)	6.1	-3.7	-6.7	-1.9	-2.1	14.9	27.0	70.3	20.1
Organic growth (%)	6.1	-3.7	-6.7	-1.9	-2.1	14.9	14.1	26.9	-14.5
Proforma organic growth (%)	6.1	-3.7	-6.7	-1.9	-2.1	14.9	18.2	36.9	13.5
Adjusted gross profit beofre direct selling costs (%)	36.2	39.6	40.3	38.8	37.6	39.0	38.8	40.9	39.0
Adjusted gross profit (%)	21.4	25.0	23.7	23.4	20.9	23.8	23.7	24.6	23.0
Adjusted EBIT (%)	1.0	2.0	2.4	1.8	1.4	2.9	5.2	6.3	3.7
Visits (thousands)	18,752	16,663	22,544	57,960	30,878	16,050	15,637	18,036	80,600
Orders (thousands)	325	321	355	1,001	649	298	311	356	1,614
Average order value (SEK)	1,504	1,647	1,429	1,523	1,266	1,574	1,617	1,584	1,460

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. 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.

Using the estimation technique for adjusted EBIT facilitates the understanding of the Group's earnings and profit, since adjusted EBIT provides a correct picture of the Group's operating income, without deduction of the accounting-related amortisation arising due to the acquisition analyses in conjunction with the acquisitions (which are not related to the underlying operations). Furthermore, the measure simplifies peer comp analysis of companies that do not make acquisitions, while analysis and assessment of acquisition candidates becomes clearer and more transparent, since their EBIT contribution will then correspond to their actual contribution to the Group after consolidation. It is also important to note that the effect of acquisitions is already reflected in the Group's capital structure and net debt, in accordance with generally accepted accounting practices.

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

Group

Reconciliation between operating income & adjusted EBITDA

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Operating income	**-1,299.3**	**-361.5**	**-1,330.6**	**-140.1**	**-183.9**
Costs related to LTIP	0.4	-	10.4	-	-
Donation UNHCR	-	-	-	1.5	1.5
Acquisition-related costs	2.0	1.0	4.0	12.9	12.9
Warehouse consolidation	-	-	-	2.1	2.1
Strategy work	-	3.1	-	12.5	12.5
Inventory impairment	-	374.6	-	374.6	375.8
Salary expense for gardening leave	0.4	5.5	3.5	5.5	21.9
Impairment and restoreation costs when closing stores	-	-	-	-	7.8
Disposal of intangible assets when liquidating operations	-	-	-	-	5.1
Impairment of inventory when liquidating operations	-	-	-	-	10.1
Recieved electricity support for business	-	-	-4.9	-	-
Impaiment IT platform	65.6	-	65.6	-	-
Impairment due to restructuring	79.3	-	79.3	-	-
Resuructuring costs	21.5	-	21.5	-	-
Capital losses disposal of operations	1,117.8	-	1,117.8	-	-
Total items affecting comparability	**1,287.1**	**384.1**	**1,297.3**	**409.0**	**449.7**
Amortisation of acquisition-related intangible fixed assets	24.7	25.2	75.3	75.4	100.6
Scrapping of acquired brands when sites are discontinued	-	-	-	-	8.6
Adjusted EBIT	**12.5**	**47.8**	**42.0**	**344.2**	**374.9**
Adjusted EBIT (%)	**0.4**	**1.5**	**0.5**	**3.4**	**2.8**
Depreciation and amortisation of tangible and intangible fixed assets	125.2	114.5	382.5	320.0	438.7
Gain/loss from sale of fixed assets	1.4	0.6	0.4	0.2	0.2
Adjusted EBITDA	**139.1**	**162.9**	**424.8**	**664.5**	**813.8**
Adjusted EBITDA (%)	**4.9**	**5.2**	**4.7**	**6.6**	**6.1**

Reconciliation between gross profit & adjusted gross profit

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	2,861.9	3,106.7	8,961.4	10,125.7	13,433.6
Cost of goods	-1,815.1	-2,322.6	-5,590.5	-6,640.4	-8,717.4
Gross profit before direct selling costs	**1,046.8**	**784.1**	**3,370.9**	**3,485.3**	**4,716.3**
Gross profit before direct selling costs (%)	**36.6**	**25.2**	**37.6**	**34.4**	**35.1**
Direct selling costs	-379.1	-412.7	-1,163.7	-1,296.5	-1,735.1
Gross profit	**667.7**	**371.4**	**2,207.2**	**2,188.8**	**2,981.1**
Gross profit (%)	**23.3**	**12.0**	**24.6**	**21.6**	**22.2**
Inventory impairment	-	374.6	-	374.6	375.8
Impairment and restoreation costs when closing stores	-	-	-	-	1.3
Impairment due to restructuring	19.5	-	19.5	-	-
Impairment of inventory when liquidating operations	-	-	-	-	10.1
Adjusted gross profit before direct selling costs	**1,066.3**	**1,158.7**	**3,390.4**	**3,860.0**	**5,103.5**
Adjusted gross profit before direct selling costs (%)	**37.3**	**37.3**	**37.8**	**38.1**	**38.0**
Adjusted gross profit	**687.2**	**746.0**	**2,226.7**	**2,563.4**	**3,368.4**
Adjusted gross profit (%)	**24.0**	**24.0**	**24.8**	**25.3**	**25.1**

Reconciliation of selling, general and administrative expenses (SG&A)

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Personnel costs	-247.3	-264.6	-812.4	-835.5	-1,142.3
Other external costs and operating expenses	-327.1	-330.3	-1,034.1	-1,108.8	-1,480.4
Total personnel costs and other external costs and operating expenses	**-574.4**	**-595.0**	**-1,846.5**	**-1,945.8**	**-2,624.3**
Adjustment items affecting comparability related to personnel costs	7.4	5.5	20.2	5.5	21.8
Adjustment items affecting comparability related to other external costs and operating expenses	17.0	4.0	19.3	28.9	35.5
Selling, general and administrative expenses (SG&A)	**-550.0**	**-585.5**	**-1,807.1**	**-1,911.4**	**-2,566.9**

Home Improvement

Reconciliation between operating income & adjusted EBITDA

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Operating income	**-0.7**	**-88.3**	**-17.2**	**23.9**	**67.1**
Acquisition-related costs	2.0	-	4.0	-	-
Warehouse consolidation	-	-	-	2.1	2.1
Inventory impairment	-	131.4	-	131.4	131.6
Salary expense for gardening leave	0.4	-	2.9	-	6.5
Impairment and restoreation costs when closing stores	-	-	-	-	1.8
Disposal of intangible assets when liquidating operations	-	-	-	-	5.1
Impairment of inventory when liquidating operations	-	-	-	-	1.2
Recieved electricity support for business	-	-	-2.5	-	-
Impairment due to restructuring	11.7	-	11.7	-	-
Resuructuring costs	-0.5	-	-0.5	-	-
Total items affecting comparability	**13.6**	**131.4**	**15.5**	**133.4**	**148.3**
Amortisation of acquisition-related intangible fixed assets	14.4	14.4	43.1	43.1	57.5
Scrapping of acquired brands when sites are discontinued	-	-	-	-	3.2
Adjusted EBIT	**27.3**	**57.4**	**41.4**	**200.5**	**276.1**
Adjusted EBIT (%)	**1.9**	**3.5**	**0.9**	**3.8**	**4.0**
Depreciation and amortisation of tangible and intangible fixed assets	43.7	42.1	133.5	115.7	157.7
Gain/loss from sale of fixed assets	3.2	0.4	3.1	0.3	0.3
Adjusted EBITDA	**74.3**	**99.8**	**178.0**	**316.5**	**434.1**
Adjusted EBITDA (%)	**5.2**	**6.1**	**4.1**	**6.0**	**6.3**

Reconciliation between gross profit & adjusted gross profit

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	1,420.1	1,646.5	4,382.9	5,234.8	6,856.3
Cost of goods	-978.7	-1,256.0	-3,011.1	-3,703.3	-4,776.7
Gross profit before direct selling costs	**441.5**	**390.4**	**1,371.8**	**1,531.5**	**2,079.6**
Gross profit before direct selling costs (%)	**31.1**	**23.7**	**31.3**	**29.3**	**30.3**
Direct selling costs	-152.3	-170.3	-459.6	-529.4	-692.6
Gross profit	**289.2**	**220.1**	**912.2**	**1,002.2**	**1,387.0**
Gross profit (%)	**20.4**	**13.4**	**20.8**	**19.1**	**20.2**
Inventory impairment	-	131.4	-	131.4	131.6
Impairment due to restructuring	5.7	-	5.7	-	-
Impairment and restoreation costs when closing stores	-	-	-	-	1.3
Impairment of inventory when liquidating operations	-	-	-	-	1.2
Adjusted gross profit before direct selling costs	**447.2**	**521.8**	**1,377.5**	**1,662.9**	**2,213.7**
Adjusted gross profit before direct selling costs (%)	**31.5**	**31.7**	**31.4**	**31.8**	**32.3**
Adjusted gross profit	**294.9**	**351.5**	**918.0**	**1,133.5**	**1,521.1**
Adjusted gross profit (%)	**20.8**	**21.3**	**20.9**	**21.7**	**22.2**

Reconciliation of selling, general and administrative expenses (SG&A)

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Personnel costs	-105.6	-124.9	-365.2	-403.5	-543.4
Other external costs and operating expenses	-115.2	-128.8	-381.5	-421.8	-556.8
Total personnel costs and other external costs and operating expenses	**-220.8**	**-253.7**	**-746.7**	**-825.3**	**-1,100.2**
Adjustment items affecting comparability related to personnel costs	0.4	-	2.9	-	6.5
Adjustment items affecting comparability related to other external costs and operating expenses	1.5	-	3.5	2.1	2.7
Selling, general and administrative expenses (SG&A)	**-218.9**	**-253.7**	**-740.4**	**-823.2**	**-1,091.0**

Value Home

Reconciliation between operating income & adjusted EBITDA

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Operating income	**-1,278.0**	**-245.6**	**-1,255.2**	**-134.9**	**-199.8**
Acquisition-related costs	-	1.0	-	2.3	2.3
Inventory impairment	-	231.7	-	231.7	232.7
Salary expense for gardening leave	-	-	-	-	1.3
Impairment and restoreation costs when closing stores	-	-	-	-	4.9
Impairment of inventory when liquidating operations	-	-	-	-	8.9
Recieved electricity support for business	-	-	-1.8	-	-
Impaiment IT platform	65.6	-	65.6	-	-
Impairment due to restructuring	67.6	-	67.6	-	-
Resuructuring costs	19.0	-	19.0	-	-
Capital losses disposal of operations	1,117.6	-	1,117.6	-	-
Total items affecting comparability	**1,269.8**	**232.7**	**1,268.0**	**234.1**	**250.1**
Amortisation of acquisition-related intangible fixed assets	4.6	5.1	15.0	15.1	20.3
Scrapping of acquired brands when sites are discontinued	-	-	-	-	5.3
Adjusted EBIT	**-3.6**	**-7.8**	**27.9**	**114.4**	**76.0**
Adjusted EBIT (%)	**-0.4**	**-0.7**	**0.9**	**3.2**	**1.7**
Depreciation and amortisation of tangible and intangible fixed assets	64.7	63.0	199.1	176.7	241.1
Gain/loss from sale of fixed assets	-1.8	0.2	-2.8	-0.1	-0.1
Adjusted EBITDA	**59.3**	**55.4**	**224.1**	**291.0**	**317.0**
Adjusted EBITDA (%)	**5.9**	**5.3**	**6.9**	**8.1**	**7.0**

Reconciliation between gross profit & adjusted gross profit

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	1,004.0	1,052.1	3,228.4	3,583.1	4,558.7
Cost of goods	-561.8	-811.2	-1,774.9	-2,186.8	-2,750.8
Gross profit before direct selling costs	**442.3**	**240.9**	**1,453.6**	**1,396.3**	**1,807.9**
Gross profit before direct selling costs (%)	**44.0**	**22.9**	**45.0**	**39.0**	**39.7**
Direct selling costs	-159.8	-177.2	-485.9	-540.7	-694.5
Gross profit	**282.5**	**63.7**	**967.6**	**855.6**	**1,113.4**
Gross profit (%)	**28.1**	**6.1**	**30.0**	**23.9**	**24.4**
Inventory impairment	-	231.7	-	231.7	232.7
Impairment due to restructuring	13.8	-	13.8	-	-
Impairment of inventory when liquidating operations	-	-	-	-	8.9
Adjusted gross profit before direct selling costs	**456.0**	**472.6**	**1,467.3**	**1,628.0**	**2,049.6**
Adjusted gross profit before direct selling costs (%)	**45.4**	**44.9**	**45.4**	**45.4**	**45.0**
Adjusted gross profit	**296.2**	**295.4**	**981.4**	**1,087.3**	**1,355.1**
Adjusted gross profit (%)	**29.5**	**28.1**	**30.4**	**30.3**	**29.7**

Reconciliation of selling, general and administrative expenses (SG&A)

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Personnel costs	-98.9	-91.2	-292.4	-285.9	-390.4
Other external costs and operating expenses	-160.7	-147.2	-488.7	-513.2	-656.9
Total personnel costs and other external costs and operating expenses	**-259.6**	**-238.4**	**-781.1**	**-799.2**	**-1,047.3**
Adjustment items affecting comparability related to personnel costs	7.0	-	7.0	-	1.3
Adjustment items affecting comparability related to other external costs and operating expenses	12.0	1.0	12.0	2.3	7.2
Selling, general and administrative expenses (SG&A)	**-240.6**	**-237.4**	**-762.1**	**-796.8**	**-1,038.8**

Premium Living

Reconciliation between operating income & adjusted EBITDA

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Operating income	**-1.2**	**-5.1**	**9.0**	**42.0**	**38.7**
Inventory impairment	-	11.5	-	11.5	11.5
Salary expense for gardening leave	-	-	-	-	7.0
Impairment and restoreation costs when closing stores	-	-	-	-	1.1
Recieved electricity support for business	-	-	-0.6	-	-
Total items affecting comparability	**-**	**11.5**	**-0.6**	**11.5**	**19.6**
Amortisation of acquisition-related intangible fixed assets	5.7	5.7	17.2	17.2	22.9
Adjusted EBIT	**4.5**	**12.2**	**25.6**	**70.8**	**81.2**
Adjusted EBIT (%)	**1.0**	**2.9**	**1.8**	**4.9**	**3.7**
Depreciation and amortisation of tangible and intangible fixed assets	16.1	9.0	48.2	26.4	38.1
Gain/loss from sale of fixed assets	-	-	0.1	-	-
Adjusted EBITDA	**20.7**	**21.2**	**73.9**	**97.1**	**119.4**
Adjusted EBITDA (%)	**4.6**	**5.0**	**5.2**	**6.7**	**5.5**

Reconciliation between gross profit & adjusted gross profit

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Net sales	452.0	426.1	1,418.5	1,446.3	2,172.1
Cost of goods	-288.3	-271.5	-868.7	-884.4	-1,337.3
Gross profit before direct selling costs	**163.7**	**154.5**	**549.8**	**561.8**	**834.9**
Gross profit before direct selling costs (%)	**36.2**	**36.3**	**38.8**	**38.8**	**38.4**
Direct selling costs	-67.0	-64.8	-218.2	-225.5	-347.1
Gross profit	**96.7**	**89.7**	**331.6**	**336.3**	**487.8**
Gross profit (%)	**21.4**	**21.1**	**23.4**	**23.3**	**22.5**
Inventory impairment	-	11.5	-	11.5	11.5
Adjusted gross profit before direct selling costs	**163.7**	**166.1**	**549.8**	**573.4**	**846.4**
Adjusted gross profit before direct selling costs (%)	**36.2**	**39.0**	**38.8**	**39.6**	**39.0**
Adjusted gross profit	**96.7**	**101.2**	**331.6**	**347.9**	**499.4**
Adjusted gross profit (%)	**21.4**	**23.8**	**23.4**	**24.1**	**23.0**

Reconciliation of selling, general and administrative expenses (SG&A)

	Jul-Sep		Jan-Sep		Jan-Dec
SEKm	2023	2022	2023	2022	2022
Personnel costs	-31.5	-31.7	-103.7	-104.7	-153.1
Other external costs and operating expenses	-44.5	-50.9	-154.1	-151.6	-242.4
Total personnel costs and other external costs and operating expenses	**-76.0**	**-82.6**	**-257.8**	**-256.3**	**-395.5**
Adjustment items affecting comparability related to personnel costs	-	-	-	-	7.0
Adjustment items affecting comparability related to other external costs and operating expenses	-	-	-	-	1.1
Selling, general and administrative expenses (SG&A)	**-76.0**	**-82.6**	**-257.8**	**-256.3**	**-387.4**

FINANCIAL IMPACT OF RESTRUCTURING PROGRAMME

	Jul-Sep 2023			Jan-Sep 2023			Jan-Dec 2022		
SEKm	Reported	Adj. divested comp.*	Reported excl. divested comp.**	Reported	Adj. divested comp.*	Reported excl. divested comp.**	Reported	Adj. divested comp.*	Reported excl. divested comp.**
Net sales	2,861.9	-304.1	2,557.7	8,961.4	-997.4	7,964.0	13,433.6	-1,309.6	12,124.0
Adjusted gross profit	687.2	-92.9	594.3	2,226.7	-298.6	1,928.1	3,368.4	-422.5	2,945.9
Adjusted gross margin (%)	24.0	30.5	23.2	24.8	29.9	24.2	25.1	32.3	24.3
Adjusted EBITDA	139.1	-5.7	133.4	424.8	-30.0	394.8	813.8	-50.0	763.8
Adjusted EBITDA margin (%)	4.9	1.9	5.2	4.7	3.0	5.0	6.1	3.8	6.3
Adjusted EBIT	12.5	22.9	35.4	42.0	59.0	101.0	374.9	59.3	434.3
Adjusted EBIT margin (%)	0.4	-7.5	1.4	0.5	-5.9	1.3	2.8	-4.5	3.6
Adjusted EBITDA ex. IFRS 16	43.0	20.6	63.6	137.6	49.9	187.4	493.0	44.2	537.3
Adjusted EBITDA margin ex. IFRS 16 (%)	1.5	-6.8	2.5	1.5	-5.0	2.4	3.7	-3.4	4.4

* Defined as an adjustment corresponding to the amount included in the consolidated income statement for the performance period attributable to divested and discontinued operations. The adjustment is presented to show the effect of divested and discontinued operations on each performance measure and to facilitate comparisons between periods.

** Defined as the sum of the reported performance measure and the adjustment attributable to divested and discontinued operations. The sum shows what the reported performance measure would have been if the divested and discontinued operations had not been included in the consolidated income statement for the full period presented. The sum is presented to facilitate comparisons between periods by excluding the earnings effects of the divested and discontinued operations.

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.

	30 Sep		31 Dec
SEKm	2023	2022	2022
Non-current interest-bearing debt	2,823.3	4,399.7	3,392.2
Short-term interest-bearing debt	303.5	688.2	748.9
Total interest-bearing debt	**3,126.8**	**5,087.9**	**4,141.1**
Cash and cash equivalents	-768.5	-692.3	-477.6
Adjustment lease liabilities	-767.6	-872.7	-877.7
Adjustment of earn-outs and deferred payments	-369.8	-1,398.3	-1,254.2
Adjustment transaction costs	10.6	5.2	11.8
Net debt (+) / Net cash (-)	**1,231.5**	**2,129.8**	**1,543.4**
Adjusted EBITDAaL Pro-forma, LTM	287.6	620.6	491.2
Net debt (+) / Net cash (-) in relation to adjusted EBITDAaL Pro-forma, LTM	**4.28x**	**3.43x**	**3.14x**
Adjusted EBITDAaL Pro-forma, LTM			
Adjusted EBITDA, LTM	574.2	940.2	813.8
Adjustment for IFRS 16	-374.0	-299.3	-320.8
Pro-forma adjustment fir acquired/divested businesses	87.4	-20.3	-1.8
Adjusted EBITDAaL Pro-forma, LTM	**287.6**	**620.6**	**491.2**

Definitions

Performance measure	Definition	Reasoning
Share turnover rate	Number of shares traded during the period divided by the weighted-average number of shares outstanding before dilution.	The share turnover rate shows the rate at which shares in BHG Group AB are bought and sold through trading on NASDAQ Stockholm.
Number of visits	Number of visits to the Group's webstores during the period in question. Sessions only related to consumers with consent of cookies.	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, the 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, the 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 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	Adjusted EBIT corresponds to operating profit adjusted for amortisation and impairment losses on acquisition-related intangible assets, gain/loss from sale of fixed assets and, from time to time, items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	This performance measure provides an indication of the profit generated by the Group's operating activities.

Performance measure	Definition	Reasoning
Pro-forma adjusted EBITDAaL, LTM	LTM adjusted EBITDA less depreciation of right-of-use assets and interest on lease liabilities under IFRS 16 (or "Adjusted EBITDA after leases"), plus adjusted EBITDAaL for acquired operations as though the acquired operations had been included in the consolidated income statement for the entire LTM period but not for the comparative period (pro-forma adjustment). For divested operations, a corresponding adjustment is made, meaning that adjusted EBITDAaL for the divested companies is excluded as though the divested companies were not included in the consolidated income statement for the entire LTM period but were included in the comparative period.	Pro-forma adjusted EBITDAaL, LTM is a performance measure used to facilitate transparency and comparisons between periods by excluding item affecting comparability, correcting for acquired and divested operations, and including all leases as an operating expense rather than as depreciation/amortisation and interest in accordance with IFRS 16. The performance measures is also used as a denominator for Net debt (+) / Net cash (-) in relation to Pro-forma adjusted EBITDAaL, LTM.
Selling, general and administrative expenses (SG&A)	Total personnel costs and other external costs adjusted for items affecting comparability.	The measure is relevant for showing costs for sales and administration during the period, thereby giving an indication of the efficiency of the company'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/Net cash	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/Net cash is a measure that shows the Group's interest-bearing net debt to financial institutions.
Net debt/Net cash in relation to adjusted EBITDAaL Pro-forma, LTM	Net debt/Net cash divided by adjusted EBITDAaL Pro-forma, LTM.	Net debt/Net cash in relation to adjusted EBITDAaL Pro-forma, LTM shows the Group's capacity to repay debt with earnings generated by operating activities.
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.

Performance measure	Definition	Reasoning
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.
Equity/assets ratio	Equity, including non-controlling interests, as a percentage of total assets.	This performance measure reflects the company's financial position and thus its long-term solvency. A favourable equity/assets ratio and strong financial position enable the Group to handle periods with a weak economic situation and provide the financial strength for growth. A lower equity/assets ratio entails a higher financial risk, but also higher financial leverage.

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