DESENIO GROUP

2021

ANNUAL & SUSTAINABILITY REPORT

This report is created for **Desenio Group AB** (publ), org. nr. 559107-2839, and covers the full year of 2021.

Data-driven art concepts cater to our customers' ever-evolving style.

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THIS IS

DESENIO GROUP

FOLLOWERS

3 750 000

DESENIO Instagram 1,9M, Facebook 300K
POSTER STORE Instagram 1M, Facebook 430k
COMBINED 30 000 on Snapchat, YouTube & TikTok

#

#desenio 279 710 posts
#posterstore 118 891 posts

USE OF BRANDED HASHTAGS ON INSTAGRAM

😍 ❤️ 👏

TOP 3 EMOJIS
IN INSTAGRAM
COMMENTS

TRUSTPILOT

114 000 REVIEWS
IN **19** MARKETS
RATING **4,2 / 5**

Who we are

Desenio Group is the leading e-commerce company within affordable wall art in Europe, with a growing presence in North America. We offer our customers a unique and curated assortment of about 9,000 designs as well as frames and accessories in 35 countries via 44 local websites. With a proven strategic playbook for geographic expansion, we're steadily expanding to new markets. We create first order profitability through a social media and search driven customer acquisition model.

WHAT WE STAND FOR

Desenio Group's business model is based on a simple but ambitious mission: we help our customers to create beautiful homes through affordable wall art, designed solely for our customers, based on current trends. We have a disruptive approach to a large global design category with significant expected growth, providing industrial and data driven creativity at scale, generating proprietary designs.

OUR WORKPLACE CULTURE

Familiarity in a truly global environment is at the heart of Desenio Group's workplace culture. As a workforce comprising 32 nationalities, we leverage our collective understanding of local markets, while at the same time uniting in one common set of values and goals.

Our four core values keep us focused on unity and excellence: We Stand Together as one team, Lead by Example and take individual initiative, have persistent Customer Dedication, and are sure to Always be Closing on any task we start.

A FOCUS ON HIGHER PROFIT MARGINS

2021 saw us place an unprecedented focus on improving our operating efficiency and expansion opening a new fulfilment centre in Czech Republic and started building a local team in North America. This focus on operational excellence has set sturdy foundations for long-term growth.

NEW FRONTIERS

Looking forward, 2022 promises to be an exciting year focused on pioneering in key future markets, most notably North America. The team in North America has started to take form and will continue to grow. We plan to establish a fulfilment centre in North America during Q3 2022. This, combined with continued growth initiatives in Europe to increase market share, gives a promising outlook for Desenio Group during 2022 and beyond.

TRUSTE SHOPS

62 000 REVIEWS
IN **5** MARKETS
RATING **4,6 / 5**

COMPANY VALUES

CUSTOMER DEDICATION

Know our customer
Inspire & engage
Be passionate

STAND TOGETHER

One team
Common goals
Celebrate success

ALWAYS BE CLOSING

Keep it simple
Find solutions
Deliver result

LEAD BY EXAMPLE

Dare to lead
Walk the talk
Show respect

OPERATIONAL INITIATIVES FOR FUTURE GROWTH

In 2021 we experienced a difficult market, due to the pandemic. However, during the year we have layed the foundation for growth from the second half of 2022 and onwards.

We are a young company that organically almost ten folded our net sales in 2016 - 2020, with strong profitability. During this period, we went from being a Nordic startup to a European company, with operations in 35 countries. Growth increased further after the listing on Nasdaq First North on February 25, 2021 and lasted until the middle of the second quarter. Thereafter, we encountered a completely new reality, where our markets declined as a result of customers spending less time on interior design during the transitional period with less restrictions related to the pandemic.

For us, the development meant a sharp increase in net sales in the first quarter, which turned to negative growth during the remaining quarters and that profitability fell, even though both cash flow and adjusted EBITA continued to be highly positive.

During this turbulent time, we continued to develop the business to lay the foundation for a return to long-term profitable growth, among other things by complementing the management team; Cecilia Tunberger was appointed Chief People & Culture Officer, Kristian Lustin joined as Chief Financial Officer , Weiwei Yue as Chief Operating Officer and Michael Kurlancheek as General Manager in North America. All have long and relevant experience from operating in and building fast-growing consumer businesses online.

We also took some important steps operationally. The establishment of our new fulfilment centre in Bor, Czech Republic was completed during fall and was in full operation at the end of the year. This means that we shorten delivery times and reduce delivery costs in continental Europe in 2022. In parallel, work began on merging our two fulfilment centres in Sweden, which has lead to further efficiency gains.

We continue to see good growth opportunities in Europe, via our 44 local websites that offer a curated range of affordable wall art and we're continuously expanding into new markets with the help of our scalable business model. Everything is run on our own technical platform, through industrialized creative processes and effective customer acquisition strategies where we ourselves partly build the market through inspiration, market-leading search strategies and influencer collaborations. Customers' preferences are constantly changing, but our size and digital model increase the ability to adapt and take advantage of change.

We see great future opportunities for growth also in North America. The local team is beginning to take shape under the leadership of Michael Kurlancheek, with the goal of building a full-scale business. We are taking this step after delivering net sales over the past two years of almost SEK 100 million in the US and Canada without local presence. The business will be built entirely on Desenio Group's business platforms with its own logistics centre, which according to our plans will be put into operation during the third quarter of 2022.

I am convinced that our business model is well placed to continue to be successful. By building the leading e-commerce company in our niche in Europe and now with a growing presence in North America, we have the right setup for increasing our market share and continue to build our brand, benefitting from our strong position. I look forward to an exciting 2022 and to continue in the implementation of our strategy.

FREDRIK PALM
Stockholm, April 2022
President and CEO, Desenio Group

NET SALES INCREASED by 25.4% to SEK 1,227.2 million for the full year 2021 compared with the previous year. However, organic net sales growth for 2021 was -10.7% compared to 2020, but was 41% higher than 2019, which corresponds to an average annual growth of 19% over the past two years. Adjusted EBITA amounted to SEK 201.5 (261.6) million, which corresponds to an adjusted EBITA margin of 16.4%.

GROUP MANAGMENT

1 CHIEF EXECUTIVE OFFICER & PRESIDENT SINCE 06.2016

Fredrik Palm

Born: 1974. **Education**: Master of Management of Growing Enterprises from Gothenburg School of Economics. **Work experience**: Former CEO of Lekmer AB, Rum21 AB, Tretti AB. Former Chairperson of the Board and board member of Sleepo AB. **Other ongoing engagements**: Chairperson of the Board of Beauty Icons AB, and Beauty Icons Holding AB. Board member of Brand plus Net Consulting AB, and Brand plus Net AB. Deputy board member of Desenio AB and Poster Store Sverige AB. **Holdings**: 9,708,445 shares and warrants corresponding to 93,000 shares.

2 CHIEF FINANCIAL OFFICER SINCE 11.2021

Kristian Lustin

Born: 1970. **Education**: Master of Science in Business and Economics from University of Uppsala. **Work experience**: Former CEO and President of RNB Retail and Brands, CFO at RNB Retail and Brands, Controller at Modern Times Group MTG, Finance Director at Munters and Authorized Public Accountant at Deloitte.**Holdings**: 6,900 shares and warrants corresponding to 55,000 shares.

3 EXECUTIVE CREATIVE DIRECTOR & EMPLOYEED WITHIN THE GROUP SINCE 09.2016

Annica Wallin

Born: 1969. **Education**: Advertising & Graphic Design and Design Management Executive from Berghs School of Communication. **Work experience**: Former Global Creative Director at Oriflame Cosmetics, Art Director Lead and consultant at Valtech and Art Director at Pacer Communication. **Holdings**: Warrants corresponding to 560,000 shares.

4 CHIEF INTELLIGENCE OFFICER SINCE 02.2022 & EMPLOYEED WITHIN THE GROUP SINCE 08.2017

Peter Nee

Born: 1978. **Education**: Master of Economics from University of Uppsala. **Work experience**: Head of Digital Sales ATG, sales manager Footway Group AB and Marketing Director Brandos AB. **Holdings**: Warrants corresponding to 560,000 shares.

5 CHIEF TECHNOLOGY OFFICER SINCE 09.2015

Jimmy Bergstedt

Born: 1991. **Education**: Web and multimedia management / webmaster from Karlstad University. **Work experience**: Former developer at Furniturebox. **Other ongoing engagements**: Chairperson of the Board of Fivseo AB and Fivseo Invest AB. Board member of J. Bergstedt AB. **Holdings**: Warrants corresponding to 1,120,000 shares.

6 CHIEF PEOPLE & CULTURE OFFICER SINCE 03. 2021 & EMPLOYED 06.2020

Cecilia Tunberger

Born: 1976. **Education**: Master of Science in Psychology Lund University, Master of Science & Business Administration from Stockholm School of Economics **Work experience**: Former Partner and Head of Assessment & Development at Michaël Berglund AB and Licensed psychologist at Stockholms Läns Landsting. **Holdings**: Warrants corresponding to 27,300 shares.

7 CHIEF OPERATING OFFICER SINCE 01.2022

Weiwei Yue

Born: 1981. **Education**: Master of Science in Economics and Business Administration, Stockholm School of Economics. **Work experience**: Former Chief Supply Chain Officer at Zound Industries, previously various positions at Dometic Group including Head of Supply Chain Development. Former management consultant at Booz Allen & Hamilton. Former Sales and Operations Coordinator at Google Inc. **Other ongoing engagements**: Board member at Moceanli AB.

BOARD OF DIRECTORS

Alexander Hars

CHAIRPERSON OF THE BOARD SINCE 12.2016 CHAIRPERSON OF THE REMUNERATION COMMITTEE
BORN 1978

Education: Master of Computer Technology from Chalmers University of Technology.
Work experience: Co-founder and CEO of Alva Linen AB, Lets Deal AB and System OK AB.
Other ongoing engagements: Chairperson of the Board of Glas Scandinavia AB, Pet Media Group International AB, Once Upon Publishing AB and Zalster AB. Board member and CEO of Alva Linen AB. Board member of Hälsa Hemma Sverige AB, Go North Group AB, Hars Holding AB. Deputy board member of Johan & Johan AB, Go North Rocket, Textual Relations AB and Fifth and Folsom AB.
Holdings: 13,938,500 shares and warrants corresponding to 11,000 shares.
Independency: Independent from the company but not independent from its major shareholders.

Sarah Kauss

BOARD MEMBER SINCE 06.2021
BORN 1975

Education: Bachelor of Science in Accounting, The University of Colorado and an MBA from Harvard Business School.
Work experience: Founder and CEO of S'well. Previously a Certified Professional Accountant at Ernst & Young.
Other ongoing engagements: Chairperson of the Board, S'well. Board member, Thorne Health Tech, Glowforge, Carlotz. Advisor Bearaby, FloorFound. Entrepreneur in Residence, Harvard Business School. Regional Board member, UNICEF USA New York. Mentor, Fortune-United States Department Global Mentoring Program. Member of the Henry Crown Fellows and Braddock Scholars within the Aspen Global Leadership Network at the Aspen Institute.
Holdings: –
Independency: Independent from the company and its shareholders.

Jakob Tolleryd

BOARD MEMBER SINCE 12.2016
BORN 1973

Education: Master of Science in Business Administration and Economics from Stockholm School of Economics. MBA studies at Ivey Business School in Canada.
Work experience: Investor & Affiliated partner to Verdane since 10.2021. Previously General Partner at Verdane since 2017. Former entrepreneur and private investor in the IT industry for 20+ years. Founder of and board member/CEO of Compricer, Klikki, Easyart, Carambole & Domain Network. Investor and board member of Mathem, Sneakers n Stuff, among other companies.
Other ongoing engagements: Board member of Euroflorist 2.0 Holding AB, Euroflorist 2.0 Obligation AB (Publ.), Euroflorist 2.0 AB, Euroflorist Holding AB, Bookbeat AB, Verdane Incomax Holding AB, Mindful Ventures Investment AB, advisor Bonnier group and the board of Adlibris AB.
Holdings: 55,000 shares and warrants corresponding to 560,000 shares.
Independency: Independent from the company but not independent from its major shareholders.

Max Carlsén

BOARD MEMBER SINCE 12.2016. MEMBER OF THE AUDIT COMMITTEE
BORN 1991

Education: Bachelor of Science in Business and Economics from Stockholm School of Economics.
Work experience: Director at Verdane and part of the investment team since 2016. Board member of Stor & Liten AB, JSB Group A/S and Jupiter Bach A/S. Chairperson of the Board of Verdane Capital X Cordelia Co-invest AB.
Other ongoing engagements: Board member of MATCHi AB, Babyland Online Nordic AB, Rörstrand Invest AB, Bostadsrättsföreningen Heimdal 27 and Norsk Bildelsenter AS. Deputy Board member of Cura of Sweden AB, Desenio AB and Poster Store Sverige AB.
Holdings: –
Independency: Independent from the company but not independent from its major shareholders.

Martin Blomqvist

BOARD MEMBER SINCE 07.2008
BORN 1972

Education: Jakobsberg High School
Work experience: Co-founder of Desenio.
Other ongoing engagements: Chairman of the Board and CEO of MBHB Holding AB. Board member of FMA Holding AB and The Kailo AB.
Holdings: 18,272,716 shares
Independency: Independent from the company but not independent from its major shareholders.

Cecilia Marlow

BOARD MEMBER SINCE 06.2021. CHAIRPERSON OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION COMMITTEE BORN 1960

Education: Master of Business Administration and Economics from Stockholm School of Economics.
Work experience: Non-executive board professional since 2012. Previously 30 years as CEO within retail and accounting/CFO roles.
Other ongoing engagements: Chairperson of Wästbygg, Board member of Alligo, Fazer Group, Spendrups, Kivra and BokusGruppen.
Holdings: 14,600 shares and warrants corresponding to 11,000 shares.
Independency: Independent from the company and its major shareholders.

Nathalie du Preez

BOARD MEMBER SINCE 01.2021. MEMBER OF THE REMUNERATION COMMITTEE BORN 1983

Education: Bachelor of Science magna cum laude in Economics from The Wharton School, University of Pennsylvania and an MBA with distinction from Harvard Business School.
Work experience: VP Operations at Jellyfish. Previously COO at Quill Content in London, COO at blow LTD in London, CEO and co-founder of Bunchcut in the United States, Marketing Search Strategist at Net-a-Porter in London and Financial Analyst at Goldman Sachs in New York and London.
Other ongoing engagements: Board member of The Feelgood Company.
Holdings: 12,500 shares.
Independency: Independent from the company and its major shareholders.

SIMPLIFYING SYSTEMS AND MANAGING RISK

At Desenio Group, the year 2021 was a drastically changing one: we have moved from two legal entities in one country with private owners, to a listed group with several entities in different countries and made a big acquisition. Many of the challenges that the year presented we saw as opportunities to set renewed and more sturdy foundations for a successful future.

Prior to the stock exchange listing, the company's routines and processes were formalized and documented. This provided a good opportunity to evaluate whether the processes were cohesive, overlapping, or in some cases lacking. Creating these documented routines, working methods and processes are good from a risk perspective, and have increased the Group's security.

The acquisition of Poster Store has led to the re-evaluation, simplification, and standardization of our existing systems so that both companies operate in the most efficient way. We have now integrated Poster Store into our financial processes, and can now dedicate more time to analysis of data rather than reconciliation and retrieval.

MANAGING RISK IN TURBULENT TIMES

Risk management is fundamental, since every project involves risk, and this must be balanced with opportunity. We operate using the four fundamental steps in risk management. We go through a process of risk identification, and once a risk has been flagged, we conduct a Risk Impact Assessment.

The next step is to analyse each risk and to prioritize them alongside each other, before engaging in risk mitigation planning, implementation, and progress monitoring. This step involves the development of mitigation plans designed to manage, eliminate, or reduce risk to an acceptable level. Once a plan is implemented, it is continually monitored to assess its efficacy with the intent to revise the course-of-action, if needed.

"The acquisition of Poster Store has led to the re-evaluation, simplification, and standardization of our existing systems so that both companies operate in the most efficient way. We have now integrated Poster Store into our financial processes, and can now dedicate more time to analysis of data rather than reconciliation and retrieval."

KRISTIAN LUSTIN
CHIEF FINANCIAL OFFICER

EYES SET ON THE LONG-TERM

During the past year, we have built a strong foundation with scalable processes that will be important for Desenio Group's expansion in the coming years. We did this during a year that was characterized by tough competition and lower online activity compared to the year before. Our focus areas during 2022 are growth in Europe and establishing an organization and warehouse in North America to further strengthen growth. In addition, we will increase our efficiency in logistics and customer acquisition.

ASPIRATIONAL ART

Differentiating our two brands, Desenio and Poster Store, means that we can effectively segment the customer base of the entire group and create strategies to target customers where they are. Through digital activations, we build lifestyle brands that inspire our customers and show them how art can become part of the personal style they want to achieve.

The Creative Department creates art in line with customer demand, with a focus on both predicting and setting the art trends of the future. As Executive Creative Director, I lead the direction of our creative work and strategies, ensuring unity and alignment between our creative teams. Our purpose is to establish the best possible assortment of art for the current customer demand, and to inspire them through their shopping journey with us.

ART DRIVEN BY DATA

We believe that data has a place everywhere: even in the creation of art. We are further economizing on our high volumes of sales by using our databases to make sure we're ahead of the curve – and to understand local markets. Our creative process is set up so that we can identify and act on emerging trends - faster than the competitors.

Through our in-house Design Studio, we can utilise rapid feedback loops and react quickly to emerging customer demand by creating new art concepts that we can be confident will be in high demand, winning the race to market and offering prints exclusive to our brands.

CONVERSION THROUGH INSPIRATION

We see our art as an opportunity to offer our target markets new ways of expressing themselves: in the digital age, self-expression is no longer limited to choices of personal style. An unprecedented number of people now share their homes online, placing an ever-growing importance on the aesthetics of one's home as an extension of the self.

We are tapping into this shift in consumer behaviour with an inspiration-first approach. Through our digital activations, we prioritise building a lifestyle brand through showing customers how art can be implemented as part of the personal style that they aspire toward. Our broad range of styles mean that we are continuously working to grow market share and appealing to diverse customer bases.

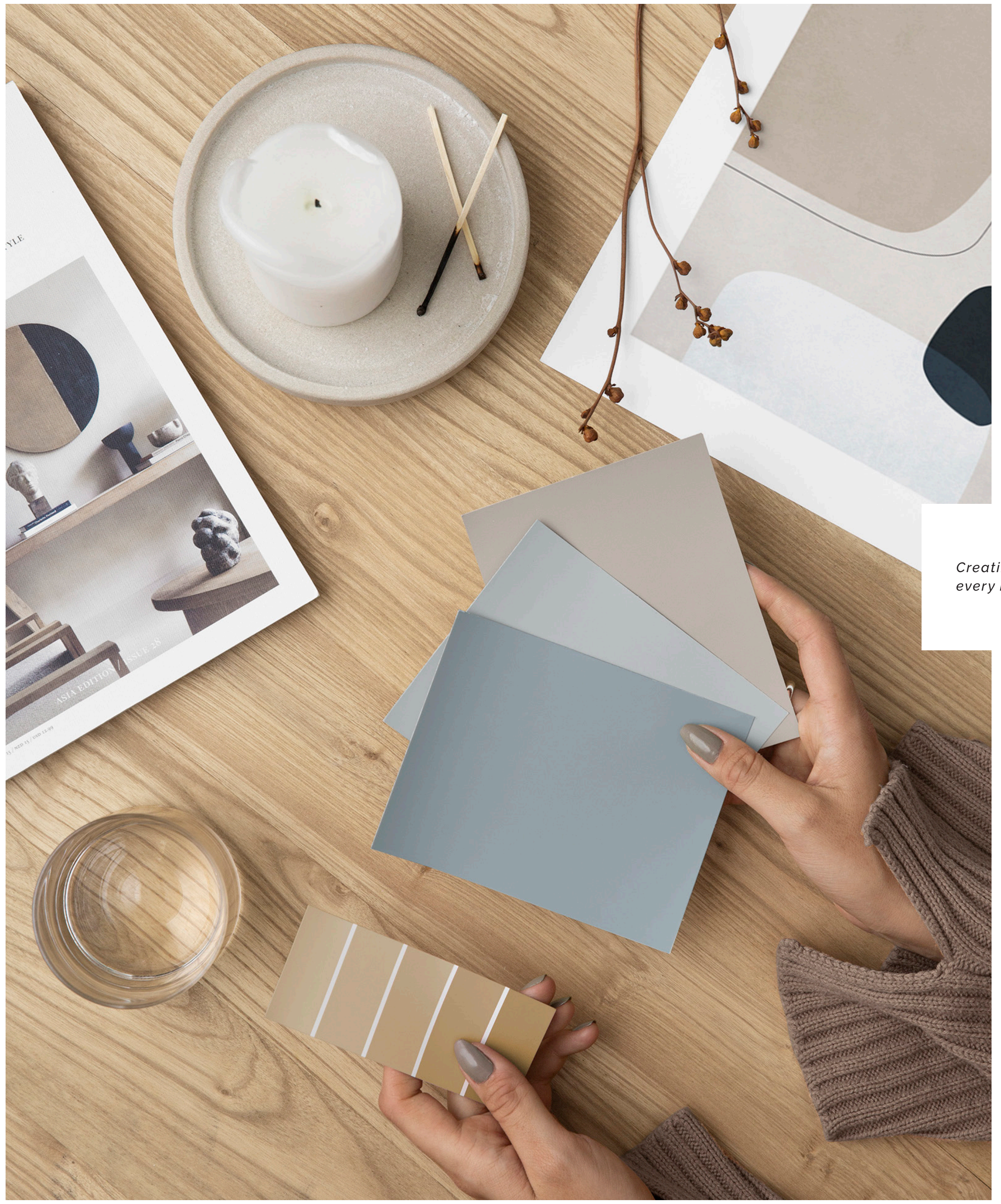
AN EVER-BROADENING ASSORTMENT OF ART

One of our key goals is to position both brands as being reliable in providing customers with a broad range of art styles. We want to ensure that everyone can find art styles to suit their tastes. In this pursuit, we are ensuring that we stock the optimum proportions of exclusive art, collaborations with local artists, and curated collections.

"Differentiating our two brands, Desenio and Poster Store, means that we can effectively segment the customer base of the entire group and create strategies to target customers where they are."

ANNICA WALLIN
EXECUTIVE CREATIVE DIRECTOR

Thanks to our in-house Design Studio, we can create art prints exclusive to our brands



Creating art for every home

"In our digital age, homes are becoming more important. Sharing your home on social media has become more common; our homes are now part of our personality."

TWO NOTABLE INITIATIVES

1 *A new photo studio*

At the end of 2021, we successfully opened a new photo studio in central Stockholm that will serve both Desenio's and Poster Store's needs. This enables us to reach new standards of inspirational visual content for marketing purposes.

2 *Going glocal*

Adjusting our marketing and communication strategies globally in accordance with regional variations has always been important to us. We are placing a huge focus on creating art collections that focus on local collaborations that are highly contextualized for specific reasons.

MEETING OUR CUSTOMERS WHERE THEY ARE

Differentiating our two brands, Desenio and Poster Store, means that we can effectively segment the customer base of the entire group and create strategies to target customers where they are. Our brand differentiation initiatives will continue through 2022, and will create lucrative opportunities to develop new products, art styles, and new ways of marketing.

With a view to appeal to a wider customer base, 2022 will see us placing an even bigger focus on platforms such as TikTok in addition to our strong presence on Instagram, Youtube, and Pinterest.

CUSTOMER RETENTION THROUGH MEMORABLE BRAND EXPERIENCES

Our huge growth has given us the opportunity to focus on customer retention in addition to further growth initiatives. This has seen us place a strong emphasis on creating a positive and memorable customer experience that keeps customers coming back.

We have been focusing on communication strategies that show how easy it is to switch up your prints for every new season, or simply when you feel like a change. With our seasonal styles we want to encourage our customers to return to us and update their art for the new season.

UNDERSTANDING LOCAL MARKETS

Desenio Group is present in 35 countries via 44 local websites, meaning that adapting to the demands of each market is paramount. This involves making sure that we're constantly tracking changes in user expectations regionally, and that we're able to react quickly to provide the best possible user experience, building trust and confidence so that customers will return to us again and again.

TARGETING AUDIENCES WHERE THEY ARE
It's important for our visitors to feel at home and navigate the site easily. We therefore use the local language on site, provide a variety of local payment solutions, and offer customer service in the local languages. We display customer reviews that are relevant to the domain and focus on collaborating with influencers and brands on the local market.

Our marketing is to a large extent automated, while at the same time adapted to local preferences and behaviour. We customize marketing and optimize the strategy based on criteria such as interests and demographics and adapt our efforts continuously as we learn what is proving to be successful.

We want our customers to see us as the forefront of interior design trends and aim to be the go-to destination for both interior design inspiration and for purchasing affordable art online.

TWO STRATEGIES SUPPORTING ONE ANOTHER
We combine a long- and short-term perspective in our communication. Long-term communication is brand-focused and based heavily on emotional marketing, whereas short-term marketing is sales-focused with rational marketing.

Emotional marketing is stronger when it comes to Share of Voice efficiency and building brand than rational marketing. By focusing on the artistic and creative process, we can inspire and engage with our customers. We go broad and try to reach out to as many people as possible.

"Desenio Group is always collecting both qualitative and quantitative data in addition to using online psychology principles to draw conclusions about user behaviour. Based on a Lean Methodology, we then optimize the user journey to increase buyer motivation."

PETER NEE
CHIEF INTELLIGENCE OFFICER

This serves to amplify the activation that we achieve with rational marketing. This form of marketing is highly effective in the short-term for converting to sale.

CONSTANT IMPROVEMENT
Desenio Group is always working to understand how users are interacting with our platform and why. This means that we collect both qualitative and quantitative data in addition to using online psychology principles to draw conclusions about user behaviour. Based on a Lean Methodology, we then optimize the user journey to increase buyer motivation.

Having a view to always improve helps us to identify gaps in the market and ways in which we can grow to better serve our customers in the future.

Share of Voice

Share of Voice is a marketing metric that measures the percentage share of visibility that a brand has within the market. It's an important KPI for determining the effectiveness of branding activities.

Lean Methodology

Lean Methodology is a working process that prioritizes efficiency by eliminating low-value tasks and focuses on continuous improvement.

CLOSING THE GAP TO OUR CUSTOMERS

Ensuring a great customer experience lies at the heart of our operations. Becoming Desenio Group has presented us with a unique opportunity to scale up our operational processes and be even closer to our customers; serving them more efficiently exactly where they are.

EMBRACING GROWTH

The journey from one brand to two presented us with one primary mission for 2021: to facilitate future growth, we needed to unite two operational organisations and find a common long-term fulfilment solution to serve both Poster Store and Desenio as a unified group. Integrating the two organisations allowed us to operate on a bigger scale and capture synergies, utilizing different warehouses to serve different regional markets in a more efficient way.

ALIGNING STRATEGIES

The first step toward creating more value for both Desenio Group as a whole, as well as our customers, was to find a common fulfilment strategy for both brands. Aligning these highly complex and previously very different processes was a major effort since it also meant truly aligning all organisations and individuals involved. This was made even more challenging by the prevalent global supply-chain crisis that the pandemic had presented us with. But it was a success nonetheless: we united both brands' operational processes to create more efficiency, merged our three domestic warehouses in and around Stockholm, and now operate from one common fulfilment centre in Arlandastad, focusing on our Nordic markets.

CLOSING THE GAP TO OUR CUSTOMERS

Being able to utilize the experience from two different ways of fulfilling orders provided a unique opportunity for us to revisit our supply chains and strategy going forward. At the same time, joining forces has made it possible for us to operate on a bigger scale and take another step in our expansion journey in the form of focused warehouses: a long-term solution that will help us meet our customers closer to where they are.

> "Integrating the two organisations allowed us to operate on a bigger scale and capture synergies: operating warehouses for both brands closer to the markets allows us to serve our international customers in a more efficient way."
>
> **WEIWEI YUE**
> CHIEF OPERATING OFFICER

With the majority of our customer base currently located in Central Europe, the will to reduce both the shipping distance and cost resulted in our new warehouse, strategically located in the Czech Republic: in the heart of Europe and close to many of our main markets, which on average reduced our lead times by 1 to 2 days.

Looking ahead and with the United States being one of our focus markets for 2022, another main goal for the coming year is the opening of a North American warehouse and the set-up of a local supply chain to ensure the same kind of improved efficiency to create suitable conditions for our ongoing journey towards globalization.

Flexibility

We pride ourselves on our flexibility: having full control over our processes using the skills and competencies we have in-house gives us the possibility to tailor our strategy to our needs and products – and gives us the flexibility to adapt to exactly the operations efficiency we need.

THE CUSTOMER AT HEART – STAYING CLOSE TO THE MARKET

At the heart of any operational process lies the wish to facilitate our customers in the best way possible: to meet their demands in terms of product assortment as well as shipping and payment providers. We are currently local in 20 of the 35 markets we ship to. Next to our efforts to be physically closer to our customers, we also invest a lot of time into monitoring our markets. In close collaboration with our international Customer Service and Regional Marketing teams that provide us with significant local knowledge, we collect relevant data and study each market and its needs closely.

This enables us to provide the optimal freight and payment solutions for each regional market, as well as constantly stay in line with market needs on our product offerings.

We take pride in having successfully managed to retain our flexibility by keeping most of our processes in-house, enabling us to act and react quickly to changing demands. This kind of constant evaluation, both on a practical and product level, is how we put the customer at the heart of our operations.

DECISION MAKING ON REAL-TIME DATA

At Desenio Group we are truly data-driven: we look at data before we make decisions. Customized IT environments and efficient business intelligence tools create not only tremendous value for our customers' experience but also for every decision-maker in our company.

INSOURCING NOT OUTSOURCING

Thanks to the broad competence of our in-house IT team, which covers everything from building and deploying e-commerce sites to the operational part of the organization, we work with a unique and highly efficient IT setup. This enables us to build a lot of solutions ourselves instead of using third-party software, giving us more control over our technical environment and the ability to proactively customize it to our needs. This hands-on approach has helped us grow to the size we are today – and will do so on our journey going forward.

A JOINT IT ENVIRONMENT

With the acquisition of Poster Store, the primary focus from a technical perspective was to integrate our technical environments into one common one: this means that all IT systems used by the organization today will support both brands in the same manner, making it possible to work smarter, decrease operational costs, and automate as many processes as possible. This integration is now nearly complete, with the majority of workflows already streamlined and automated, and it will be finalized in the first quarter of 2022.

REAL-TIME DATA FOR DECISION MAKERS

At Desenio Group we are truly data-driven: we look at data before we make decisions and as a very digital company, we have vast amounts of it stored in various places: from sales-, marketing-, and behavioural data, to operational- and product information.

With the business intelligence solutions we have built, this data is gathered from its sources, streamlined into one platform and transformed into different dashboards tailored to the needs of our teams and departments. All data points are visualized in reports and can be easily compared between our two brands and different time periods, creating enormous value for each of our decision-makers: they can quickly access and explore all available information in real-time.

"At Desenio Group, we have a very broad technical competence located in-house, which we leverage to create our own solutions. This gives us a lot more control over our environment and the possibility of tailoring it to our needs."

JIMMY BERGSTEDT
CHIEF TECHNOLOGY OFFICER

Our platform consists of several IT solutions pooled into one common environment. Some of its main features are automation, where we automate processes with the help of technology, business intelligence, and product trends. It also contains an influencer marketing and marketing hub, where we measure the performance and cost of sale of all our marketing activities. All of these features and more are designed to make our everyday processes more efficient. This platform is becoming more powerful every day, and we are constantly working on new solutions and improving existing ones to ensure ideal premises to base all our business decisions on.

THE CUSTOMER IN FOCUS

Now that we are more customer-centric than ever, our IT team is making sure that every customer, from wherever in the world they enter our site, has the same high-speed shopping experience. In addition, they are investing a lot of time into usability testing. By testing new developments and solutions and measuring their success through collecting and evaluating data, e.g. through split testing, we map out which one facilitates our customers in the best way before deploying it, which ties in with our data-driven approach.

Alongside system management and troubleshooting solutions already in place, the creation of new functionalities is just as important to us.

We collect a lot of behavioural data by tagging parts of our webshop, and we collect trend data by tagging our products. This provides us with meta-data as well as visual information resulting in findings that we later use in decisions related to marketing and personalisation, and in the creation of new products.

Among other things, we are currently working on new personalisation tools so that we can give each customer even better personal product recommendations, and on improving our Gallery Wall Tool, which helps customers visualise their chosen prints in their home.

We do all of this with the goal of improving our customer experience to the best it can be.

GROWTH AT HEART, LEADERSHIP AT HAND

From Desenio and Poster Store to one Desenio Group Family: creating a winning team revolves around trust, clear communication and inspiring leadership.

LEADING THE WAY TOWARDS A UNIFIED GROUP

Growing a thriving business to the next level and implementing a whole new team into an existing one is a major effort. Doing all this while working remotely around the world even more so: it requires a structured and integral approach, excellent communication, and room for different company cultures to build from each other.

Change takes energy, but it also provides the potential for a tremendous amount of growth, both on a personal and corporate level. The journey from Desenio and Poster Store becoming one Desenio Group family was one of the core missions of 2021 – together we are now a united front; leading the way in creating beautiful homes through affordable wall art.

This journey has presented us with the opportunity to revisit our working processes and internal structures to become better in every way. We're focused on creating a working environment that attracts top talent, facilitates individual growth, gives our leaders even more support in developing their skills, and creating a new, united company culture.

OUR FOUR CORE VALUES

In the light of this significant change, we simplified our core values by reducing them from eight to four that are both easy to remember and easily understood by everybody: 'Stand Together', to make sure we act as one team towards common goals and celebrate success, 'Always Be Closing', to always find solutions and deliver results, 'Lead by Example', to dare to lead and live by your words, and lastly, 'Customer Dedication', to know our customer inside-out and make sure to deliver superior interior inspiration with passion and engagement.

UTILIZING COMPETENCE WITHIN

Considering our now even more customer-centric approach, we have found incredible value in internal recruitments. Transferring practical knowledge from one department to another gives us a more holistic view on our customers, helps us to retain expertise and provides our employees with opportunities to grow.

> "The most successful and effective leaders can manage both the organisational and the emotional parts of their leadership role: celebrating together and giving structure while offering the support needed for the team to be thriving and happy."
>
> **CECILIA TUNBERGER**
> Chief People & Culture Officer

At the same time, we pride ourselves in our highly diverse team, with employees coming from various cultural backgrounds, uniting a total of 33 nationalities and 24 languages. Having this pool of local knowledge to draw from enables us to understand our global customer base and provide contextualized products, communications, and solutions.

CLEAR AND INSPIRING LEADERSHIP

We believe that trust and transparency are at the heart of any winning team. They are a key to success that employees and leaders alike must foster and cultivate.

We focus on helping our managers to excel in building trust and transparency from within, providing a clear vision towards common goals. We have created a regular forum for our leaders to make sure we support and get to know each other and scaled up our Desenio Leadership Academy, offering an opportunity to develop professionally.

AUTONOMY IS KEY

While the pandemic has been a challenge globally, it has also been a catalyst in terms of innovation and technical development. As a sense of autonomy has shown to be just as much of a motivator as a sense of belonging, we introduced a new hybrid work schedule once we were able to return to our office, in October 2021. Working three days from the office each week completed by digital as well as physical events, such as after works, training sessions, and workshops, have given our employees the right balance of these two driving factors, building a strong foundation for our thriving team.

5 LEADERSHIP QUALITIES

1. **SINCERE ENGAGEMENT** Engagement drives performance - if you are an engaged and energetic leader, your team will feel it and feed off that energy.
2. **GENUINE INTEREST** Being genuinely interested in every single team member, listening in will help you know how they work and what they need to succeed.
3. **COMPASSION** Listening and being empathetic builds trust and a stronger relationship between you and your team.
4. **CLEAR COMMUNICATION** A good leader should be a good communicator – when it comes to both good and constructive feedback and be able to make clear decisions.
5. **STRUCTURE AND A CLEAR VISION** An efficient structure will help manage all tasks while a clear vision sets the goal for the team and where it's headed.

SUSTAINABILITY REPORTING

SUSTAINABILITY AT DESENIO GROUP

At Desenio Group, sustainability is close to our heart, since our products would not exist without the natural materials originating from our forests. Creating beauty through art is our reason for being, and to do so sustainably means constantly striving to improve our production process and actively reducing its impact on our environment.

WE AIM TO DO ALL WE CAN to work towards a sustainable future and we remain conscious that many steps still lie ahead. With an emphasis on FSC® certified raw materials and sustainable production methods, we are actively taking steps to minimize our footprint, together with a select team of partners. We are also dedicated to reducing our impact on the environment by taking control of our carbon management through data collection, reduction strategies, and offsetting measures.

We focus our sustainability work in two main areas, People and Planet. People is related to Social Sustainability, and Planet is related to Environmental Sustainability. Within People we are focusing on social compliance in our supply chain through our Code of Conduct, our Social Audit Program, and of course through close collaborations with our suppliers, as well as topics related to Human Resources. Within Planet we are focusing on our entire operation and reducing the impact it has on our environment. For example, we are focused on choosing the best raw materials, minimizing our carbon footprint, and partnering with relevant charity organizations to raise awareness and enable carbon offsetting within projects related to our core business.

2021

HIGHLIGHTS

THIRTY-FIVE GLOBAL MARKETS

EMPLOYEES || 198

(2021 AVERAGE)

BOARD OF DIRECTORS
43% WOMEN
57% MEN

MANAGEMENT TEAM
43% WOMEN
57% MEN

TOTAL IN THE GROUP
74% WOMEN
26% MEN

10,012 TREES PLANTED

Initiated partnership with **Planetly** to improve our carbon management through data collection, reduction strategies, and offsetting measures.

Increased the percentage of factories participating in our **Social Audit Program** from 28% to 83%.

One hundred percent of our suppliers have signed our **CODE OF CONDUCT**

ART FOR OCEANS

In support of **Blue Marine Foundation**, Desenio Design Studio has created a collection of 26 art prints paying tribute to the life and beauty of our oceans.

FACTORY LOCATIONS

54% EUROPE

46% ASIA

EXPANDED FSC® CERTIFICATE to include both brands of Desenio Group

GLOBAL TRANSPORTATION

AIR 4%

SEA 48%

ROAD 48%

For our inbound deliveries, road and sea freight is always considered as a first choice. Air freight is only used exceptionally.

35 MARKETS

11 SUPPLIERS

13 FACTORIES

CARBON FOOTPRINT

The environmental responsibility of Desenio Group stretches beyond our own operations to include our entire supply chain from the factories we collaborate with to our end consumers. Measuring and managing the carbon footprint of our business is essential to Desenio Group's sustainability work.

Understanding our environmental impact is a prerequisite to making the correct decisions, creating relevant sustainability strategies, and deciding which actions to take in order to make our business more sustainable. In 2018 we performed our first carbon footprint project, where we collected data and calculated our CO2 emissions. This project focused mainly on the direct and indirect emissions from energy use, business travel, and procurement of office supplies. At that time we didn't have the system support to perform calculations of our supply chain, which means a large part of our footprint wasn't included. In 2019 we performed a more extensive carbon footprint project where we also incorporated the full supply chain including production and distribution. Due to insufficient data, both of the CO2 projects performed in 2018 and 2019 were partly based on estimations and assessments instead of actual figures. We recently continued our journey towards carbon neutrality in 2021, by partnering with German tech company Planetly. They offer a carbon management software that helps us introduce and automate our carbon management, from data collection to carbon reduction strategies and offsetting measures. This software, together with extensive data collection from internal systems and external business partners, will provide us with an accurate measure of our carbon footprint. The software is built upon the standardized frameworks of GHG Protocol. GHG Protocol establishes global standardized frameworks to measure and manage greenhouse gas emissions and supply the world's most widely used standards for GHG accounting.

Since we embarked on this journey, we have initiated a carbon management project and worked hard to collect emission data from all parts of our business, as well as perform the calculations to determine our total emissions. However, we still have work left to perform before we can summarize 100% of our emissions for 2021. The data presented in this report contains emissions from all parts of our business, from the daily commute of our employees to the raw materials used in the production of our products, but some pieces of the puzzle are still missing. Regardless, we are proud to present a fair and accurate picture of the environmental impact of our business and we will continue working on this important topic going forward.

According to the data we have collected for the full year of 2021, our CO2 emissions amounted to 18 232,38 tCO2e. Of these emissions, 99,5% stems from Scope 3, while the remaining 0,5% stems from Scope 2. In 2021, Desenio Group had zero emissions in Scope 1. Below we will present the full carbon footprint of Desenio Group according to the categories established by GHG Protocol.

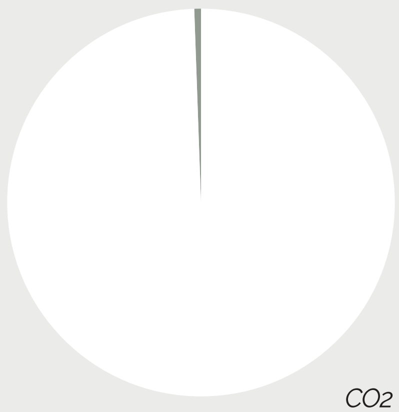
CO2 EMISSIONS

Categorized in three scopes according to the GHG Protocol standard:

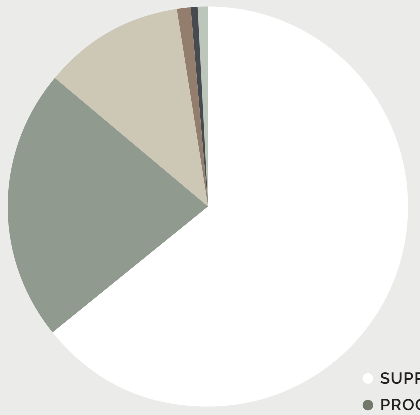
SCOPE 1 Direct emissions from controlled sources.
Company vehicles & facilities.

SCOPE 2 Indirect emissions from the purchase of energy.
Purchased electricity, heating, steaming & cooling for own use.

SCOPE 3 Indirect emissions from the supply chain.
***Upstream**: purchased goods & services, capital goods, fuel & energy related activities, transportation & distribution, waste generated in operations, business travel, employee commuting, and leased assets.*
***Downstream:** transportation & distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, leased assets,* franchises, and investments.



CO2 Emissions per scope



CO2 Emissions per Activity Group

For Desenio Group, the vast majority of our carbon footprint stems from the production of our products and the supply chain required to distribute them from factories to end consumers. Of our total emissions, 63,3% are related to our supply chain, including but not limited to activities like the sourcing of raw materials and production procedures in the factories. On average, the production of one frame causes 235 grams of CO2 emissions, while the production of one single poster causes on average 45 grams of CO2 emissions. This includes the entire production chain from the paper mill to the printing, cutting, and transportation of the poster to our warehouse. Our largest supplier of posters in Sweden made some technical investments in 2021 which decreased the emissions significantly compared to previous years. The average CO2 emissions from the production of one poster in 2019 was 66 grams, which means a decrease in CO2 emissions of almost 32% in 2021 compared to 2019.

Procurement of services stands for 22,5%, which includes services like insurance, telecommunications, software licenses and consultancy fees. Logistics stands for 11,9% of our carbon footprint, including activities like packaging materials, warehouse handling, and freight. Desenio Group distributes millions of parcels annually to end consumers in 35 markets all over the world. The data collection and calculations required within this category are therefore extensive and time consuming. As a result, logistics is one of the categories where we haven't been able to complete the carbon footprint for 2021. We are however still working on the calculations and will establish our complete logistics footprint before the end of 2022.

Our employees represent 1,1% of our emissions, which is related to business travel and employee commuting. In the category of business travel, 85 tCO2e derives from airplane travel while the remaining 8,8 tCO2e derives

SCOPE	GHG CATEGORY	TCO2E
2	*2.02 Electricity (Market-Based)*	*21,14*
2	*2.03 Heating*	*74,89*
3	*3.01 Purchased Goods & Services*	*16 148,45*
3	*3.02 Capital Goods*	*11,74*
3	*3.03 Fuel- & Energy-related Activities*	*14,53*
3	*3.04 Upstream Transportation & Distribution*	*375,84*
3	*3.05 Waste Generated in Operations*	*10,38*
3	*3.06 Business Travel*	*93,80*
3	*3.07 Employee Commuting*	*99,76*
3	*3.08 Upstream Leased Assets*	*158,77*
3	*3.11 Use of Sold Products*	*107,99*
3	*3.12 End-of-Life Treatment of Sold Products*	*1 115,07*

CO2 emissions per Activity

2021
tCO2E
18 069

"Our overall target within carbon management is to reach carbon neutrality."

from hotel stays as well as travel by car and train. The majority of all employees at Desenio Group have been working from home either full time or periodically during the year of 2021, which had an impact on the emissions within this category. The total emissions in the category employee commuting were 99,76 tCO2e, distributed at 51,26 tCO2e related to working from home, and the remaining 48,50 tCO2e related to commuting. The buildings we use for office spaces and warehousing stands for 0,6% of our footprint. The final category, our customers, also represent 0,6% of our total carbon footprint. The emissions within this category are related to the online interaction of our customers at our websites.

For the coming years, carbon management will be increasingly important for Desenio Group, and we will work systematically to improve our data collection and reporting on this important topic. We will continue working to identify the best practice within carbon management, and to ensure that we can include 100% of our emissions in the sustainability report for 2022. Our overall target within carbon management is to reach carbon neutrality, through extensive work with carbon reduction in our supply chain in combination with carbon offsetting projects. Carbon offsetting is an excellent way of minimizing our carbon footprint, but it's equally important to target the source of emissions. Our first priority is, and will always be, to minimize our carbon emissions as far as possible, and to use carbon offsetting as complementary measures to reach our goal of carbon neutrality.

PEOPLE SOCIAL SUSTAINABILITY

Our vision is to be the employer of choice within affordable and sustainable wall art. We want to lead the way through a transparent supply chain where all people involved in our business have equal rights, beneficial working conditions, and equal possibilities of creating a bright future.

PEOPLE GOALS 2021

1. **LOWER SICK-LEAVE RATES**
   Lower our sick-leave rates during 2021.
   Status: Completed
2. **TRAINING**
   Educate within crisis management, and work environment investigations. Status: Ongoing
3. **STRESS MANAGEMENT**
   Educate the organization within stress management and time management.
   Status: Completed
4. **ADAPTATION**
   Adapt our workplaces to the new hybrid ways of working. Proactively work with our culture, communication, and productivity in regard to our policy for remote work. Status: Completed
5. **STAND TOGETHER**
   Create and maintain shared processes and common goals within our different locations and brands. Always act on the behalf of our company values. Status: Ongoing
6. **CODE OF CONDUCT**
   Ensure that 100% of our suppliers have signed our Supplier Code of Conduct before we enter into an agreement and place orders to this supplier.
   Status: Completed
7. **SOCIAL AUDIT PROGRAM**
   Ensure that at least 80% of our suppliers in high-risk countries have performed and passed an independent social audit within our Social Audit Program. Status: Completed
8. **ZERO NON-COMPLIANCES**
   Work on continuous improvement together with our suppliers to ensure that we encounter zero non-compliances to our Code of Conduct.
   Status: Completed

PEOPLE & CULTURE

Our business would not exist without the people in our organization. We want all our employees to feel welcomed and appreciated every single day. Because when they grow, so does Desenio Group. Desenio Group is the place to impact, inspire, and grow, and our work environment thrives on the core foundation of passion, dedication, and friendliness. During the year we were 198 employees at Desenio Group, from 32 different nationalities, and together we speak more than 23 different languages. We work together as a team, and we live by our values every day.

Our overarching goal within People & Culture is to achieve a great work environment that prevents health issues and accidents from occurring, as well as to create a workplace that encourages personal development and is stimulating for all employees. Desenio Group works deliberately, structured, and actively to create the foundation for a work environment that encourages teamwork, motivation, and professional development. Below we will describe some of the initiatives that we are focusing on to achieve our vision within People & Culture.

"Desenio Group is the place to impact, inspire, and grow, and our work environment thrives on the core foundation of passion, dedication, and friendliness."

WORK ENVIRONMENT

Our vision is to be a sustainable employer, a great place to work, with prerequisites for well-being and performance. A place to impact, inspire, and grow. To guide us in this work we have a Work Environment Policy. Our Work Environment Policy includes guidelines on how the working environment at Desenio Group should be, the goals for the working environment, and how the work environment initiatives should be conducted to achieve the goals. The aim of our Work Environment Policy is to create and develop an effective operation, in addition to creating a simple routine for supporting employees' health, safety, and well-being in the workplace. Both managers and employees contribute to creating and maintaining an engaging, proactive, and healthy work environment.

At Desenio Group, we do not tolerate harassment, victimization, or offensive discriminatory behaviour. Our action plan for Harassment & Victimization complements our Work Environment Policy and describes how managers and employees should act if cases of harassment or violation occur. We know that these issues constitute a serious threat to workplace happiness, health, and opportunities for development within the workplace. This also leads to decreased productivity and thereby affects our business. All managers are responsible for creating an environment that is friendly, open, and respectful. Together, we work to nurture a positive work climate, and it is up to every employee to align attitude and behaviour to the team values and to notify their manager if they see tendencies towards offensive discriminatory behaviour or harassment in the workplace. If any employee feels harassed or suspects that others may be harassed, we have a process in place to escalate and handle the issue internally.

At Desenio Group we strongly believe equality is an important part of creating an inclusive culture and a sustainable workplace. Our Equality Plan is therefore implemented as part of our Work Environment Policy to make sure we are actively and systematically working together to accomplish a great place to work, free from victimization. The Equality Plan includes guidelines on working conditions, salary and terms of employment, recruitment and career, competence development and training, opportunity to combine work and parenthood, and lastly external equality initiatives. The Equality Plan is evaluated once a year and concrete actions are documented and followed up.

Desenio Group closely follows the regulations on systematic work environment from The Swedish Work Environment Authority (AFS 2001:1). These regulations describe how the employer should systematically plan, implement, and follow up his or her activities to achieve a good work environment. These regulations mean that all employers must review the employees' work situation regarding workload, working hours and victimization and discrimination. This work is performed on three levels, organizational, social, and physical.

OCCUPATIONAL HEALTH & SAFETY (OHAS)

Our OHAS representatives are chosen by the employees in the organization. Their responsibilities include being a contact person for employees in questions or identified work environment issues, to share the information with relevant parts within the organization, and to be part of the yearly OHAS inspection for our organizational, social, and physical work environment. We also have a safety committee working systematically with topics related to occupational health and safety. The safety committee is made up of one OHAS representative, one employee representative, and one employer representative.

The sickness absence for Desenio Group was 3,39% during the year of 2021, which is in line with the average sick leave figures for Sweden in 2021, according to SCB (Statistics Sweden). The sickness absence decreased by 0,96 pp compared to last year.

"At Desenio Group we strongly believe equality is an important part of creating an inclusive culture and a sustainable workplace."

EMPLOYEE SATISFACTION

We measure our company culture's heart rate weekly using a system called Winningtemp, to keep track of our internal well-being in all teams. Each week, all employees get to answer four short questions, which only takes a minute. The regular feedback received gives valuable insights on the work situation and is a great way to simplify and start the dialogue about initiatives on how we can create a great work environment, together. The result is the basis for team workshops, where we discuss ups and downs and what initiatives to take to create an engaging place to work.

The well-being of our employees is measured in Winningtemp by a measurement called Temperature. Our average Temperature for 2021 is 7.2 (industry index 7.4). The strongest categories within Desenio Group are Leadership, Team Spirit, and Commitment. In Winningtemp, we also measure our Employer Net Promoter Score (eNPS). This score measures employee satisfaction and loyalty to the employer. Our eNPS for the year of 2021 was 3. The range is -100 to 100 and any score above 0 is considered higher than average.

The overarching aim for Desenio Group is to conduct business in an honest and direct manner. Our Employee Code of Conduct is available for all employees to take part of in our Employee Handbook. It contains guidelines within areas including but not limited to agreements with external parties, anti-corruption, work environment, and press requests. We are currently in the process of developing a whistle-blower process, which will be implemented in June 2022.

SUPPLIER CODE OF CONDUCT

1. *No child labour*
2. *No bonded labour*
3. *Fair remuneration*
4. *Decent working hours*
5. *No discrimination*
6. *No precarious employment*
7. *Health & safety*
8. *Protection of the environment*
9. *Ethical business behavior*
10. *Freedom of association & collective bargaining*

SUPPLY CHAIN

We work with a small select team of suppliers, based in Europe and Asia, with whom we have long-term relationships and close collaborations. During 2021, we have worked to consolidate our supplier base by cancelling agreements and transferring these order volumes to other suppliers in our supplier base. This means we have decreased our supplier base from 13 to 11 suppliers, and our factory locations from 16 to 13. We forge these relationships carefully and together we respect the important social and environmental responsibility requirements set out in our Supplier Code of Conduct. Our Code of Conduct has been signed by 100% of all suppliers producing for Desenio Group, and we always require a signed Code of Conduct before we enter into a new supplier agreement.

SUPPLIER CODE OF CONDUCT

At Desenio Group, it is important to take responsibility for our actions and the impact that we have on our surroundings. One of our main responsibilities is toward the people involved in the production of our products. To make Desenio Group's position clear and illustrate what we expect from our suppliers and business partners, we have set up our Code of Conduct. Our Code of Conduct applies to all suppliers and their subcontractors involved in the manufacturing or supply of products to Desenio Group. It is based on relevant UN Conventions and the International Labour Organization (ILO) Convention and sets forth the minimum requirements that all suppliers and subcontractors must meet in order to do business with Desenio Group. Our Code of Conduct consists of ten principles within the areas of social and environmental sustainability:

SOCIAL AUDIT PROGRAM

To ensure compliance with our Supplier Code of Conduct, we have put in place a Social Audit Program. We classify all our suppliers as low or high risk for social non-compliance based on the Worldwide Governance Indicators (WGI) that contains six different dimensions:

1. **Voice & Accountability**
2. **Political Stability & Absence of Violence**
3. **Government Effectiveness**
4. **Regulatory Quality**
5. **Rule of Law**
6. **Control of Corruption**

We use the country classification from Amfori BSCI to decide whether a country is considered low risk or high risk. Low risk countries have an average WGI rating above 60 and no more than two individual dimensions rated below 60. High risk countries have an average WGI rating between 0-60 and three or more individual dimensions rated below 60.

In our supplier base, 56% of factories are located in European countries that are considered low-risk. The remaining 44% are located in Asian countries that are considered high-risk. We demand that all factories in high-risk countries perform annual independent social audits to ensure their compliance with our Code of Conduct. From these audits in 2021, we have discovered some minor non-conformances in the factories within the areas of Fair Remuneration, Decent Working Hours, and Health & Safety. We did however discover zero major non-conformances and zero non-compliance issues in breach of our Code of Conduct during 2021. All non-conformances must be corrected by the supplier within the timeline decided by Desenio Group. The supplier provides an initial corrective action plan followed by a list of performed corrective actions including documentation as supporting evidence. The corrective actions and the supporting documentation are approved by Desenio Group once the non-conformances are closed.

In 2021, 83% of our factories in risk countries have performed and passed a valid social audit, compared to 28% in 2020. We have worked hard to include all factories in the Social Audit Program and promote the importance of their participation, which explains the increase in participation compared to last year. This increase can also be related to the consolidation of suppliers that we performed in 2021, where we terminated agreements with suppliers who were unable or unwilling to participate in our Social Audit Program. The remaining 17% of factories have previously performed audits which have now expired, but they will perform follow-up audits in Q1 2022. Because of the situation with Covid-19 and the strict lockdowns in parts of Asia where travelling has been difficult to perform, social audits have been delayed or cancelled. We are striving to perform valid social audits in 100% of all factories located in risk countries before the end of 2022. Factories who are unable or unwilling to perform a social audit before the end of 2022 will be replaced and will no longer receive orders from Desenio Group.

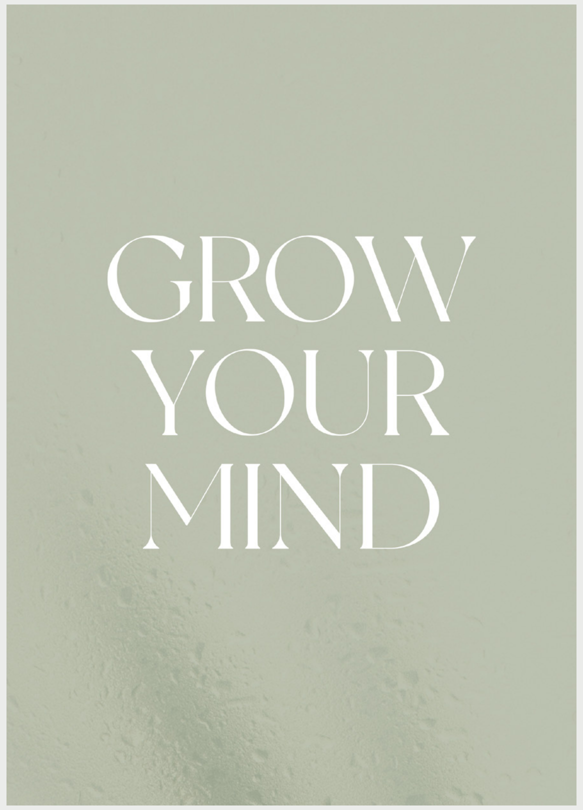
PLANET ENVIRONMENTAL SUSTAINABILITY

Our vision is to be top of mind within affordable and sustainable wall art by creating products that are produced using certified raw materials and environmentally friendly production methods, and by partnering with organizations who are dedicated to making our world a better place.

OUR PRODUCTION

We hold ourselves to high standards when producing our products and we value the craftsmanship behind every single component. Together with our suppliers, we continuously strive to improve the quality and lifetime of our products through careful product development. We are currently working with a supplier base of 11 different suppliers and 13 different factory sites, of which 56% are located in Europe and 44% are located in Asia. Desenio Group does not own any factories, but we have close collaborations and long-term relationships with our suppliers. Our supplier base is regularly managed and evaluated to ensure compliance with our highly set requirements for environmental sustainability, for example in relation to production methods and geographical locations.

In our Supplier Code of Conduct, we have defined the strict environmental requirements that all suppliers must comply with. Our suppliers must implement and maintain an environmental management system or equivalent to minimize environmental risks. They must also take adequate measures to minimize the negative impact on the environment throughout the value chain. This includes but is not limited to minimizing pollution, promoting a sustainable use of energy and water, and minimizing greenhouse gas emissions throughout the value chain. To ensure compliance with these requirements, all factories must be inspected by the local environmental authorities. In addition to these requirements, we have also defined how to handle chemicals when used in production. All chemicals must be handled, stored, and used with knowledge and care according to written procedures. We require that all suppliers must have a list of all chemicals used in production, including the name of the chemical product, the purpose of use, and a reference to the Material Safety Data Sheet. To ensure the safety of the workplace, all suppliers must provide safety training and Personal Protective Equipment (PPE) to all workers handling chemicals or performing any type of work where the use of PPE is recommended.



ART PRINTS
At Desenio Group, the sustainability of our products is at the heart of our mission. We are proud of the craftsmanship and expertise that goes into the production of our products. We are also proud to be a Forest Stewardship Council® (FSC®) certified company. We offer a wide selection of art prints in modern, on-trend designs. Among our posters you will find unique prints created by our very own Design Studio exclusively for Desenio Group, as well as popular posters from renowned artists and photographers. All our posters (with the exception of a few Handpicked designs) are printed on 200g/m2 uncoated premium paper. It has a matte surface with no glare, giving it a premium feel. Our paper is also age resistant. The paper is produced in Sweden, and the paper mill, the pulp used to make the paper, and the paper itself are all certified by FSC®. This guarantees that the trees used were harvested in compliance with all laws and regulations as well as the FSC® Organization's strict criteria on social and environmental sustainability.

All of our posters are printed in Sweden, with the exception of a few Handpicked designs. We use different print houses to achieve the best quality for each design, depending on whether it is a photo, graphic, or foil print. Our print houses use different types of ink according to the printing technique required, but it is always chosen in compliance with all relevant EU regulations (including but not limited to REACH). The ink is also 100% vegan. We are proud to say there is very little waste in our poster production, with excess paper recycled into newspapers by our print houses and paper mill.

FRAMES
We offer elegant wood and metal frames to suit all interior decor styles and have everything from smaller frames that are perfect for photos, to large frames that will take centre stage on your walls. Our frames are handcrafted by skilful craftsmen with high experience in frame production. All our wood and metal frames are FSC® certified and come in eight different sizes. All come with transparent acrylic plexiglass, which is lightweight and shatterproof. They all open at the back for easy insertion using turning clips, without the need for sharp metal pins.

Our wood frames are made from solid wood and come in black, white, oak, dark wood, and light wood. The wood frames are produced in Europe and Asia. Our oak frames are made from untreated oak, while our dark wood and black and white wood frames are from solid yellow poplar wood which is then painted. Our light wood frames are made from hard maple which is treated with a transparent coating for a natural finish. Our metal frames come in the colours black, gold, silver, and copper. They are produced in Europe and made from aluminium with a thin profile for an elegant look. The gold, silver, and copper-coloured frames have a high-gloss finish, while the black metal has a matte finish.

ACCESSORIES
We offer a range of accessories to add the finishing touches to your prints – from passepartouts, to hanging options such as wall hooks, clips, poster hangers, and washi tape, to ledges for display purposes. All of our passepartouts, poster hangers and picture ledges are FSC® Certified. Our high quality passepartouts are produced in Sweden. They enable

PLANET GOALS 2021

1. **FSC® Certification**: *100% of wood-based assortment certified by FSC®.* Status: Ongoing
2. **FSC® Certification:** *expand Chain of Custody certificate from single to multi-site.* Status: Completed
3. **Carbon Footprint**: *initiate project for data collection, calculation, and evaluation of our carbon footprint.* Status: Completed
4. **Inbound Air Freight:** *only to be used as an alternative freight method when other transport means are unfit or unavailable. Maximum 5% of all inbound shipments.* Status: Completed
5. **Outbound Air Freight:** *only to be used as an alternative freight method when other transport means are unfit or unavailable. Maximum 5% of all outbound shipments.* Status: Completed
6. **Packaging:** *100% plastic free packaging materials in outbound distribution.* Status: Ongoing

you to frame and accentuate a poster's design and add an exclusive touch. They come in both black and white and are true to colour throughout, with the black having a black core and the white a white core. The white passepartout comes in the exact same shade as our poster paper. Our passepartouts are acid-free, just like our art prints.

Our poster hangers are a stylish way to display art and make a great addition to a gallery wall. They are available in different lengths to fit our entire range of poster sizes and come in three colours: one made from untreated solid oak, and two made from pine wood, painted in either black or white. They come with brass screw hangers and faux leather bands for hanging in matching oak, white, or black. Magnets on either side hold the poster in place without damaging it. Our poster hangers and other wooden accessories are produced in Europe and Asia.

OUR DISTRIBUTION

For our inbound deliveries from the factory sites to our warehouses, we mainly use road and sea freight. In 2021 we shipped 48% of our inbound deliveries via road, 48% via sea and the remaining 4% via air. Air freight is only used occasionally for smaller orders where road and sea freight are not possible due to low order volumes. Road and sea freight is always considered as a first choice. All inbound deliveries within Europe are distributed via road freight. In 2021 we operated two warehouses, one in Stockholm, Sweden and one in Bor, Czech Republic. For outbound deliveries from our warehouses to our end consumers, we are working with a large number of freight forwarders to cover all 35 markets where we are currently operating. In 2021 we shipped 95.3% of all outbound shipments via road freight, and the remaining 4.7% via air freight. As with inbound shipments, we see air freight for outbound shipments as an alternative only to be used when other transport means like road and sea are unfit or unavailable for the transport type or destination.

We are constantly working on improving the packaging material used to protect our products during transport. We use several different packaging options to ensure that we have the optimal packaging for each product category. Based on the product category and the order composition of each order, we use different packaging options to ensure that we are minimizing the proportion of air in each packaging without compromising the quality of our products. Currently, 50% of the packaging material used in our warehouse is made from recycled materials. We are working on eliminating the use of plastic in our packaging materials. Previously we have replaced the plastic tape used to seal our cartons with a 100% recycled paper-based tape. Replacing the plastic air-fill cushions was one of our goals for 2021, but it has been challenging to find an alternative product that lives up to the requirements on sustainability, durability, and cost. During 2021 we have also been working on a project to remove the plastic shrink-wrap covering our frames and wooden accessories. This shrink-wrap protects the products from damages during transport, but we are investigating whether it would be possible to remove the plastic without causing an increase of damaged products. We have performed several shipping trials during 2021 and will continue this work during 2022, to secure a solution here we can decrease or eliminate the use of plastic without causing an increase of waste in the form of damaged products. We will continue working towards a plastic-free distribution and strive to achieve this during 2022.

"We are proud to be an FSC® certified company since 2019, a natural step in our journey towards our sustainability goals."

OUR ENGAGEMENT

FOREST STEWARDSHIP COUNCIL® (FSC®)

As of 2019 we are a Forest Stewardship Council (FSC) Chain of Custody Certified company, a natural step in our journey towards our sustainability goals. FSC is a non-profit organization that sets high standards to ensure forestry is practiced in an environmentally responsible, socially beneficial way. In 2021 we expanded our certificate from a single-site certificate to a multi-site certificate, giving us the possibility of including all subsidiaries within Desenio Group and offer certified products to all 35 markets in which we are active. In Q4 2021 we included both Desenio AB and Poster Store Sverige AB in the certification, with the purpose of certifying 100% of the wood-based assortment. To date, we have included 85% of all wood-based product categories within Desenio AB in the FSC certification. This includes all posters (with the exception of a few handpicked designs), all wood and metal frames, all passepartouts, all poster hangers and all picture ledges. For Poster Store Sverige AB the number is 60%, which includes all posters and all metal frames. We will gradually include all wood-based product categories in the certification during 2022.

Being certified by FSC means we meet the high standards set by the FSC organization on environmentally and socially beneficial forestry. It also serves as a guarantee that the materials used in our production originate from sustainable FSC certified forests. FSC has a strong focus on securing workers' rights by incorporating core labour requirements into its system. These requirements include effective abolition of child labour, elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect to employment and occupation, respect of freedom of association and the effective recognition of the right to collective bargaining. Furthermore, the work of FSC is helping achieve 40 targets under 14 different sustainable development goals (SDGs). FSC helps achieve sustainable forest management in the world, one of the targets of SDG 15 (Life on Land). The broad environmental, social, and economic focus of the FSC principles also contribute to the SDGs focused on poverty, equality, natural resources, production and consumption patterns, decent work, climate change, inclusive and accountable societies, and global partnerships.

Our FSC certification code:
FSC-COC-007047 (FSC-C153048)

BLUE MARINE FOUNDATION

Desenio Group has chosen to partner with Blue Marine Foundation (BLUE) in its mission to protect the ocean. BLUE is a charity and makes a difference by creating marine reserves, establishing sustainable models of fishing, and restoring vital marine habitats. Marine protected areas and sustainable fishing will not only heal the ocean, but they will also change our future. They also work tirelessly to raise awareness of these issues and influence decision makers. With our collection, Art For Oceans, we want to help BLUE draw attention to the crisis in the oceans and support a solution that preserves life and beauty beneath the ocean surface.

VI AGROFORESTRY

Desenio Group cares for the environment. To minimize our carbon footprint, we are since 2017 a proud supporter of Vi Agroforestry. The organization was founded in 1983 and has since planted more than 140 million trees to fight poverty and help families provide for their own living. By planting trees in Kenya, Rwanda, Uganda and Tanzania, Vi Agroforestry fights both climate change and poverty in these areas. Agroforestry is at the core of what Vi Agroforestry does. Agroforestry means that trees are planted together with other crops in areas where livestock graze, to create a balanced ecosystem that can withstand climate changes and contribute to increased biodiversity.

We are proud to support such an important cause. We plant two new trees for every tree used in the production of the posters we sell. During 2021, our contribution to Vi Agroforestry resulted in the planting of 10 012 trees resulting in both carbon offsetting and social benefits. Since the start of our partnership, we have planted more than 35 000 trees.

RISK MANAGEMENT

Risk management is a crucial part of our sustainability work, and it is incorporated into everything that we do. As an online retailer with a complex supply chain, we work together with many external parties within areas like sourcing, production, and distribution - to name a few.

With this in mind, we have performed a risk analysis of our business and supply chain to identify risk areas and remedy these risks. We are humble towards the fact that despite this, unforeseen events can still occur, and we are therefore constantly working on improving our risk assessment procedures.

PEOPLE

Within the area of social sustainability, we have identified two main risks, one related to work environment issues within our organization, and one related to non-compliance with our Supplier Code of Conduct.

Within our organization, discrimination and inequality are two areas we deem as the two main areas of risk. We consider the risk of discrimination and inequality to occur within our organization to be small, but we are still actively working to prevent these issues from occurring. We believe equality is an important part of creating an inclusive culture and a sustainable workplace, and we consider it a human right to be free from discrimination in the workplace. To ensure that all employees are treated equally, we have implemented our Equality Plan. The purpose of the Equality Plan is to make sure we actively and systematically are working together to create a great place to work where equality is natural. To ensure that we can eliminate all types of discrimination, Desenio Group closely follows the regulations on systematic work environment from The Swedish Work Environment Authority (AFS 2001:1). We also measure the well-being of our employees on a weekly basis using a system called Winningtemp, which provides us with the tools to identify and remedy potential issues at an early stage.

Within our supply chain, non-compliance with our Supplier Code of Conduct is considered as the main risk. This is mainly linked to human rights, wellbeing, the safety of the factory workers employed by our suppliers, and also to anti-corruption and the overall ethical business behavior of our business partners. This includes all ten areas presented in our Supplier Code of Conduct, for example issues related to child labour, corruption, working hours, living wages, and workers' safety. We consider the risk of non-compliance with our Supplier Code of Conduct to be small, but we still have procedures in place to ensure that we can prevent these issues from occurring. As an online retailer with a complex supply chain, we use factories located in different parts of the world. As a result, differences in local laws and regulations can be challenging to keep up with. We must always ensure compliance with local laws, but in cases where local laws are inferior to the requirements in our Supplier Code of Conduct, we must also ensure that our suppliers are compliant with the minimum requirements in our Supplier Code of Conduct. Therefore, it is very important that we carefully investigate and manage these risks. We have done this through our Social Audit Program, where all suppliers in high-risk countries must perform independent third-party social audits on an annual basis. During these audits, all areas listed in our Supplier Code of Conduct are closely monitored and evaluated, resulting in a detailed description and grading of the supplier's status in each area. This provides us with the information needed to identify potential issues and to swiftly correct any non-conformances.

PLANET

Within the area of environmental sustainability, the two main risks that we have identified are non-compliance with environmental laws, regulations, or the requirements listed in our Supplier Code of Conduct. This applies both on an organizational level as well as within our supply chain.

Within our organization, the risks related to non-compliance with laws and regulations are mainly linked to our internal procedures within environmental sustainability,

and the complexity of the different laws and regulations in the global markets in which we operate. Since we have a presence in 35 markets worldwide with differing levels of environmental sustainability legislations and regulations, we see a risk of non-compliance with local laws and regulations, for example within producer responsibility, sustainability reporting, and distribution. As an FSC® certified company, we must also closely follow and respect the requirements in the FSC standards relevant for our certification. These requirements often go above and beyond the legislated level of compliance. To ensure that we are compliant with all local laws and regulations, we carefully investigate all local requirements before entering a new market. For existing markets, we regularly perform market surveillance to ensure that we are compliant with any new laws and regulations within the environmental area. Because of these measures, the risk of non-compliance with environmental local laws and regulations is considered small. To minimize the risk of non-compliance towards our FSC® certification, we have created a substantial process mapping of all procedures performed within the scope of this certification. These procedures are regularly performed according to a fixed schedule, and the process descriptions are regularly updated and maintained to ensure that they are always valid and correct. We also perform an annual independent audit within our organization where all procedures and documentation are closely checked and approved by the FSC organization. Because of these measures, the risk of non-compliance with regulations from the FSC organization is also considered small. Within our supply chain, the risks related to non-compliance with our Supplier Code of Conduct are mainly linked to the external environmental processes performed by our suppliers and business partners. We see a risk of our suppliers violating our Code of Conduct by being non-compliant with our environmental requirements, or with local environmental laws and regulations. To ensure that all environmental requirements are being followed, all suppliers must implement and maintain an environmental management system or equivalent to minimize environmental risks. All suppliers must also take adequate measures to minimize the negative impact on the environment throughout the value chain. This includes but is not limited to minimizing pollution, promoting a sustainable use of energy and water, and minimizing greenhouse gas emissions throughout the value chain. All nationally applicable laws and regulations for the environmental impact of the supplier's operations must be followed. To ensure compliance, all factories must be inspected by the local environmental authorities. Because of these measures, we believe that the risk of non-compliance with environmental laws or regulations is small.

FINANCIAL REPORTING

ADMINISTRATION REPORT

Desenio is the leading e-commerce company in affordable wall art in Europe, with a growing presence in North America. Customers are offered a unique and curated range of around 9,000 motifs, as well as frames and accessories in 35 countries via 44 local websites. The company is continuously expanding into new markets. Sales take place directly to customers without the use of retailers, wholesalers or distributors.

DESENIO'S OPERATION

Desenio has recorded rapid and profitable growth since 2015, and is well positioned to build further on its dynamic growth model, including our in-house developed technical platform, industrialised creative processes and effective digital customer acquisition strategies.

Desenio has four competitive advantages. A disruptive business model within a global design category with significant anticipated growth, industrial and data-driven scalable creativity which generates unique motifs, profitable from the first order through a customer acquisition model based on social media and search engines with valuable influencer partnerships, as well as a proven model for geographical expansion with significant potential in existing and so far unexploited markets.

COLLEAGUES

The average number of employees during the year was 198 (161), with the majority based in Stockholm. The proportion of women was 79 percent.

DEVELOPMENT OF THE COMPANY'S OPERATIONS, PROFITS, AND FINANCIAL POSITION

As the Covid 19 restrictions were eased, demand fell drastically at the end of May and in June, which led to results being poorer than expected in the second quarter. This trend returned at the beginning of autumn, and this contributed to sales and profit for the year being considerably lower than anticipated.

Net sales for the financial year increased by 25.4 % to SEK 1,227.2 (978.5) million. Net sales were affected positively by Poster Store, which was acquired in December 2020, contributing SEK 375.8 million in net sales during the year. The gross margin fell by -2.4 percentage points to 82.2 % from 84.6 % in 2020. Gross sales were affected positively during the second quarter of 2020, since consolidated net sales increased substantially as a result of measures taken by governments and communities in response to Covid 19. In addition, no campaigns were offered and prices were increased during the second quarter of 2020. Operating profit for the year amounted to SEK 143.0 (247.2) million.

Equity as at 31 December 2021 totalled SEK 260.7 million, compared with SEK 186.2 million as at 31 December 2020. A set-off issue of SEK 296.0 million related to the acquisition of Poster Store was implemented during the first quarter of 2021. During the same quarter, a share dividend of SEK 285.1 million was approved. During the second quarter, a share options programme for employees was implemented, which raised SEK 6.4 million in equity.

SIGNIFICANT EVENTS 2021

1. **DESENIO WAS LISTED** on the Nasdaq First North Growth Market on 25 February 2021 through a direct listing.
2. **A NEW LOGISTICS CENTRE** was established during the autumn in the Czech Republic to handle deliveries within Central Europe.
3. **THE EXECUTIVE MANAGEMENT TEAM WAS EXPANDED** through the recruitment of new members. Cecilia Tunberger began working as Chief People & Culture Officer in March, Kristian Lustin took over as Chief Financial Officer in November and Weiwei Yue started as Chief Operating Officer in January 2022. Michael Kurlancheek was appointed in November to head the operation in North America.

As at 31 December 2021, cash and cash equivalents amounted to SEK 162.2 (647.4) million. The change was mainly related to the profits of the operation, the acquisition of Poster Store with a net effect on liquidity of SEK 213.8 million and the payment of a dividend of SEK 285.1 million.

Net debt totalled SEK 978.2 (434.8) million as at 31 December 2021.

In December 2020, Desenio Group AB (publ) issued a covered bond of a total of SEK 1,100 million in connection with the acquisition of Poster Store. The bond runs with variable interest of STIBOR 3m +5.5 % and matures in December 2024. The bond is listed on the Frankfurt Stock Exchange's Open Market Quotation Board and on Nasdaq Stockholm. The maximum amount for the bond is SEK 1,800 million.

INVESTMENTS AND CASH FLOW

The cash flow from operating activities amounted to SEK 26.3 (279.7) million. Profits and cash flow were positively impacted in 2020 by the effects of the Covid 19 pandemic. The principal causes of the reduced cash flow from operating activities were the lower operating profit, higher inventory levels and lower accounts payable.

Net investments in property, plant and equipment during the period amounted to SEK 8.1 (0.8) million, which related primarily to IT equipment and equipment for the new warehouse in the Czech Republic. In addition to this, the capitalised amount from lease assets (IFRS 16) increased the value of investments by SEK 51.0 million during the period. Investments in intangible assets totalled SEK 1.6 (6.4) million, which consisted largely of investments in the websites.

ENVIRONMENTAL INFORMATION AND SUSTAINABILITY REPORT

A Sustainability Report has been prepared and may be found on pages 29-52 of this Annual Report. Desenio does not carry on any notifiable/licensable operations.

EXPECTATIONS IN RESPECT OF FUTURE DEVELOPMENT

At the end of 2021, Desenio took important steps in our journey from being a purely Nordic company to a recently European one, which is now also based in North America. The team in North America is beginning to take shape, with the goal of building a full-scale operation. We are taking this step after having delivered net sales of almost SEK 100 million in the USA and Canada in the past two years without a local presence. The operation will be built entirely on Desenio's business platforms with its own logistics centre. The plan is for it to start operating during the third quarter of 2022. The team has full authority to adapt and develop the offering to suit the North American markets.

As we look forward to the future, we are well positioned to benefit from our dynamic growth model, including our organisation, our own technical platform, industrialised creative processes and effective customer acquisition strategies. Our focus continues to be on building and expanding our operation into new markets and consolidating our position as a leader in affordable wall art – regardless of any short-term volatility in the market.

PROPOSED APPROPRIATION OF THE COMPANY'S PROFIT OR LOSS

The following amount in Swedish Kronor is at the disposal of the Annual General Meeting:

Profit/loss brought forward	328,759,813
Net pofit/loss for the year	81,205,433
Total	**409,965,246**

The Board of Directors proposes that the available profits be appropriated as follows:

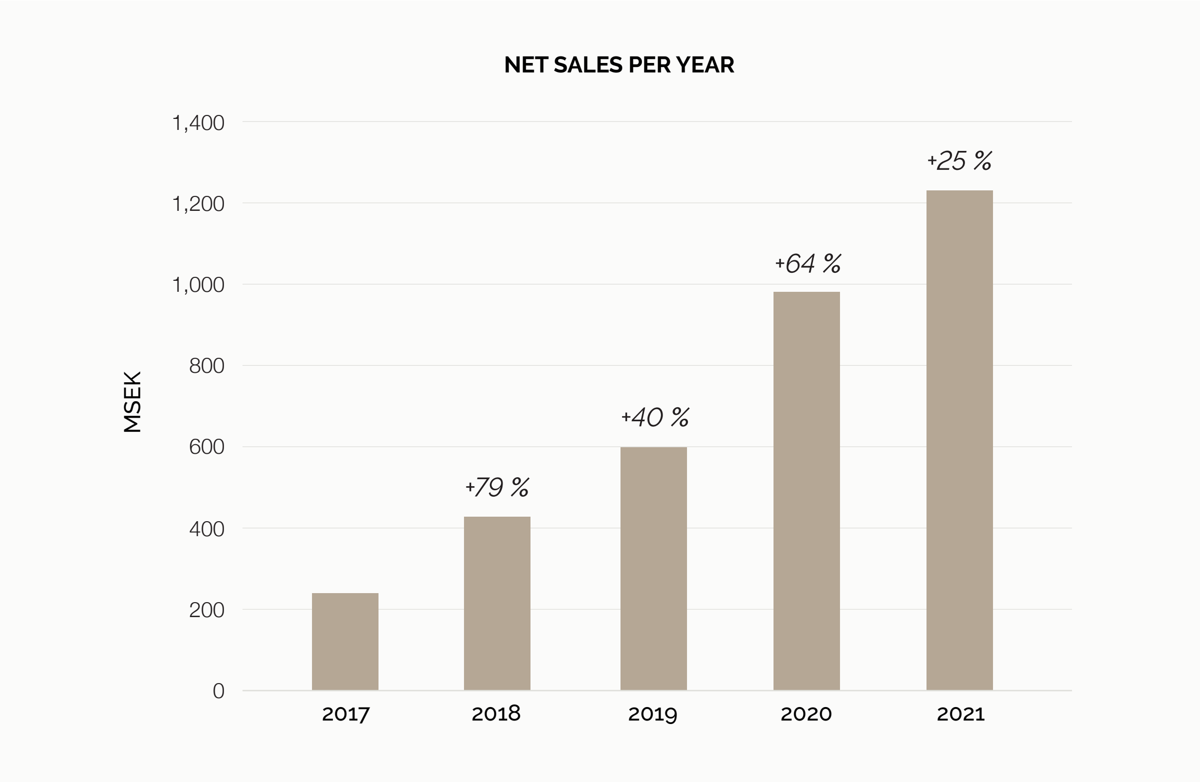
Dividend (SEK 0 per share)	0
Carried forward	409,965,246
Total	**409,965,246**

For more detailed information on earnings and position in general, please refer to the following financial statements with accompanying notes.

KEY PERFORMANCE INDICATORS 3 YEARS

MSEK	2021	2020	2019
Net sales	1,227.2	978.5	596.5
Gross profit	1,008.2	827.4	397.3
Gross profit margin, %	82.2 %	84.6 %	66.6 %
Operating profit (EBIT)	143.0	247.2	112.3
Operating margin, %	11.7 %	25.3 %	18.8 %
Adjusted operating profit*	166.2	260.3	112.3
Adjusted operating margin, %*	13.5 %	26.6 %	18.8 %
Adjusted operating profit before amortisation of customer data	201.5	261.6	112.4
Adjusted operating profit before amortisation of customer data margin, %*	16.4 %	26.7 %	18.8 %
Earnings per share	0.40	1.28	0.61
Cash flow from operating activities	26.3	279.7	142.2
Investments*	60.7	7.3	6.1
Net debt*	978.2	434.8	-63.5
Number of visits, '000	104,636	84,524	51,018
Number of orders '000	2,520	1,966	1,299
Average order value, SEK	498	502	485
Number of active customers, '000	3,777	2,301	1,673

* The figure is an alternative key performance indicator and is explained under definitions of key performance indicators.

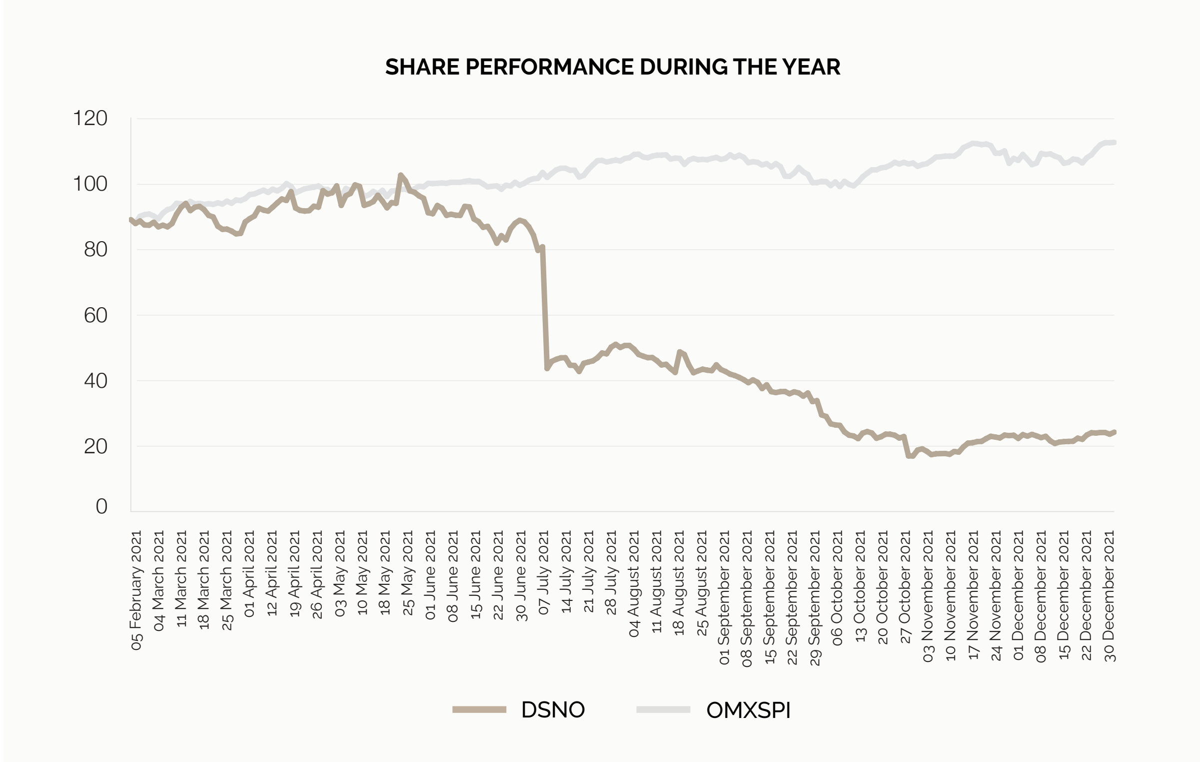


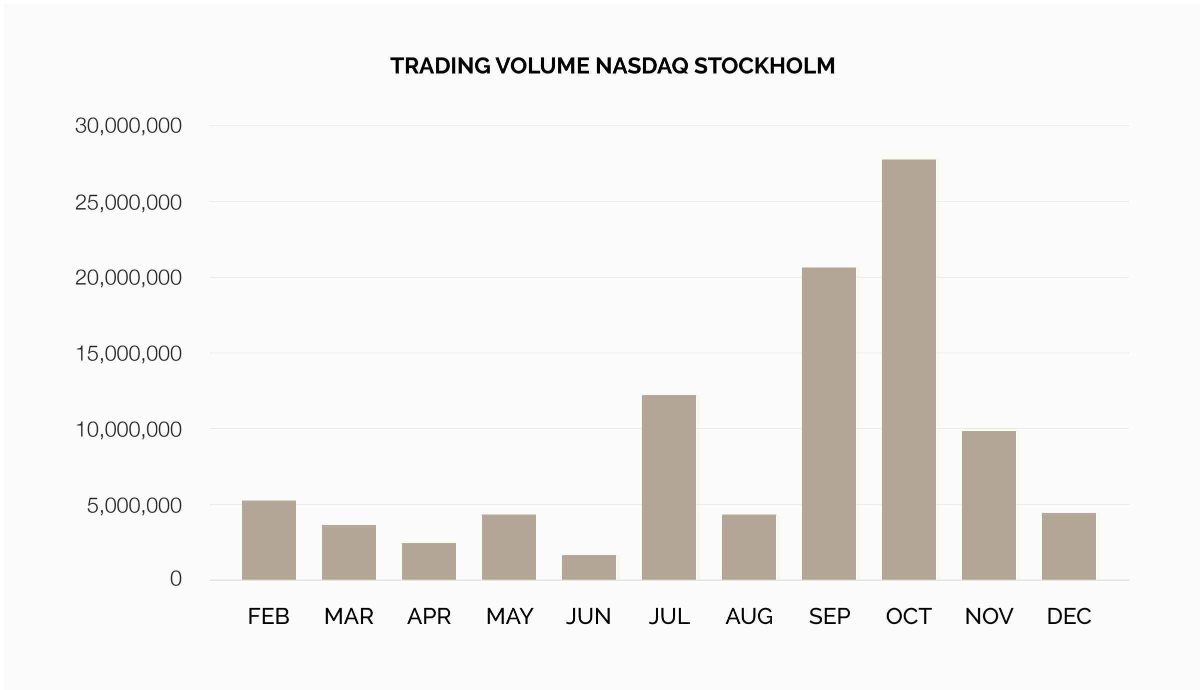
THE SHARE

Desenio Group AB (publ) has been listed on First North Growth Market since 25 February 2021 under the symbol DSNO, and has the ISIN code SE0015657853. As at 31 December, the Desenio Group had 3,575 shareholders, of which the largest were Verdane (26.1 %), MBHB Holding AB (12.7 %), and Hars Holding AB (9.7 %).

SHARE PRICE PERFORMANCE AND TRADING

The share price on listing was SEK 72.00. On the last trading day of the period, the share price was SEK 24.30. The highest price paid, SEK 102.80, was recorded in May, and the lowest price paid, SEK 17.00 was recorded in October. 97,064,077 shares were traded during the period.





THE COMPANY'S LARGEST SHAREHOLDERS 31 DECEMBER 2021

Shareholder	Shareholding	Capital	Votes
Verdane Capital	37,546,878	26.1 %	26.1 %
MBHB Holding AB	18,272,716	12.7 %	12.7 %
Alexander Hars	13,938,500	9.7 %	9.7 %
Fredrik Palm	9,708,445	6.7 %	6.7 %
Capital Group	7,813,937	5.4 %	5.4 %
Lannebo Fonder	6,555,555	4.5 %	4.5 %
Cliens Fonder	5,630,000	3.9 %	3.9 %
Nordnet Pensionsförsäkring	4,619,491	3.2 %	3.2 %
Fidelity International	2,711,166	1.9 %	1.9 %
Handelsbanken Fonder	2,500,000	1.7 %	1.7 %
Total 10 largest	**109,296,688**	**75.8 %**	**75.8 %**
Other	34,814,422	24.2 %	24.2 %
Total	**144,111,110**	**100.0 %**	**100.0 %**

DIVIDEND POLICY
Desenio Group intends to distribute surplus liquidity to the shareholders subject to the requirement for flexibility in respect of strategic initiatives, such as expansion into new markets and/or acquisitions, as well as consideration of capital structure. Taking account of the above, the Desenio Group intends to distribute 30–50 percent of the net profit for the year.

The Board proposes that no dividend be distributed for financial year 2021. The reason for this is that cash flows were lower than expected during 2021.

SHARES AND SHARE CAPITAL
The Company's registered share capital as at 31 December 2021 amounted to SEK 514,682.54, divided over 144,111,110 shares with a quota value of around SEK 0.003571. All shares have been issued in accordance with Swedish law and are fully paid-up and freely transferable. The Company has no holding of its own shares. The shares are registered in a Central Security Deposit (CSD) register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479) which is held by Euroclear Sweden AB (Box 191, 101 23 Stockholm). No share certificates have been issued for the Company's shares. The shares are traded on Nasdaq First North Growth Market Stockholm in Swedish Kronor with ISIN code SE0015657853 and under the ticker symbol DSNO.

An Extraordinary General Meeting held on 18 January 2021 approved a share split of 1:1400. After the implementation of the share split, the number of shares amounted to 140,000,000. The Annual General Meeting held on 19 February 2021 resolved on a set-off issue equivalent to SEK 296.0 million at a price which was determined in connection with the listing of the Company's shares on First North Growth Market on 25 February 2021.

RIGHTS ATTACHED TO THE SHARES
VOTING RIGHT

All shares in the Company entitle the holder to one (1) vote at shareholders' meetings, and every shareholder will have the right to vote for all shares which the shareholder holds in the Company.

PREFERENTIAL RIGHT TO NEW SHARES

If the Company issues new shares, warrants or convertibles in the course of a cash issue or a set-off issue, the main rule is that shareholders will have a preferential right to subscribe for such securities in proportion to their share of the Company's capital before the issue. The Company's Articles of Association do not restrict the Company's ability to take decisions on cash or set-off issues of new shares, warrants or convertibles with derogation from the shareholders' preferential right.

RIGHT TO DIVIDENDS AND BALANCE IN LIQUIDATION

All shares have an equal right to dividends and to the Company's assets and any surplus in the event of liquidation.

The Annual General Meeting resolves on dividends. The right to a dividend accrues to any party which, on the record date determined by the Annual General Meeting, was registered as a shareholder in the share register held by Euroclear. Dividends are generally paid in cash through Euroclear, but may also be paid other than in cash (distribution in kind). If a shareholder cannot be reached through Euroclear, the shareholder's receivable from the Company in respect of the amount of the dividend remains, and such receivable is subject to a ten-year limitation period. At the end of the limitation period, the amount of the dividend accrues to the Company.

THE TRANSFERABILITY OF THE SHARES

The shares are freely transferable. The Articles of Association contain no provisions which restrict the right to transfer shares freely. The shares are not subject to offers made in consequence of mandatory bids, right of squeeze-out or right of sell-out. No public takeover bid has been submitted in respect of the Company's shares since the formation of the Company.

SHAREHOLDERS' AGREEMENT

As far as the Board of Directors of the Company is aware, there are no Shareholders' Agreements or other Agreements among the Company's shareholders for the purpose of jointly influencing the Company. Nor is the Board of the Company aware of any Agreements or the equivalent which could lead to a change in the control of the Company.

LOCK-UP ARRANGEMENT ETC.

The Company's major shareholders, members of the Board of Directors and Executive Management Team, had undertaken through an Agreement with ABG and Carnegie that they would not sell or carry out other transactions with equivalent effect as a sale within a period of 12 months from the first day of trading on Nasdaq First North Growth Market, without, in each individual case, first obtaining a written consent from ABG and Carnegie. The Chief Executive Officer, Fredrik Palm, has entered into a corresponding undertaking for a period of 24 months from the first trading day on Nasdaq First North Growth Market. Any decision on granting such written consent will be at the discretion of ABG and Carnegie, and an assessment will be made in each individual case. Consent may be granted for both individual and commercial reasons. In total, lock-up agreements entered into cover around 63 percent of the shares and votes in the Company on the date on which the shares were first traded on Nasdaq First North Growth Market.

ANALYSTS WHO FOLLOW DESENIO
ABG Sundal Collier, Johan Brown
Carnegie, Carl Deijenberg

DISTRIBUTION OF FINANCIAL REPORTS
Annual Reports and Interim Reports are available on the Company's website, www.deseniogroup.com.

CERTIFIED ADVISER
The Company's Certified Adviser at Nasdaq First North is FNCA Sweden AB, corporate ID number 559024-4876. Tel +46 (0)8-528 00 399, email info@fnca.se.

Source: Modular Finance. Data compiled from Euroclear, Morningstar, Finansinspektionen [the Swedish Financial Supervisory Authority] and Nasdaq Stockholm.

ALTERNATIVE KEY PERFORMANCE INDICATORS

In this Annual Report, Desenio reports certain financial key performance indicators, including key performance indicators which are not defined under IFRS. The Company judges that these key performance indicators are an important complement, since they enable a better evaluation of the Company's financial trends. These financial key performance indicators are not to be assessed independently nor regarded as replacing performance indicators calculated in accordance with IFRS. Furthermore, key performance indicators of this type, as Desenio has defined them, should not be compared with other key performance indicators with similar names used by other companies. This is due to the fact that the above-mentioned key performance indicators are not always defined in the same way, and other companies may calculate them differently from Desenio.

MSEK	2021	2020	2019
Operating profit (EBIT)	143.0	247.2	112.3
Items affecting comparability	23.2	13.1	0.0
Adjusted operating profit	166.2	260.3	112.3
Operating profit	143.0	247.2	112.3
Amortisation of customer data	35.3	1.3	0.1
Operating profit before amortisation (EBITA)	178.3	248.5	112.4
Items affecting comparability	23.2	13.1	0.0
Adjusted operating profit before amortisation of customer data	201.5	261.6	112.4
Operating profit	143.0	247.2	112.3
Amortisation of customer data	35.3	1.3	0.1
Operating profit before amortisation	178.3	248.5	112.4
Depreciation/amortisation	2.1	1.2	0.9
Operating profit before depreciation/amortisation (EBITDA)	180.4	249.7	113.3
Items affecting comparability	23.2	13.1	0.0
Adjusted operating profit before depreciation/amortisation	203.6	262.8	113.3
Non-current interest-bearing liabilities	1,074.3	1,065.5	43.3
Non-current lease liabilities	51.4	11.4	16.3
Current lease liabilities	14.7	5.2	5.3
Cash and cash equivalents	-162.2	-647.4	-128.5
Net debt (+) / Net cash (-)	978.2	434.7	-63.6

Adjusted operating profit excludes items affecting comparability and is regarded, accordingly, as constituting a usable indicator of the Company's underlying profits generated from operating activities. Items affecting comparability include transaction costs for the listing process in 2021, as well as the costs of the warehouse move in 2020.

Adjusted operating profit before amortisation of acquired customer database. The metric is relevant for giving an indication of the Company's underlying profits generated by operating activities.

Other definitions of alternative key performance indicators are contained in the Definitions of key performance indicators section.

INFORMATION ON RISKS AND UNCERTAINTY FACTORS

Through its operations, the Desenio Group is exposed to various operating risks, market trends in general and to financial risks. The Group's overall risk management strategy aims to increase awareness of risks and to handle them in a way which minimises the negative impact on the Group's financial performance and position. The most important risks in respect of the operation, market trends and financial risks are described below.

THE TREND IN THE GLOBAL ECONOMY AND THE CONSEQUENCES OF COVID 19 AND THE UKRAINE CRISIS

The Group has sales in 35 different countries. Developments in the economy, such as events which affect the general business climate, interest-rate changes, currency fluctuations, levels of deflation and inflation, taxes and similar costs, access to customer credits, stock market trends, the level of unemployment, other global and local economic factors and uncertainties over the economic outlook affect customers' purchasing behaviour and purchasing power in every market in which the Group operates. The risk level in the business climate varies among the Group's geographical markets. Since the first quarter of 2020, when the Covid 19 pandemic broke out across the world, Desenio has continuously monitored the progress of the pandemic and assessed the consequences for the Group's operations on both a long-term and short-term basis.

The company took a number of proactive preventive measures to ensure that the Group's operation could continue and to reduce the spread of the virus among employees. There is, however, no guarantee that such preventive measures will be effective or sufficient, or if the outcome could have a negative impact on the Group and future revenue.

While the Company is focused on online commerce and has digital processes in place to ensure that the Group functions more or less as normal, the Group's revenue depends on customers' disposable income. Covid-19 is expected to have a negative impact on the global economy. If the war in Ukraine is prolonged, this could lead to negative effects on both the global economy and consumers' willingness to purchase the Group's products. This could have a negative impact on the Company despite the fact that the Company does not operate in Ukraine.

DOWNTURN IN ONLINE SALES

The Group's principal demographic target group are women between 20 and 40 years old. A decline in demand online for furnishing/decoration within the specified target group could have a major negative impact on sales of the Group's products, given the present distribution. Factors which could lead to a decline in online sales could include scepticism concerning payment methods and inadequate IT security systems and the lack of an opportunity to physically see/feel the products before making a purchase decision, as well as perceptions concerning difficulties in returning products.

SEASONAL SALES AND CUSTOMER TRENDS

The Group generates a major part of its revenue during the fourth quarter of every year as a result of the Christmas festivities, as well as major sales events such as Black Friday. Potential problems which the Group's operation faces, and which are described in this section in relation to risk, could result in the Group performing sub-optimally during such periods of high sales volumes. In the event that the Group does not perform optimally during such periods, this could have a major negative impact on the Group's results and financial position.

The Group is dependent on its customers' trends and tastes. Accordingly, it is essential to have sufficient dedicated resources to ensure that the Group's selection of products is in line with customers' expectations and aesthetic preferences. The Group's ability to sell a sufficient number of products at a satisfactory price level is dependent on the Group's ability to anticipate and respond in time to trends and changes in customers' preferences. The Group operates in the market for affordable wall art (where the prices are under SEK 1,000 per product), which is sensitive to changes in customers' preferences. Customers' preferences in design, quality and price tend to fluctuate, and it is difficult to predict future trends with a high level of precision. The Group strives to identify and predict these trends correctly, but it may not always succeed in anticipating and responding to trends in time.

RISK RELATED TO THE OPERATION'S IT SYSTEM
The Group's operation is online-based, which makes it possible for customers to order affordable wall art which is delivered to their homes or to another address. All orders are received through the Group's web platform. With the IT system and its web platform as the basis for its operational model, the Group is largely dependent on functional IT systems and on its ability to implement essential developments in IT systems which are appropriate for its products, its customers and the Group's needs. Consequently, the Group is exposed to risks involving IT attacks, viruses and attacks on software or through malware, leaking of customer data, breakdowns in the network and other interruptions in the Group's operation.

The Group's IT strategy may prove inadequate, and this could lead to problems with the Group's IT system. This, in turn, could result in errors in transactions and downtime in the Group's operation. Such errors and downtime could have a serious negative effect on the Group's operation through, for example, a loss of confidence among customers and delivery delays, which could have a serious negative impact on the Group's results and financial position.

COMPETITION AND CHANGES IN MARKET CONDITIONS
The Group operates in a sector with competition from both national and international players. Some of the Group's foremost competitors are Juniqe, Allposters and Society6. The Group's future competitive situation depends partly on its ability to meet existing and future market needs. To remain competitive, the Group must continue to offer a competitive product offering and ensure that the products are delivered to the consumer in a satisfactory way. The Group must also increase and/or improve its offering and delivery methods for products. There is a risk that the Group will not successfully provide and/or deliver new competitive products or delivery alternatives, or that expensive investment, restructuring and/or price reductions may need to be implemented to adapt the operation to the competitive situation. Certain sectors, market segments and investment objects can be attractive to a number of investors, and this can lead to a high level of competition and therefore to lower returns. The costs of following the development of products and technology can be significant, and are affected by factors which are wholly or partly outside the Group's control and which cannot be foreseen. This means that the level and timing of future operating costs and capital requirements needed to keep pace with developments in service and technology may deviate significantly from current estimates. The Group is active in an attractive category with high profitability and with a risk of increased competition from existing and new players.

DAMAGE TO THE GROUP'S REPUTATION
The Group is a well-established operation with high brand recognition within the market for affordable wall art (a price less than SEK 1,000 per item) as a result of its successful operation over the years.

The Group is dependent on its good name. The Group's reputation is particularly important in relation to new and current customers and suppliers. It is possible for example that an operational problem or IT problem could damage the Group's reputation, and this could lead to difficulties for the Group in acquiring new customers and retaining existing customers. The Group could also receive negative exposure in public and social media, such as Facebook and Instagram, with a limited ability to foresee or respond to this type of publicity.

THE GROUP IS ALWAYS OPEN TO OPPORTUNITIES TO EXPAND, AND COULD RUN INTO DIFFICULTIES IN EXPANDING INTO NEW GEOGRAPHICAL MARKETS.
The Group currently has locally-adapted websites in numerous countries, as well as a ".com" website which handles countries in which we do not have a local website at present, and in future can handle global customers.

The Group has an open approach to expansion, and expanding into new geographical markets is an important future growth factor for the Group. Offering products in new geographical markets, for example through expansion in Asia and North America, requires resources and effort. This includes the cost of adapting and translating websites, marketing costs, customer support and freight, which requires employees and management to devote their time to the expansion. These resources and efforts could be wasted if expansion into such geographical markets later proves to be unprofitable or is otherwise unsuccessful.

INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS AND INADEQUATE PROTECTION OF INTELLECTUAL PROPERTY
The Group holds intellectual property rights in three ways for the motifs printed on posters: (i) royalty-agreements or perpetual licence agreements entered into with artists, photographers and third party rights holders; (ii) licence agreements for image banks, which give the Group the right to access, download and reproduce images and designs from third parties' databases on a subscription basis; and (iii) designs developed in-house. There have, however, been situations in the past, and there is a risk of similar situations arising in future, in which someone within the Group is accused of infringing a third party's intellectual property rights (including trademarks, company name and domain name) which may be obtained through registration, as well as rights which cannot be registered. Infringements of this type could damage the capital's reputation in the market and incur costs for dispute resolution.

If, in turn, the Group's intellectual property rights are infringed, the Group may need to bring a legal action in respect of the infringement, and this could lead to costs for the Group. The Group also risks losing such a dispute, and accordingly the right to the disputed intellectual property rights, and the Group would also need to pay damages to the counterparty.

The business in which the Group operates is strongly focused on intellectual property rights, and it is crucial to ensure that no competitor, for example by selling similar posters at a lower price, utilises either a design or other intellectual property right which the Group has spent resources developing.

Certain employees within the Group develop intellectual property, such as motifs for posters, within the framework of their employment. When the employment relationship ceases, there is a risk of the employee asserting title to unregistered intellectual property which has been developed within the framework of the employment.

CURRENCY RISK
As a consequence of its international reach, the Group is exposed to risks related to currency fluctuations. The risk is primarily in connection with the sale of the Group's products in currencies other than SEK. Approximately 90% of the Group's net sales are in foreign currencies, mainly in EUR, GBP and DKK, and increasingly in USD. The Group presents its income statement and balance sheet in SEK, and, as a result, the Group's consolidated sales are exposed to exchange rate fluctuations. The Group is not currently attempting to hedge such currency exposure.

FINANCING/LIQUIDITY RISK AND OBLIGATIONS RESULTING FROM THE BOND ISSUED BY THE COMPANY
The Company has issued a covered bond with variable interest. The terms and conditions of the bond include restrictions on dividends and taking out new loans. As security, the Group has provided collateral, including pledging shares in subsidiaries.

INTEREST-RATE RISK
In the long term, changes in interest rates could have an effect on the Group's results and cash flows.

CORPORATE GOVERNANCE REPORT

GENERAL

Desenio ("the Company") is a Swedish public joint-stock company. The Company's Articles of Association are based on Swedish law, particularly the Swedish Companies Act (2005:551), the Nasdaq First North Growth Market Rule Book and the Company's Articles of Association and internal rules (including, for example, the formal workplan of the Board of Directors and the CEO Instruction). The Company's bond has been listed on Nasdaq since 14 December 2021, and this obliges the Company to comply with the Swedish Code of Corporate Governance ("the Code").

The Code is based on the principle of "comply or explain", which means that a company which applies the Code need not comply with every rule in the Code on all occasions. If a company determines that a certain rule is not appropriate with reference to the company's specific circumstances, that company may choose to derogate from this rule, and this must then be reported by specifying the reasons for the derogation in the Corporate Governance Report. This is the Company's first Corporate Governance Report, and, since derogations have taken place from the Code, these are reported in the Company's Corporate Governance Report.

GENERAL MEETING OF SHAREHOLDERS

GENERAL

Under the provisions of the Companies Act, the General Meeting of Shareholders is the Company's highest decision-making body, and the shareholders exercise their voting right on key issues, such as the adoption of income statements and balance sheets, the appropriation of the Company's profit or loss, discharging the Board of Directors and the Chief Executive Officer from liability, the election of members of the Board of Directors and auditors and fees for the Board and the auditors. In addition to the Annual General Meeting, Extraordinary General Meetings can also be convened. Under the Articles of Association, notification is given of General Meetings of Shareholders through advertisements in Post- och Inrikes Tidningar [the Swedish Official Gazette] and through the notification being posted on the Company's website. The fact that a notification has been issued is advertised simultaneously in the daily newspaper, Svenska Dagbladet.

RIGHT TO PARTICIPATE AT GENERAL MEETINGS OF SHAREHOLDERS

To participate in a General Meeting of Shareholders, a shareholder must be entered in the share register kept by Euroclear six (6) banking days before the General Meeting, and must notify the Company no later than on the date specified in the notification of the General Meeting. Shareholders whose shares are nominee-registered with a bank or other nominee must, to be entitled to participate at the General Meeting, over and above informing the Company, request that their shares are temporarily registered in their own name in the share register kept by Euroclear no later than four (4) banking days before the General Meeting. Shareholders should inform their nominees of this in good time before the record date. Shareholders may attend the General Meeting in person or through proxies, and may be accompanied by a maximum of two (2) assistants.

INITIATIVES FROM SHAREHOLDERS

A shareholder who wishes to have a matter considered at the General Meeting must send a written request to this effect to the Board of Directors. Such a request must normally be in the hands of the Board no later than seven (7) weeks before the General Meeting.

An Extraordinary General Meeting held on 18 January 2021 approved the election of Nathalie du Preez as a member of the Board, a share split of the Company's shares of 1:1400, new Articles of Association which include changing the Company's name, taking the Company public, increasing the number of shares and share capital as well as making the company a central securities depository (CSD) registered company (with consequential changes in, for example, notifications of General Meetings). An Extraordinary General Meeting held on 29 January 2021 approved the appointment of KPMG AB as the Company's auditors for the period until the next Annual General Meeting. The Annual General Meeting held on 19 February 2021 resolved to adopt the Annual Report, the Consolidated Financial Statements, to appropriate the net profit for the year in accordance with the Board of Director's proposal, to grant the members of the Board of Directors and the Chief Executive Officer discharge from liability, to approve fees to the Board of Directors and the auditors and to re-elect all members of the Board and the auditors. The Annual General Meeting further resolved on an incentive programme for employees and members of the Board in accordance with the Board's proposal, authorised the Board to decide on new issues of shares, and approved a set-off issue equivalent to SEK 296.0 million at a price which was determined in connection with the listing of the Company's shares on First North Growth Market on 25 February 2021. At an Extraordinary General Meeting held on 24 June 2021, Cecilia Marlow and Sarah Kauss were elected as new members of the Board of Directors.

Desenio's Annual General Meeting 2022 will be held on Thursday, 12 May 2022. For further information, see the Company's website, www.deseniogroup.com.

NOMINATIONS COMMITTEE

Companies which comply with the Code must have a Nominations Committee. As at the date of this report, the Company does not have a Nominations Committee due to the fact that there is no requirement for this for companies listed on First North, but it is a derogation from the Code. A proposal has been submitted for the Annual General Meeting on 12 May 2022 that the Company shall have a Nominations Committee which corresponds the requirements of the Code in its composition. The Nominations Committee shall be based on the ownership structure on the last banking day in August 2022. When the Nominations Committee has been appointed, information on its Chair and members will be posted on the Company's website.

THE BOARD OF DIRECTORS

The Board of Directors is the Company's second highest decision-making body after the General Meeting of Shareholders. Members of the Board are normally elected by the Annual General Meeting for the period until the close of the next Annual General Meeting. The Articles of Association state that the Board shall consist of a minimum of 3 and a maximum of 7 members. As at the date of this Corporate Governance Report, the Board of Directors of the Company consists of seven (7) ordinary members, who are presented in the "Board of Directors" section on pages 12-13.

The tasks of the Board are regulated by the Companies Act and the Company's Articles of Association. The work of the Board is further regulated by the formal workplan for the Board of Directors which the Board establishes annually. The formal workplan regulates the division of tasks between the Board of Directors, the Chair of the Board of Directors and the Chief Executive Officer. The Board also approves instructions for the Board's committees, as well as an instruction for the Chief Executive Officer (including instructions relating to the CEO's financial reporting).

The Board is responsible for the Company's organisation and the administration of the Company's affairs, which includes responsibility for drawing up overall, long-term strategies and goals, the establishment of guidelines to ensure that the Company's operation generates long-term value, taking decisions on issues affecting investments and sales, capital structure and Dividend Policy. The Board is also responsible for the development and adoption of the Company's central policies, ensuring that there is a control system in place for monitoring that policies and guidelines are complied with, ensuring that a control system is in place for monitoring the operation and risks, appointing the Company's Chief Executive Officer and setting salaries and other remuneration for the Chief Executive Officer and other senior executives.

THE WORK OF THE BOARD OF DIRECTORS

During the financial year, 16 minuted meetings were held, of which six were ordinary meetings. Board meetings have a recurrent structure with structured main points. Two consistent issues for the year were the Company's stock exchange listing and sales trends. During 2021, considerable focus was devoted to the work of meeting the requirements of a listed company. During its ordinary meetings, the Board dealt with the fixed items which arose at each Board meeting in accordance with the formal workplan of the Board of Directors, such as the business situation, financial outcomes, forecasts, liquidity, the annual financial statements and Interim Reports. Three of the Board meetings were held in preparation for Interim Reports. Several of the extraordinary Board meetings dealt with issues and decisions in preparation for the Company's stock exchange listing and decisions stemming from a listing, such as appointing committees and adopting policies and guidelines. Policies and guidelines adopted during the year related to the formal workplan of the Board of Directors, the work plans of the committees, CEO instructions, instructions for financial reporting, the Code of Conduct and delegation arrangements, as well as policies for anticorruption, internal controls, financing, related party transactions, whistleblowers, IT, GDPR, information, information security, insider trading, continuity planning and risk management.

Before the Board meetings, the members of the Board received documentation concerning the matters which were intended for consideration. This material included the report of the Chief Executive Officer. The Chief Executive Officer attended the Board meetings as Rapporteur. As required, other members of staff reported on various matters to the Board of Directors. The Board of Directors approved a written formal workplan for the Board and a CEO instruction including a reporting instruction for the Chief Executive Officer.

THE COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS 1 JANUARY – 31 DECEMBER 2021

Member of the Board	Board meetings	Audit Committee	Remuneration Committee
Alexander Hars	16/16		1/1
Cecilia Marlow	7/7	2/2	1/1
Jakob Tolleryd	16/16		
Martin Blomqvist	15/16		
Max Carlsén	16/16	2/2	
Nathalie du Preez	14/14		1/1
Sarah Kauss	5/7	2/2	

Nathalie du Preez was elected to the Board at an Extraordinary General Meeting held on 18 January 2021, Cecilia Marlow and Sarah Kauss were elected as Board members at an Extraordinary General Meeting held on 24 June 2021. The Audit Committee and Remuneration Committee were established in June 2021.

THE ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

The Chair of the Board of Directors is responsible for matters including ensuring that all necessary documents are provided for Board meetings along with the information required to enable the Board to carry out its work. The Chair of the Board of Directors shall, in close collaboration with the Chief Executive Officer, monitor the Company's performance, and shall prepare and chair Board meetings. The Chair of the Board of Directors is also responsible for ensuring that the Board of Directors evaluates both its own work and that of the Chief Executive Officer on an annual basis. The Board meets in accordance with a predetermined schedule. Over and above these meetings, additional Board meetings may be called to consider issues which cannot be delayed until the next ordinary Board meeting.

EVALUATION OF THE WORK OF THE BOARD

During the year, the Chair carried out a major and focused evaluation of the work of the Board. Several issues were highlighted, including the climate of cooperation, breadth of knowledge, the execution of the meetings and the documentation for the meetings. The intention is to obtain a picture of how the members perceived the running of the work of the Board and to identify measures which can be taken to increase efficiency and improve the work. The outcome of the evaluation was that a number of areas which could be improved were identified, and appropriate improvements were introduced.

The Board in addition evaluates the ongoing work of the Chief Executive Officer in a similar way.

REMUNERATION COMMITTEE

The company has a Remuneration Committee consisting of Alexander Hars (Chair), Nathalie du Preez and Cecilia Marlow. The duties of the Remuneration Committee are set out in the formal workplan of the Remuneration Committee which is established annually. The Remuneration Committee shall prepare proposals in respect of remuneration principles and other terms and conditions of employment for senior executives, and will consult the CEO in respect of the remuneration of senior executives. The Remuneration Committee reports the results of its work to the full Board on a regular basis. The Board resolved to establish the Remuneration Committee at a Board meeting in June 2021, and appointed its members at the same time. The Committee held one meeting during the year, at which the Head of HR presented the Company's existing incentive programme and outcome, the Company's remuneration structure and its succession planning.

AUDIT COMMITTEE

The company has an Audit Committee consisting of Cecilia Marlow (Chair), Sarah Kauss and Max Carlsén. The Audit Committee has both an advisory (following up and evaluating) and a preparatory function for decision items before these are considered and decided by Desenio's Board. The Audit Committee's duties are set out in its formal workplan which is established annually. The Audit Committee is also responsible for maintaining and improving contacts with the Group's auditors and for exercising supervision of the procedures for accounting and financial reporting. The Audit Committee shall, in addition, monitor the effectiveness of the Company's internal controls, internal auditing and risk management. The Audit Committee reports the results of its work to the full Board on a regular basis. The Board resolved to establish the Audit Committee at a Board meeting in June 2021, and appointed its members at the same time. The Company's auditors participated at all of the Committee's meetings during the year. During the year, the Committee dealt with issues of the Company's Interim Reports, risk management and internal controls, and also assessed whether internal audits were appropriate for the Company.

THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

The Chief Executive Officer is subordinate to the Board, and is responsible for the Company's ongoing administration and the day-to-day operation of the Company. The allocation of work between the Board and and the Chief Executive Officer is set out in the formal workplan for the Board and the instruction for the Chief Executive Officer, as well as the instruction for financial reporting.

The Chief Executive Officer is responsible for leading the operation in accordance with the Board's guidelines and instructions, and for ensuring that the Board receives information and essential decision-making data. The Chief Executive Officer leads the work of the Company's Executive Management Team and takes decisions after consulting its members. Furthermore, the Chief Executive Officer acts as Rapporteur at Board meetings and shall ensure that the members of the Board are provided with the information needed to follow the financial position, results, liquidity and development of the Company and the Group.

The Chief Executive Officer and other senior executives are presented in detail in the "Executive Management Team" section on pages 10-11.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

REMUNERATION OF THE BOARD OF DIRECTORS

For their work on the Board, and in accordance with a resolution of the Annual General Meeting held on 19 February 2021, the following fees are paid: SEK 400,000 to Alexander Hars (Chair of the Board), and SEK 200,000 to Nathalie Du Preez. For their work on the Board, and in accordance with a resolution of the Extraordinary General Meeting held on 24 June 2021, the following fees are paid: SEK 200,000 to Cecilia Marlow and Sarah Kauss, pro rata to the length of the mandate until the Annual General Meeting 2022. In accordance with a resolution of the same General Meeting, SEK 75,000 is payable to the Chair of the Audit Committee and SEK 30,000 to each of the other members of the Audit Committee who do not represent a major shareholder, as well as SEK 45,000 to the Chair of the Remuneration Committee and SEK 20,000 to each of the other members of the Remuneration Committee who do not represent a major shareholder. A statement of the fees per member is given in Note 6.

GUIDELINES FOR THE REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND OTHER SENIOR EXECUTIVES

The Company has not issued guidelines for the remuneration of the Chief Executive Officer and other senior executives since the company is not listed on a regulated market in Sweden. The Company does, however, have a bond which is listed on a regulated market.

INTERNAL CONTROLS IN RESPECT OF FINANCIAL REPORTING

The Board's responsibility for internal controls is regulated by the Companies Act, the Swedish Annual Accounts Act (1995:1554) and the Code. Among other things, the Board must ensure that the Company has effective internal controls and formalised procedures which ensure that the established principles for reporting and internal controls are observed, and also that there are appropriate systems for monitoring and controlling the Company's operation and the risks to which the Company and its operation are exposed. The procedures for internal controls in respect of financial reporting have been formulated for the purpose of ensuring accurate overall financial internal and external reporting in accordance with IFRS, applicable laws and regulations, as well as the other requirements applicable to listed companies.

The whole operation of the Company is covered by the internal control, with the internal control of financial reporting, regulatory compliance and the Company's internal management being essential.

Internal control is based on the COSO framework, and covers primarily the following components (which are described below under the appropriate section) ”Goals”, ”Internal control environment”, ”Risk assessment”, ”Control activities”, ”Evaluation of processes and key controls” and ”Reporting and information flows”.

GOALS

The Board of Directors sets strategies, objectives and focus areas for Desenio's operation, and the definition of goals constitutes a cornerstone for internal control and its procedures. Risk is defined as an event which, if it occurs, may have a negative effect on the Company's ability to achieve the set goals.

INTERNAL CONTROL ENVIRONMENT

At Desenio, the control environment consists, among other things, of the organisation's structure with defined areas of responsibility and reporting paths, as well as a systematic approach to quality control and governing documents in the form of policies, procedures for standardised work, work instructions and authorisation instructions. The Company's business plan, strategy and budget also constitute a part of the control environment. The nature of the operation, e-commerce in an international environment, is in its nature risk-aware, and, consequently, the Company works on all aspects through documentation, follow-up and feedback to provide an effective control environment.

The Board has overall responsibility for internal control, and the allocation of the Board's work is set out in the formal workplan of the Board of Directors. The CEO instruction as well as the Company's Internal Control Policy set out how reports to the Board are to be drawn up. The Board has also delegated responsibility for maintaining an effective control environment to the CEO, even though the Board continues to be ultimately responsible. Procedures have been set up to provide the Board with the necessary reports to enable the Board to assess risks and meet the requirements for adequate internal control and reporting on an ongoing basis.

Based on the assessed good control environment and the size of the Company, the Board has judged that there are no special circumstances in the operation or other circumstances which would justify the formation of an internal audit function.

RISK ASSESSMENT

Based on the set goals for the operation, a risk assessment is carried out for the purpose of identifying and evaluating the most significant risks which, if they occur, could have a negative effect on the Company's ability to achieve the set goals. The Board and the Executive Management Team ensure that specific risk assessments are carried out on a regular basis based on the set goals. The Executive Management Team is responsible for risk mapping, in which identified risks are assessed and categorised into areas such as customers, competitors, finance and IT. A risk assessment was carried out during the year on the financial reporting using the Company's ICFR framework (Internal Control over Financial Reporting). The most important risks in respect of the operation, market trends and financial risks are described in the Administration Report in the "Information on risks and uncertainty factors" section.

CONTROL ACTIVITIES

The most significant risks are reviewed regularly and are managed through identified and documented key controls which describe how the Company is to manage and maintain control over risks. The formulation of control activities is based on the internal control environment with clear organisational structure defined reporting paths and a quality system with procedures and IT systems which are constantly improved to ensure that they are updated and comprehensive. Key controls linked to risks related to financial reporting may include, for example, procedures for authorising and approving disbursements and reports.

EVALUATION OF PROCEDURES AND KEY ROLES

The company regularly evaluates the procedures for internal control to ensure that all components are functioning and that the Board can maintain adequate oversight. The Company also specifically evaluates the identified controls linked to the more significant risks to ensure that they are correctly formulated and manage the risks in the intended way. Reporting to the Audit Committee and the Board takes place at least annually in accordance with the control documents. The procedures which are evaluated based on the Company's ICFR framework and cover general controls, financial follow-up, employment, customer orders, purchases, inventories and general IT controls.

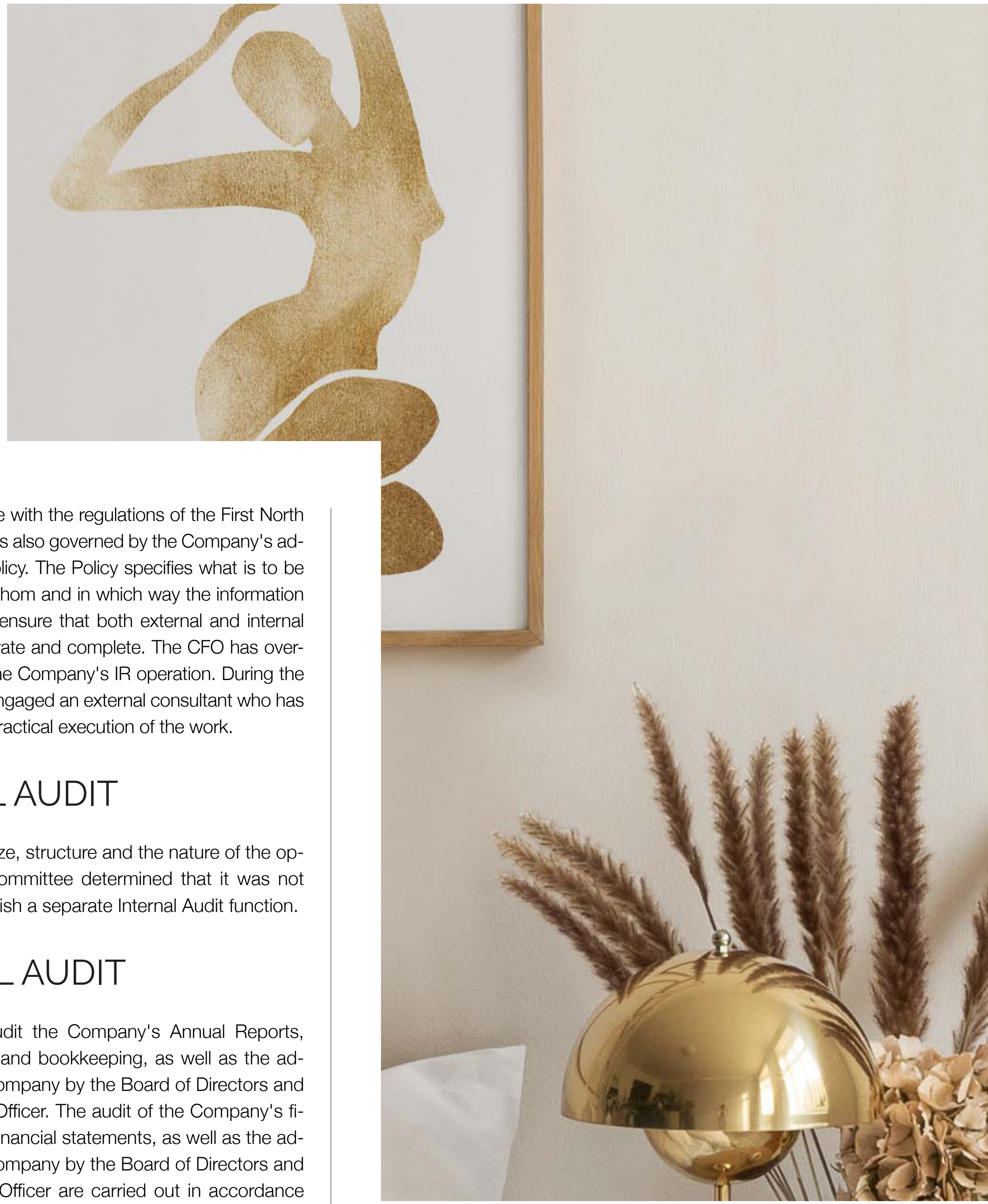
The external auditors, the Company's Finance Department and the Audit Committee are in regular contact throughout the financial year with the aim of detecting possible risks and dealing with problems which may affect financial reporting. The auditors also provide regular reports to the Board.

REPORTING AND INFORMATION FLOWS

Reporting and information flows are a very important component of the internal control procedures. The Board received continuous reports from the Company's Executive Management Team, for example as monthly reports, and can monitor the progress and status of the operation in relation to set goals and identified risks. The Group's operation, financial position, capital requirements, investments and cost base are discussed at every Board meeting. Reconciliations against the budget and outcome from previous years are made monthly, and major deviations are also reported to the Board at each Board meeting.

Internal information and communication deal with ensuring that the Company's staff are updated in respect of relevant internal control procedures, and that the latest versions of the policies, procedures for standardised work and work instructions are available to all members of staff.

External information, which primarily takes place through press releases, financial statements and Interim Reports the Annual Report and the Company's website (deseniogroup.com), aims to keep the market updated on the progress of the Company's operation and ensure that Desenio lives up to the requirements for releasing accurate information to the market in accordance with the regulations of the First North Growth Market. This is also governed by the Company's adopted Information Policy. The Policy specifies what is to be communicated, by whom and in which way the information is to be released to ensure that both external and internal information are accurate and complete. The CFO has overall responsibility for the Company's IR operation. During the year, the Company engaged an external consultant who has handled part of the practical execution of the work.



INTERNAL AUDIT

Given the Group's size, structure and the nature of the operation, the Audit Committee determined that it was not appropriate to establish a separate Internal Audit function.

EXTERNAL AUDIT

The auditor shall audit the Company's Annual Reports, financial statements and bookkeeping, as well as the administration of the Company by the Board of Directors and the Chief Executive Officer. The audit of the Company's financial reports and financial statements, as well as the administration of the Company by the Board of Directors and the Chief Executive Officer are carried out in accordance with generally accepted audit standards in Sweden. After each financial year, the auditor shall submit an Auditor's Report and a Consolidated Auditor's Report to the Annual General Meeting. The Auditor carried out a general audit of the Company's Interim Report for the third quarter.

KPMG AB has been the Company's auditor since 2017, and was re-elected as the Company's auditor at the Annual General Meeting 2021 for the period until the close of the Annual General Meeting 2022. Sven Cristea was the auditor in charge until 2 September 2021. The current auditor in charge is Mathias Arvidsson. Mathias Arvidsson is an Authorised Public Accountant and a member of FAR (FAR – the industry organisation for accounting consultants, auditors and advisers).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1 January - 31 December MSEK	Note	2021	2020	2019
Net sales	2, 3	1,227.2	978.5	596.5
Cost of goods sold		-219.0	-151.1	-199.2
Gross profit		**1,008.2**	**827.4**	**397.3**
Handling costs		-345.2	-275.8	-73.3
Marketing costs		-321.9	-190.9	-126.5
Administration costs		-196.9	-118.2	-83.3
Other operating income	4	16.8	19.4	2.4
Other operating costs	5	-18.1	-14.7	-4.3
Operating profit	3, 6, 7, 8, 21, 24	**143.0**	**247.2**	**112.3**
Financial income		9.2	–	0.1
Financial expense		-75.5	-19.1	-3.5
Net financial income/expense	9	**-66.3**	**-19.1**	**-3.4**
Profit/loss before tax		**76.7**	**228.1**	**108.9**
Tax	11	-19.5	-49.1	-23.3
Net profit for the year		**57.2**	**179.0**	**85.6**
Net profit for the year attributable to:				
the Parent's shareholders		57.2	179.0	85.6
Net profit for the year		**57.2**	**179.0**	**85.6**
Earnings per share	12			
before dilution (SEK)		0.40	1.28	0.61
after dilution (SEK)		0.38	1.22	0.58

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

1 January - 31 December MSEK	Note	2021	2020	2019
Net profit for the year		**57.2**	**179.0**	**85.6**
Translation differences transferred to net profit for the year		0.0	-	-
Other comprehensive income		-	-	-
Other comprehensive income for the year		**57.2**	**179.0**	**85.6**
Comprehensive income for the year		**57.2**	**179.0**	**85.6**
Net profit for the year attributable to:				
the Parent's owners		57.2	179.0	85.6
Comprehensive income for the year		**57.2**	**179.0**	**85.6**

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

MSEK	Note	31 December 2021	31 December 2020	31 December 2019	01 January 2019
Assets	25, 26				
Goodwill	13	834.3	834.3	18.9	3.1
Brands	14	429.0	429.0	169.0	169.0
Other intangible assets	15	73.1	106.4	5.2	14.2
Equipment and fixtures and fittings	16	11.1	5.2	4.9	2.2
Right-of-use assets	26	64.9	17.7	22.8	1.8
Financial assets	24	6.8	4.7	3.3	–
Deferred tax assets	11	–	1.1	0.7	–
Total fixed assets		**1,419.3**	**1,398.4**	**225.0**	**190.2**
Inventories	17	91.3	53.7	41.4	29.4
Other receivables		19.7	37.1	8.7	9.0
Prepaid expenses and accrued income	18	11.2	14.2	5.5	3.5
Cash and cash equivalents	19	162.2	647.4	128.5	79.6
Total current assets		**284.4**	**752.4**	**184.2**	**121.4**
Total assets		**1,703.7**	**2,150.9**	**409.2**	**311.7**
Equity	20				
Share capital		0.5	0.5	0.1	0.1
Other contributed capital		296.1	–	–	–
Reserves		0.0	–	–	–
Retained earnings including net profit for the year		-35.9	185.7	107.2	21.8
Equity attributable to the Parent's shareholders		**260.7**	**186.2**	**107.2**	**21.9**
Total equity		**260.7**	**186.2**	**107.2**	**21.9**
Liabilities	6, 22				
Non-current interest-bearing liabilities	21, 24	1,074.3	1,065.5	43.3	101.7
Non-current lease liabilities	26	51.4	11.4	16.3	0.1
Deferred tax liabilities	16	101.6	109.0	35.6	37.7
Total non-current liabilities		**1,227.3**	**1,185.9**	**95.3**	**139.5**
Current interest-bearing liabilities	21, 24	–	–	58.3	58.3
Current lease liabilities	26	14.7	5.2	5.3	1.6
Accounts payable		76.0	91.3	54.8	42.5
Current tax liabilities	11	25.9	49.2	27.5	–
Other provisions		2.6	–	–	–
Other liabilities		47.5	576.3	32.3	31.5
Accrued expenses and deferred income	23	48.9	56.7	28.3	16.3
Total current liabilities		**215.6**	**778.8**	**206.6**	**150.3**
Total liabilities		**1,443.0**	**1,964.7**	**301.9**	**289.8**
Total equity and liabilities		**1,703.7**	**2,150.9**	**409.2**	**311.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the Parent's shareholders

MSEK	Share capital	Other contributed capital	Translation reserve	Retained earnings including net profit for the year	Total
Opening equity 1 Jan 2019	0.1	–	–	21.7	21.7
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	–	–	–	85.6	85.6
Comprehensive income for the year	–	–	–	85.6	85.6
TRANSACTIONS WITH GROUP SHAREHOLDERS					
Share options exercised by personnel	–	–	–	-0.1	-0.1
Total transactions with Group shareholders	–	–	–	**-0.1**	**-0.1**
Closing equity 31 Dec 2019	**0.1**	**–**	**–**	**107.2**	**107.2**
Opening equity 1 Jan 2020	0.1			107.2	107.2
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	–	–	–	179.0	179.0
Comprehensive income for the year	–	–	–	179.0	179.0
Bonus issue	0.5	–	–	-0.5	–
TRANSACTIONS WITH THE GROUP'S OWNERS					
Dividends paid	–	–	–	-100.0	-100.0
Total transactions with the Group's owners	–	–	–	**-100.0**	**-100.0**
Closing equity 31 Dec 2020	**0.5**	**–**	**–**	**185.7**	**186.2**
Opening equity 1 Jan 2021	0.5	–	–	185.7	186.2
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	–	–	0.0	57.2	57.2
Comprehensive income for the year	–	–	0.0	57.2	57.2
TRANSACTIONS WITH THE GROUP'S OWNERS					
Dividends paid	–	–	–	-285.1	-285.1
New issue	–	296	–	–	296.0
Premium paid on the issue of share options	–	–	–	6.4	6.4
Total contributions from and transfers of value to owners	–	296.0	–	**-278.7**	**17.3**
Total transactions with the Group's owners	–	296.0	–	**-278.7**	**17.3**
Closing equity 31 Dec 2021	**0.5**	**296.0**	**–**	**-35.8**	**260.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January - 31 December MSEK	Note	2021	2020	2019
	31			
OPERATING ACTIVITIES				
Profit/loss after financial items		76.7	228.1	108.9
Adjustments for items not included in cash flow		46.8	14.5	16.4
Income tax paid		-25.0	24.2	-25.4
		98.5	**266.8**	**99.9**
Increase(-)/Decrease(+) in inventories		-37.6	-12.3	-12.0
Increase(-)/Decrease(+) in operating receivables		20.4	-37.1	-1.8
Increase(+)/Decrease(-) in operating liabilities		-55.0	62.3	56.1
Cash flow from operating activities		**26.3**	**279.7**	**142.2**
INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment		-66.6	–	–
Acquisition of intangible assets		–	-1.9	-28.9
Disposal of intangible assets		–	–	-18.2
Acquisition of subsidiaries/businesses, net effect on liquidity		–	-665.0	–
Acquisition of financial assets		-1.0	-9.6	-4.0
Cash flow from investing activities		**-67.6**	**-676.5**	**-51.1**
FINANCING ACTIVITIES				
Share options exercised		6.3	-0.1	-0.1
Borrowings		–	1,065.5	22.0
Amortisation of loans		-509.8	-48.2	-64.0
New issue		296.0	-	-
Amortisation of lease liability		48.8	–	–
Dividend paid to Parent's shareholders		-285.1	-100.0	–
Cash flow from financing activities		**-443.8**	**917.2**	**-42.1**
Cash flow for the year		-485.1	518.4	49.0
Cash and cash equivalents at the beginning of the year		647.0	128.6	79.6
Cash and cash equivalents at year-end		**161.9**	**647.0**	**128.6**

INCOME STATEMENT FOR THE PARENT COMPANY

1 January - 31 December				
MSEK	Note	2021	2020	2019
Net sales	2, 3	7.6	3.1	2.3
Cost of goods sold		–	–	–
Gross profit		**7.6**	**3.1**	**2.3**
Distribution costs		–	–	–
Marketing costs		-0.4	–	–
Administration costs		-39.9	-10.2	-2.3
Other operating income		0.1	3.8	–
Other operating costs		-0.2	–	–
Operating profit	3, 6, 7, 8	-32.8	-3.3	0.0
Profit/loss after financial items				
Profit/loss from participations in Group companies			190.0	-
Interest income and similar profit/loss items		0.1		70.0
Interest expense and similar profit/loss items	9	-68.2	-8.1	-4.0
Profit/loss after financial items		-100.9	178.6	66.0
Appropriations	10	207.3	42.0	80.0
Profit/loss before tax		**106.4**	**220.6**	**146.0**
Tax	11	-25.2	-6.6	-16.3
Net profit for the year		**81.2**	**214.0**	**129.7**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PARENT COMPANY

1 January - 31 December				
MSEK	Note	2021	2020	2019
Net profit for the year		**81.2**	**214.0**	**129.7**
Other comprehensive income				
Other comprehensive income for the year		–	–	–
Comprehensive income for the year		**81.2**	**214.0**	**129.7**

BALANCE SHEET FOR THE PARENT COMPANY

MSEK	Note	31 December 2021	31 December 2020	31 December 2019
NON-CURRENT ASSETS				
Intangible assets		–	–	–
Property, plant, and equipment	16	0.1	–	–
Financial assets		–	–	–
Participations in Group companies	29	1,406.3	1,406.2	250.8
Total fixed assets		**1,406.3**	**1,406.2**	**250.8**
CURRENT ASSETS				
Current receivables		–	–	–
Receivables from Group companies		79.4	0.9	69.7
Current tax asset		–	–	–
Other receivables		3.6	–	–
Prepaid expenses and accrued income	18	0.6	3.8	–
Total current receivables		**83.6**	**4.7**	**69.7**
Cash and bank balances		17.6	501.5	2.6
Total current assets		**101.2**	**506.1**	**72.3**
Total assets		**1,507.6**	**1,912.3**	**323.1**

MSEK	Note	31 December 2021	31 December 2020	31 December 2019
EQUITY AND LIABILITIES				
Equity	20			
Restricted equity				
Share capital		0.5	0.5	0.1
Non-restricted equity				
Profit/loss brought forward		328.8	97.3	68.1
Net profit for the year		81.2	214.0	129.7
Total equity		**410.5**	**311.8**	**197.9**
NON-CURRENT LIABILITIES				
Bond loan	21, 24	1,074.3	1,065.5	–
Liabilities to credit institutions	21, 24	–	–	43.3
Total non-current liabilities		**1,074.3**	**1,065.5**	**43.3**
CURRENT LIABILITIES				
Liabilities to credit institutions	21, 24	–	–	58.3
Accounts payable		2.1	–	–
Liabilities to Group companies		9.5	0.8	–
Current tax liability		8.9	9.8	22.5
Other liabilities		–	511.3	0.7
Accrued expenses and deferred income	23	2.3	13.1	0.3
Total current liabilities		**22.8**	**535.0**	**81.8**
Total equity and liabilities		**1,507.5**	**1,912.3**	**323.1**

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT COMPANY

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Profit/loss brought forward	Net profit for the year	Total equity
Opening equity 1 Jan 2019	0.1	10.7	57.5	68.3
Comprehensive income for the year				
Net profit for the year	–	–	129.7	129.7
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	–	–	129.7	129.7
Appropriation of profits	–	57.5	-57.5	–
Share options exercised by personnel	–	0.0	–	0.0
Closing equity 31 Dec 2019	0.1	68.2	129.7	198.0

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Profit/loss brought forward	Net profit for the year	Total equity
Opening equity 1 Jan 2020	0.1	68.2	129.7	198.0
Comprehensive income for the year				
Net profit for the year	–	–	214.0	214.0
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	–	–	214.0	214.0
Appropriation of profits	–	29.6	-29.6	–
Dividends paid	–	–	-100.0	-100.0
Bonus issue	0.5	-0.5	–	–
Share options exercised by personnel	–	-0.1	–	-0.1
Closing equity 31 Dec 2020	0.5	97.3	214.1	311.9

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Profit/loss brought forward	Net profit for the year	Total equity
Opening equity 1 Jan 2021	0.5	97.3	214.1	311.9
Comprehensive income for the year				
Net profit for the year	–	–	81.2	81.2
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	–	–	81.2	81.2
Dividends paid	–	-71.0	-214.1	-285.1
New issue	–	296.0	–	296.0
Premium paid on the issue of	0.0	6.4	–	6.4
Closing equity 31 Dec 2021	0.5	328.7	81.2	410.4

STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

1 January - 31 December				
MSEK	Note	2021	2020	2019
OPERATING ACTIVITIES				
Profit/loss after financial items		-100.9	178.6	66.0
Adjustments for items not included in cash flow			-190.0	–
Income tax paid		-26.1	-19.3	–
		-127.0	-30.7	66.0
Increase(-)/Decrease(+) in operating receivables		-75.3	65.6	-69.7
Increase(+)/Decrease(-) in operating liabilities		-514.8	204.4	-17.4
Cash flow from operating activities		-717.1	239.3	-21.1
INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment		-0.1	–	–
Acquisition of financial assets		–	-645.6	–
Cash flow from investing activities		-0.1	-645.6	–
FINANCING ACTIVITIES				
New issue		296.0	–	–
Share options exercised		6.3	-0.1	-0.1
Group contributions received		207.3	42.0	80.0
Borrowings		8.8	1,065.0	–
Amortisation of loans		–	-101.7	-58.3
Dividend paid		-285.1	-100.0	–
Cash flow from financing activities		233.3	905.2	21.6
Cash flow for the year		-483.9	498.9	0.5
Cash and cash equivalents at the beginning of the year		501.6	2.7	2.2
Cash and cash equivalents at year-end		17.7	501.6	2.7

NOTE 1 *Significant accounting policies*

COMPLIANCE WITH SET STANDARDS AND LAW

The Consolidated Financial Statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the EU. In addition, Rådet för Finansiell Rapportering's [the Swedish Financial Reporting Board] recommendation RFR 1 Supplementary accounting rules for groups has been applied.

The Parent applies the same accounting policies as the Group except in those cases specified below in the "the Parent's accounting policies" section.

The Annual Report and the Consolidated Financial Statements were approved for release by the Board of Directors and the Chief Executive Officer on 20 April 2022. The consolidated statement of profit or loss and other comprehensive income and the statement of financial position and the Parent's income statement and balance sheet will be subject to adoption at the Annual General Meeting on 12 May 2022.

VALUATION BASES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost Desenio's balance sheets currently contain no items which are recognised at fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent's functional currency is the Swedish Kronor, which is also the presentation currency for the Parent and for the Group. This means that financial reports are presented in Swedish Kronor. All amounts, unless otherwise stated, are expressed in millions of Swedish Kronor.

ESTIMATES AND JUDGEMENTS IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRS requires that the Executive Management Team makes estimates and judgements as well as assumptions which affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expense. The actual outcomes may deviate from these estimates and judgements.

The estimates and assumptions are regularly reviewed. Changes to estimates are recognised in the period in which the changes are made if the change affects this period only, or in the period in which the changes are made and in future periods if the change affects both the current period and future periods.

Judgements made by the Executive Management Team in applying IFRS which have a significant effect on the financial statements and estimates made which can lead to significant adjustments in the financial statements of the subsequent year are described in greater detail in Note 33.

SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies specified below have been applied consistently to all periods that are presented in the Consolidated Financial Statements. The Group's accounting policies have, in addition, been applied consistently by Group companies.

AMENDED ACCOUNTING POLICIES

The Consolidated Financial Statements are the first complete financial statements drawn up in accordance with IFRS (EU), and the Parent's financial statements are the first complete financial statements drawn up in accordance with the Swedish Financial Reporting Board's recommendation No. 2 - Accounting for legal entities (RFR 2). During 2021, however, Interim Reports were prepared in accordance with IFRS (EU) and RFR 2. In the Interim Report for the first quarter of 2021, the transition effects which arose during the transition were recognised for the first time. Explanations of the transition effects are also given in Note 34.

NEW IFRS WHICH HAVE NOT YET BEEN APPLIED

New and amended IFRS due to be applied in the future are not expected to have any material effect on the Company's financial statements.

CLASSIFICATIONS ETC.

Non-current assets consist essentially of amounts which are expected to be recovered or paid after more than twelve months from the end of the reporting period, while current assets consist essentially of amounts which are expected to be recovered or paid within twelve months from the end of the reporting period. Non-current liabilities consist essentially of amounts to which Desenio has an unconditional right as at the end of the reporting period.

OPERATING SEGMENT REPORTING

An operating segment is a part of the Group which carries on an operation from which it can generate income and deduct costs and for which independent financial information is available. The profit or loss of an operating segment is also followed up by the company's highest executive decision maker to evaluate the profit or loss and to determine the allocation of resources to the operating segment. See Note 3 for a further explanation of the division and presentation of operating segments.

Consolidation principles and business combinations

SUBSIDIARIES

Subsidiaries are companies which are controlled by Desenio Group AB. Control exists if Desenio Group AB has influence over investment objects, is exposed to or has the right to a variable return from its engagement, and can also use its influence over investment to affect the return. In assessing whether control exists, account is taken of potential voting shares as well as whether de facto control exists.

Subsidiaries are recognised using the acquisition method. This method means that the acquisition of a subsidiary is treated as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities. In the acquisition analysis, the fair value of acquired identifiable assets and assumed liabilities, as well as any non-controlling holdings is established as at the acquisition date. Transaction expenses, with the exception of transaction expenses which are attributable to the issue of equity instruments or debt instruments, which arise are recognised directly in profit or loss.

In the event of business combinations in which the compensation transferred, any non-controlling holdings and the fair value of previously owned participations (in the event of stepped acquisitions) exceeds the fair value of the acquired assets and assumed liabilities which are recognised separately, the difference is recognised as goodwill. When the difference is negative, in a "bargain purchase" this is recognised directly in profit or loss.

TRANSACTIONS WHICH ARE ELIMINATED ON CONSOLIDATION

Internal group receivables and liabilities, income or expense and unrealised gains or losses which arise from intra-Group transactions among Group companies, are eliminated in their entirety in the preparation of the Consolidated Financial Statements.

Foreign currencies

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling on the transaction date. The functional currency is the currency in the primary economic environment in which the companies carry on their operations. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate ruling at the end of the reporting period. Exchange differences which arise from translations are recognised in profit or loss. Non-monetary assets and liabilities which are recognised at historical cost are translated at the exchange rate on the date of the transaction. Non-monetary assets and liabilities which are recognised at fair value are translated to the functional currency at the exchange rate ruling on the date of valuation at fair value.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus values and negative surplus values, are translated from the foreign operation's functional currency to the Group's presentation currency, Swedish Kronor, at the exchange rate ruling at the end of the reporting period. Income and expense in a foreign operation translated to Swedish Kronor at an average exchange rate which constitutes an approximation of the exchange rates which existed on the respective transaction dates. Translation differences which arise during the currency translation for foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity, designated the translation reserve.

When control of a foreign operation ceases, the accumulated translation differences attributable to the operation are realised, whereupon they are reclassified from the translation reserve and equity to profit or loss. In the event that disposal takes place but control remains, a proportional share of accumulated translation differences are transferred from the translation reserve to non-controlling holdings.

Income

PERFORMANCE OBLIGATIONS AND INCOME RECOGNITION PRINCIPLES

Income is valued on the basis of the compensation specified in the agreement with the customer. The Group recognises the income when control over a good or service is transferred to the customer. The Group's income consists essentially of the sale of goods. Control is normally transferred when the good is handed over to an independent carrier, and this is the point at which the performance obligation is fulfilled.

The Group's contract with its customers permits the return of a good. The expected effect of returns is recognised through the income being initially reduced by the expected repayment, which is calculated on the basis of historical data, and a repayment liability is recognised. The right to recover the good is recognised as an asset equivalent to the inventory value.

STATE AID

Government assistance is recognised in the statement of financial position as accrued income when there is reasonable certainty that the assistance will be received and that the Group will fulfil the terms and conditions associated with the assistance. The assistance is accrued systematically in profit or loss in the same way and over the same periods as the costs which the assistance is intended to compensate for.

LEASES

When an agreement is entered into, the Group judges whether the agreement is, or contains, a lease. An agreement is, or contains, a lease if the agreement transfers the right for a certain period to determine the use of an identified asset in exchange for a consideration.

At the beginning of a lease or on the review of a lease which contains several lease components and non-lease components the Group allocates the consideration under the agreement to each component on the basis of the independent price. For the lease of buildings and ground in which the Group is the lessee, the Group has, however, chosen not to separate non-lease components, and recognises lease components and non-lease components which are paid at a fixed amount as one single lease component.

LEASES IN WHICH THE GROUP IS LESSEE

The Group recognises a right-of-use asset and a lease liability on the date on which the lease commences. The right-of-use asset is valued initially at cost, which consists of the initial value of the lease liability with the addition of lease fees which were paid on or before the commencement date plus any initial direct expenditure. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the earlier of the end of the useful life of the asset and the end of the lease period, which, for the Group, is normally the end of the lease period. In the rare case where the cost of the right-of-use asset reflects the fact that the Group will exercise an option to purchase the underlying asset, the asset is depreciated to the end of its useful life.

Lease liabilities which are divided into non-current and current parts are valued initially at the present value of the remaining lease fees over the estimated lease period. The lease period consists of the non-cancellable period with the addition of further periods in the agreement if it is judged on the commencement date as reasonably certain that these will be utilised.

The lease fees are normally discounted at the Group's marginal borrowing interest rate, which, over and above the Group's company's credit risk reflects the agreement's lease period, currency and the quality of the underlying asset as intended security. In the event that the implicit interest rate in the lease can be established easily, however, this interest rate is used, which is the case for parts of the Group's leases of vehicles.

The value of the liability is raised by the interest cost for the respective period and reduced by the lease payments. The interest expense is calculated as the value of the liability multiplied by the discount rate.

For leases which have a lease period of 12 months or less, or with an underlying asset of low value, below SEK 50,000, no right-of-use asset and lease liability are recognised. Lease fees for these leases are recognised as a cost on a straight-line basis over the lease period.

FINANCIAL INCOME AND EXPENSE

Interest income or interest expense are recognised in accordance with the effective interest-rate method. Dividends are recognised in profit or loss as at the date on which the Group's right to payment is established.

The effective interest rate is the interest rate which exactly discounts the estimated future payments received and disbursed during the expected term of the financial instrument at:

- recognised gross value of the financial asset, or
- the accrued cost of the financial liability.

TAX

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss apart from when the underlying transaction is recognised in other comprehensive income or in equity, whereupon the associated tax effect is recognised in other comprehensive income or in equity.

Current tax is the tax which is to be paid or received in the current year, using the tax rates which are in effect or in practice in effect at the end of the reporting period. The current tax also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated in accordance with the balance sheet method with the starting point in temporary differences between the carrying amounts and tax values of assets and liabilities. Temporary differences are not taken into account in Group goodwill nor is any difference which arose on first recognition of assets and liabilities that are not business combinations which, on the date of the transaction do not affect either the recognised or taxable profit or loss. In addition, temporary differences attributable to participations in subsidiaries and associates which are not expected to be reversed in the foreseeable future are not taken into account. The valuation of deferred tax is based on how the underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and tax regulations which are in effect or in practice in effect at the end of the reporting period.

Deferred tax assets in respect of deductible temporary differences and loss carry forwards are recognised only to the extent that it is likely that these will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Financial instruments

RECOGNITION AND FIRST VALUATION

Accounts receivable and issued debt instruments are recognised when they are issued. Other financial assets and financial liabilities are recognised when the Group becomes a party to the contractual terms and conditions of the instrument.

CLASSIFICATION AND SUBSEQUENT VALUATION

FINANCIAL ASSETS

On first recognition, a financial asset is classified as valued at: amortised cost; fair value via other comprehensive income – debt instrument investment; fair value via other comprehensive income – equity investment; or fair value via profit or loss. The group holds only financial assets valued at amortised cost.

FINANCIAL LIABILITIES – CLASSIFICATION, SUBSEQUENT VALUATION AND GAINS AND LOSSES

Financial liabilities are classified as valued at amortised cost or fair value via profit or loss. The Group only has financial liabilities valued at amortised cost. Interest expense and exchange rate gains and losses are recognised in profit or loss. Gains or losses on derecognition are also recognised in profit or loss.

IMPAIRMENT - EXPECTED CREDIT LOSSES

The Group's accounts receivable are normally transferred immediately on establishment and, consequently, no credit losses arise.

Removal from the statement of financial position (derecognition).

FINANCIAL ASSETS

The Group deletes a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial assets cease or if it transfers the right to receive the contractual cash flows through a transaction in which in essence all risks and benefits associated with ownership have been transferred or in which the Group does not transfer or retains essentially all the risks and benefits of ownership and does not retain control of the financial asset.

FINANCIAL LIABILITIES

The Group derecognises a financial liability from the statement of financial position when the obligations specified in the agreement are fulfilled, are cancelled or cease. The Group also derecognises a financial liability when the contractual terms and conditions are modified and the cash flows from the modified liability are materially different. In that case a new financial liability is recognised at fair value based on the modified terms and conditions.

SET-OFF

Financial assets and financial liabilities shall be set-off and recognised at a net amount in the statement of financial position only when the Group has a legal right to set-off the carrying amount and has the intention of settling the items at a net amount or simultaneously realising the asset and settling the liability.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment are recognised in the Group at cost after the deduction of accumulated depreciation and any impairments. Cost includes the purchase price as well as expenditure directly attributable to the asset to bring it on-site and into a condition to be utilised in accordance with the purpose of the acquisition.

DEPRECIATION POLICY

Depreciation takes place on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. Leased assets are also depreciated over their estimated useful life, or if this is shorter, over the agreed lease period. The Group applies component depreciation, which means that the estimated useful life of the components is used as the basis for depreciation.

The depreciation methods used, the residual values and useful lives are reviewed at the end of each year.

Intangible assets

GOODWILL AND BRANDS

Goodwill and brands are valued at cost minus any accumulated impairment. Goodwill and brands are allocated to cash-generating units and are tested at least annually for impairment.

DEVELOPMENT EXPENDITURE
Expenditure on development, in which knowledge is applied to achieve new and improved products or processes, is recognised as an asset in the statement of financial position, if the product or process is technically and commercially usable, and the Company has sufficient resources to complete the development and subsequently use or sell the intangible asset. The carrying amount includes all directly attributable expenditure; e.g. for materials and services, remuneration of employees, registration of a legal right, amortisation of patents and licenses and borrowing expenses in accordance with IAS 23. Other expenditure for development is recognised in profit or loss as an expense when it arises. In the statement of financial position, recognised development expenditure is included at cost minus accumulated amortisation and any impairment.

OTHER INTANGIBLE ASSETS
Other intangible assets which have been acquired by the Group consist primarily of customer relationships, and are recognised at cost minus accumulated amortisation and any impairment.

AMORTISATION POLICY
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, unless the useful life is infinite. The useful life periods are reviewed at least annually. Goodwill and other intangible assets with an infinite useful life or which are not ready for use are tested for impairment annually and, in addition, as soon as there are indications that the asset in question has fallen in value. Intangible assets with a finite useful life are amortised from the date on which they are available for use.

The estimated useful life periods are:

- capitalised development expenditure 5 years
- customer relationships 3 years

IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS
If there are indications of an impairment need, the recoverable amount of the asset is calculated (see below). For goodwill, other intangible assets with indefinite useful lives and intangible assets which are not yet ready for use, the recoverable amount is also calculated annually. If it is not possible to determine significant independent cash flows for an individual asset, and its fair value minus selling expenses cannot be used, the assets are grouped on testing for impairment at the lowest level at which it is possible to identify significant independent cash flows – a cash-generating unit.

An impairment is recognised when the carrying amount of an asset or cash-generating unit (group of units) exceeds the recoverable amount. An impairment is recognised as a cost in profit or loss. When an impairment need is identified for a cash-generating unit (group of units) the impairment amount is initially allocated to goodwill. Thereafter, a proportional impairment of other assets included in the unit (group of units) is made.

The recoverable amount is the higher of its fair value less selling costs, and its value in use. In calculating the value in use, future cash flows are discounted using a discount factor which takes account of risk-free interest and the risk associated with the specific asset.

REVERSAL OF IMPAIRMENT
An impairment is reversed if there are indications that the impairment need no longer exists and changes taking place in the assumptions which lay behind the calculation of the recoverable amount. Impairment of goodwill however, is never reversed. Reversal is made only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount which would have been recognised, with the deduction of amortisation where that is involved, if no impairment had been made.

INVENTORIES
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated through the application of the first in, first out method (FIFO) and include expenditure which arose on the acquisition of the inventory assets and transporting them to their present location and condition.

EARNINGS PER SHARE
The calculation of earnings per share before dilution is based on the consolidated net profit for the year attributable to the Parent's owners and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the profit and the average number of shares are adjusted to take account of the effects of diluting potential ordinary shares, which, during the reported periods derived from options issued to employees. The dilution from the options is based on an estimate of how many shares hypothetically could have been purchased during the period at the exercise price and the value of remaining services in accordance with IFRS 2 Share-related payment. The shares which it had not been possible to buy lead to dilution. Also included are the number of options, and therefore shares, which would have been vested if the degree of fulfilment of the vesting conditions at the end of the current period would also exist at the end of the vesting period. Potential ordinary shares are seen as diluting only during periods in which it leads to lower earnings or greater loss per share.

Remuneration of employees

DEFINED-CONTRIBUTION PENSION PLANS
Pension plans are classified as defined-contribution if the Company's obligation is limited to the contributions that the Company has undertaken to pay. In such cases the amount of the employee's pension depends on the contributions which the Company paid into the plan or to an insurance company, and the return on capital which the contributions generate. Consequently, it is the employee who bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected remuneration). The Company's obligations in respect of contributions to defined-contribution plans are recognised as an expense in profit or loss at the rate at which they are earned by the employee carrying out services for the Company during a period.

SHARE-RELATED PAYMENT
An options programme enables employees to acquire shares in the Company. The employees' have, however, paid the market value for the options received, and, accordingly, there will be no effect on profit or loss or in the statement of financial position.

THE PARENT'S ACCOUNTING POLICIES
The Parent has drawn up its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. The Swedish Financial Reporting Board's issued declarations applicable to listed companies is applied. RFR 2 means that the Parent, in the Annual Report for the legal entity, shall apply all EU-approved IFRS and declarations as far as this is possible within the framework of the Annual Accounts Act, the Pensions Obligations Vesting Act (1967:531) and taking account of the connection between accounting and taxation. The recommendation specifies which exceptions from and additions to IFRS are to be made.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND THE PARENT
The differences between the accounting policies of the Group and the Parent are set out below. The accounting policies for the Parent specified below have been applied consistently to all periods presented in the Parent's financial statements.

CLASSIFICATION AND LAYOUTS
For the Parent, the following designations are used; balance sheet and analysis of cash flows for the statements which in the Group are entitled statement of financial position and statement of cash flows respectively. The Parent's income statement and balance sheet are laid out in accordance with the schedule in the Annual Accounts Act, while the statement of profit or loss and other comprehensive income, the statement of changes in equity and the analysis of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows respectively. The differences from the Group's statements which come into play in the Parent's income statements and balance sheets consist primarily of the presentation of equity.

Subsidiaries
Participations in subsidiaries are recognised in the Parent using the cost method. This means that transaction expenses are included in the carrying amount. In the Consolidated Financial Statements, transaction expenses attributable to subsidiaries are recognised directly in profit or loss as they arise.

ANTICIPATED DIVIDENDS
Anticipated dividends from subsidiaries are recognised in cases where the Parent alone has the right to determine the amount of the dividend and the Parent has taken a decision on the amount of the dividend before the Parent published its own financial statements.

OPERATING SEGMENT REPORTING
The Parent does not recognise segments in accordance with the same division or with the same scope as the Group, but states the allocation of net sales in the Parent's operational areas.

TOTAL ASSETS
The Parent does not apply IFRS 16, in accordance with the exception provided for in RFR 2. As the lessee, lease fees are recognised as an expense on a straight-line basis over the lease period, and, accordingly, right-of-use and lease liabilities are not recognised in the balance sheet. In the same way as in the Consolidated Financial Statements, no differentiation is made between lease components and non-lease components for land and buildings. Lease components and non-lease components are instead recognised as a single lease component for these types of underlying assets. Those agreements in which the Parent constitutes the lessor are recognised as operating leases.

GROUP CONTRIBUTION
Group contribution is recognised as an appropriation.

NOTE 2 *Income*

CONTRACT BALANCES

Information on receivables, contract assets and contract liabilities from contracts with customers are summarised below.

THE GROUP				
MSEK	Note	31 December 2021	31 December 2020	31 December 2019
Accounts receivable		–	–	0.0
Other receivables		9.1	20.2	–
Accrued income		–	3.8	–

THE PARENT				
MSEK	Note	31 December 2021	31 December 2020	31 December 2019
Intra-Group accounts receivable		3.9	0.9	–
Accrued income		–	3.8	–

The Group's income consists essentially of sales of goods, posters and frames. Control is normally transferred when the good is handed over to an independent carrier, and this is the point at which the performance obligation is fulfilled. Consequently, income is recognised at the time of transfer to an independent carrier. The Parent's income includes allocation of common costs

NOTE 3 *Operating segments*

The Group's operation is divided into operating segments based on the particular parts of the operation that the Company's highest executive decision maker follows up. This system is called the "management approach".

The Group's operation is followed up on a geographical basis. The follow-up covers income, the cost of goods sold and operating costs. The operating segments consist of Nordics, Core Europe (Germany, France, the Netherlands and Great Britain), Rest of Europe and Rest of World. The division into operating segments is based on the markets in which Desenio's products are sold.

The following operating segments have been identified:

- Nordics
- Core Europe, which consists of Germany, France, the Netherlands and Great Britain
- Rest of Europe
- Rest of World

INCOME PER GEOGRAPHICAL AREA

THE GROUP			
MSEK	2021	2020	2019
Income from external customers			
Sweden	112.0	101.2	86.6
Germany	306.2	241.7	161.1
France	108.7	85.3	46.9
The Netherlands	74.9	56.2	30.9
Great Britain	175.7	154.0	75.1
Rest of Europe	396.0	316.3	185.4
USA	39.6	20.9	8.8
Rest of World	14.1	2.9	1.7
	1,227.2	**978.5**	**596.5**
Non-current assets			
Sweden	4.4	5.2	4.9
The Czech Republic	6.8	–	–
Total	**11.1**	**5.2**	**4.9**

Income from external customers has been attributed to individual countries in accordance with country in which the customer is domiciled. The Parent's income includes the allocation of common Group costs.

THE GROUP'S OPERATING SEGMENTS

	Nordics		Core Europe		Rest of Europe		Rest of World		Reconciling items		Total consolidated	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net sales	262.5	236.7	653.2	535.8	238.2	169.4	67.1	36.6	6.3	0.0	1,227.3	978.5
Cost of goods sold	-48.9	-35.6	-117.8	-83.0	-44.2	-27.3	-8.1	-5.1	–	0.0	-219.0	-151.0
Gross profit	**213.6**	**201.1**	**535.4**	**452.8**	**194.0**	**142.1**	**59.0**	**31.5**	**6.3**	**0.0**	**1,008.3**	**827.5**
Operating costs	-111.3	-105.9	-357.3	-244.3	-147.1	-86.8	-43.0	-26.3	-206.5	-116.9	-865.2	-580.2
Operating profit	**102.3**	**95.2**	**178.1**	**208.5**	**46.9**	**55.3**	**16.0**	**5.2**	**-200.2**	**-116.9**	**143.1**	**247.3**
Net financial income/expense	–	–	–	–	–	–	–	–	-66.3	-19.1	-66.3	-19.1
Profit/loss before tax	**102.3**	**95.2**	**178.1**	**208.5**	**46.9**	**55.3**	**16.0**	**5.2**	**-266.5**	**-136.0**	**76.8**	**228.2**

Only net sales were followed up by geographical area until and including 2019.

NOTE 4 *Other operating income*

THE GROUP			
MSEK	2021	2020	2019
Exchange rate gains on receivables/liabilities of an operating character	16.1	19.4	2.4
Other	0.7	–	–
Total	**16.8**	**19.4**	**2.4**

THE PARENT			
MSEK	2021	2020	2019
Pass-through expenses	–	4.0	–
Total	–	**4.0**	–

NOTE 5 *Other operating costs*

THE GROUP			
MSEK	2021	2020	2019
Exchange rate losses on receivables/liabilities of an operating character	-18.0	-14.7	-4.3
Impairment of current assets	–	–	–
Other	–	–	–
Total	**-18.0**	**-14.7**	**-4.3**

NOTE 6 *Employees, personnel costs and remuneration of senior executives*

COST OF REMUNERATION TO EMPLOYEES

THE GROUP			
MSEK	2021	2020	2019
Salaries and remuneration etc.	75.1	53.1	36.0
Pension costs, defined-contribution plans (see also Note 37)	5.2	3.3	2.9
Social security contributions	29.9	16.0	10.9
Total	**110.3**	**72.3**	**49.8**

AVERAGE NUMBER OF EMPLOYEES

	2021	Of whom men	2020	Of whom men	2019	Of whom men
THE PARENT						
Sweden	1	100 %	1	100 %	1	100 %
Total Parent	**1**	**100 %**	**1**	**100 %**	**1**	**100 %**
SUBSIDIARIES						
Sweden	196	20 %	160	25 %	72	14 %
The Czech Republic	1	100 %	–		–	
Total in subsidiaries	**197**	**21 %**	**160**	**25 %**	**72**	**15 %**

GENDER DISTRIBUTION IN THE EXECUTIVE MANAGEMENT TEAM

	31 December 2021 Percentage of women	31 December 2020 Percentage of women	31 December 2019 Percentage of women
THE PARENT			
Board of directors	43 %	20 %	20 %
Other senior executives	43 %	33 %	0 %

	31 December 2021 Percentage of women	31 December 2020 Percentage of women	31 December 2019 Percentage of women
THE GROUP			
Board of directors	43 %	20 %	20 %
Other senior executives	43 %	33 %	0 %

SALARIES AND OTHER BENEFITS DIVIDED BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES, AS WELL AS SOCIAL SECURITY CONTRIBUTIONS IN THE PARENT.

THE PARENT	2021		
MSEK	Senior executives (1 person)	Other employees	Total
Wages, salaries and other benefits	2.9	–	2.9
(of which bonuses, etc.)	0.2	–	0.2
Social security expenses	2.0	–	2.0
(of which pension expenses)	0.7	–	0.7

THE PARENT	2020		
MSEK	Senior executives (1 person)	Other employees	Total
Wages, salaries and other benefits	1.9	–	1.9
(of which bonuses, etc.)	0.3	–	0.3
Social security expenses	1.0	–	1.0
(of which pension expenses)	0.4	–	0.4

THE PARENT	2019		
MSEK	Senior executives (1 person)	Other employees	Total
Wages, salaries and other benefits	1.6	–	1.6
(of which bonuses, etc.)	–	–	–
Social security expenses	0.5	–	0.5
(of which pension expenses)	0.3	–	0.3

SALARIES AND OTHER BENEFITS, PENSION COSTS AND PENSION OBLIGATIONS FOR SENIOR EXECUTIVES IN THE GROUP

THE GROUP	2021	2020	2019
MSEK	Senior executives (6 persons)	Senior executives (5 persons)	Senior executives (6 persons)
Wages, salaries and other benefits	9.0	6.8	5.2
(of which bonuses, etc.)	0.4	0.7	0.0
Pension costs	1.7	0.9	–
Pension obligations	–	–	–

NOTE 6 *Employees, personnel costs and remuneration of senior executives, cont.*

SALARIES AND OTHER BENEFITS TO SENIOR EXECUTIVES

THE PARENT					2021
MSEK	Basic salary Board fees	Variable remuneration	Pension cost	Other benefits	Total
Chair of the Board of Directors ALEXANDER HARS					
Remuneration from the Parent	0.4	–	–	–	0.4
Member of the Board JAKOB TOLLERYD					
Remuneration from the Parent	–	–	–	–	–
Member of the Board MAX CARLSÉN					
Remuneration from the Parent	–	–	–	–	–
Member of the Board MARTIN BLOMQVIST					
Remuneration from the Parent	–	–	–	–	–
Member of the Board NATHALIE DU PREEZ					
Remuneration from the Parent	0.2	–	–	1.5	1.7
Member of the Board SARAH KAUSS					
Remuneration from the Parent	0.1	–	–	–	0.1
Member of the Board CECILIA MARLOW					
Remuneration from the Parent	0.1	–	–	–	0.1
Chief Executive Officer FREDRIK PALM					
Remuneration from the Parent	2.5	0.2	0.7	–	3.4
Remuneration from subsidiaries	–	–	–	–	–
Other senior managers					
Remuneration from the Parent	0.3	–	0.1	–	0.3
Remuneration from subsidiaries	5.9	0.2	0.9	–	7.0
Total	**9.4**	**0.4**	**1.7**	**1.5**	**13.0**
Remuneration from the Parent	3.5	0.2	0.8	1.5	6.0
Remuneration from subsidiaries	5.9	0.2	0.9	–	7.0

NOTE 6 *Employees, personnel costs and remuneration of senior executives, cont.*

SALARIES AND OTHER BENEFITS TO SENIOR EXECUTIVES

THE PARENT					2020
MSEK	Basic salary Board fees	Variable remuneration	Pension cost	Other benefits	Total
Chair of the Board of Directors ALEXANDER HARS					
Remuneration from the Parent	0.2	–	–	–	0.2
Member of the Board MARTIN BLOMQVIST					
Remuneration from the Parent	–	–	–	–	–
Member of the Board MAX CARLSÉN					
Remuneration from the Parent	–	–	–	–	–
Member of the Board NATHALIE DU PREEZ					
Remuneration from the Parent	0.2	–	–	–	0.2
Member of the Board JAKOB TOLLERYD					
Remuneration from the Parent	0.2	–	–	–	0.2
Chief Executive Officer FREDRIK PALM					
Remuneration from the Parent	1.6	0.3	0.4	–	2.2
Remuneration from subsidiaries					–
Other senior managers					
Remuneration from the Parent	–	–	–	–	–
Remuneration from subsidiaries	4.4	0.5	0.5	–	5.4
Total	**6.5**	**0.7**	**0.9**	**–**	**8.1**
Remuneration from the Parent	2.1	0.3	0.4	–	2.7
Remuneration from subsidiaries	4.4	0.5	0.5	–	5.4

NOTE 6 *Employees, personnel costs and remuneration of senior executives, cont.*

SALARIES AND OTHER BENEFITS TO SENIOR EXECUTIVES

THE PARENT					2019
MSEK	Basic salary Board fees	Variable remuneration	Pension cost	Other benefits	Total
Chair of the Board of Directors ALEXANDER HARS					
Remuneration from the Parent	–	–	–	–	–
Member of the Board MARTIN BLOMQVIST					
Remuneration from the Parent	–	–	–	–	–
Member of the Board MAX CARLSÉN					
Remuneration from the Parent	–	–	–	–	–
Member of the Board JAKOB TOLLERYD					
Remuneration from the Parent	–	–	–	–	–
Chief Executive Officer FREDRIK PALM					
Remuneration from the Parent	1.6	–	–	–	1.6
Remuneration from subsidiaries	–	–	–	–	–
Other senior managers					
Remuneration from the Parent	–	–	–	–	–
Remuneration from subsidiaries	3.6	0.0	–	–	3.7
Total	**5.2**	**0.0**	**-**	**-**	**5.2**
Remuneration from the Parent	1.6	–	-	-	1.6
Remuneration from subsidiaries	3.6	0.0	-	–	3.7

SHARE-RELATED PAYMENT

In June 2017, the Group launched an options programme which gives senior executives and other employees the right to acquire shares in the Company. In October 2018 and June 2021, further allocations on similar terms were offered to these personnel groups. The programme gives the right to subscribe for one share at a predetermined exercise price. The programme has a requirement that the employment continues until the redemption dates. If an employment ends before the redemption date, the employee shall offer the Company to acquire all or a part of the options. The proportion depends on the length of time remaining until the redemption date. Conditions and terms for the allocations are given below:

Date of allocation/ personnel category	Number of instruments	Vesting terms
Allocation of share options to senior executives, June 2017	2,240,000	Acquired options at a fixed price which give the right, in May 2022, to acquire the same number of shares as the holding of options. Specific employment requirement up until the redemption date.
Allocation of share options to other employees, June 2017	3,360,000	
Allocation of share options to senior executives, October 2018	–	Acquired options at a fixed price which give the right, in October 2023, to acquire the same number of shares as the holding of options. Specific employment requirement up until the redemption date.
Allocation of share options to other employees, October 2018	1,667,400	
Allocation of share options to senior executives, June 2021	230,300	Acquired options at a fixed price which give the right, in October 2023, to acquire the same number of shares as the holding of options. Specific employment requirement up until the redemption date.
Allocation of share options to other employees, June 2021	242,000	
Total number of equity-settled options	7,739,700	
Total Group		
Total number of equity-settled options	7,739,700	
Total number of cash-settled options	–	

NUMBER AND WEIGHTED AVERAGE EXERCISE PRICE IN RESPECT OF EQUITY-SETTLED OPTIONS

THE PARENT						
MSEK	Weighted average exercise price 2021	Number of options 2021	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Outstanding at the start of the period	1.51	6,482,000	1.56	6,566,000	1.50	7,088,200
Allocated during the period	118.40	472,300		–		–
Forfeited during the period	7.71	-99,100	5.17	-84,000	0.83	-522,200
Redeemed during the period		–		–		–
Matured during the period		–		–		–
Outstanding at the end of the period	9.47	6,855,200	1.51	6,482,000	1.56	6,566,000
Redeemable at the end of the period	–	–		–		–

Outstanding equity-settled options as at 31 December 2021 (2020, 2019) have an exercise price within the range SEK 0.003572 (0.5, 5.0) to SEK 118.40 (8.4, 8.4) and a weighted average remaining contractual term of 0.93 (1.74 and 2.76) years.

The fair value of the options has been estimated using Black Scholes.

FAIR VALUE AND THE ASSUMPTIONS RELATING TO EQUITY-SETTLED OPTIONS ALLOCATED DURING THE PERIOD AND THE COMPARISON PERIOD

THE PARENT	KEY INDIVIDUALS IN SENIOR POSITIONS			OTHER EMPLOYEES		
MSEK	2021	2020	2019	2021	2020	2019
Fair value at the valuation date	13.55	–	–	13.55	–	–
Share price (expressed as weighted average share price)	93.55	–	–	93.55	–	–
Exercise price (expressed as weighted average exercise price)	118.40	–	–	118.40	–	–
Expected volatility (expressed as weighted average volatility)	30 %	–	–	30 %	–	–
Term of the options (expressed as weighted average term)	4.31	–	–	4.31	–	–
Expected dividend	3.42	–	–	3.42	–	–
Risk-free interest rate (based on government bonds)	-0.11 %	–	–	-0.11 %	–	–

The input data specified in the above table refers to the valuation of equity-settled options on the allocation date. The expected volatility is based on historical volatility (calculated on the basis of the weighted average remaining term of the share options), adjusted for any expected changes in future volatility as a result of officially available information. The expected term of the option taking into account expected early redemption has been assumed to be 4.3 years. This is calculated using historical data on how early individuals in different personnel categories have redeemed their options.

NOTE 7 *Fees and reimbursement of the auditor's expenses*

THE GROUP			
MSEK	2021	2020	2019
KPMG AB			
Audit services	0.9	0.6	0.4
Audit operations over and above the audit assignment			
Tax advice	0.1	–	–
Other assignments	4.1	–	–
LR Redovisning and Revision Arboga AB			
Audit services	–	0.1	–

THE PARENT			
MSEK	2021	2020	2019
KPMG AB			
Audit services	0.4	0.1	–
Audit operations over and above the audit services			
Tax advice	–	–	–
Other assignments	–	–	–

The term "audit services" refers to the statutory audit of the Annual Report and accounting and of the administration of the Company by the Board of Directors and the CEO, as well as audits and other reviews carried out under agreements or contracts. This includes other tasks incumbent upon the Company's auditors and advisory services or other assistance resulting from observations made during such audits or the performance of other such tasks.

NOTE 8 *The operation's costs allocated by cost type*

THE GROUP

MSEK	2021	2020	2019
Goods for resale	-219.0	-151.1	-199.2
Other external expenses	-733.2	-488.5	-214.7
Personnel expenses	-110.3	-74.3	-53.7
Depreciation/amortisation of property, plant and equipment and intangible assets.	-18.1	-2.8	-12.3
Other operating costs	-3.6	-14.7	-4.3
Total	**-1,084.2**	**-731.4**	**-484.2**

THE PARENT

MSEK	2021	2020	2019
Personnel expenses	-9.6	-2.7	-2.2
Other operating costs	-30.9	-7.5	-0.1
Total	**-40.4**	**-10.2**	**-2.3**

NOTE 9 *Net financial income/expense*

THE GROUP

MSEK	2021	2020	2019
Exchange gains	9.2	–	–
Financial income	**9.2**	–	–
Liabilities valued at amortised cost – interest expense	-59.3	-6.3	-3.4
Exchange losses	-6.1	-10.5	–
Costs of bond loan	-8.7	-1.6	–
Other financial expense	-1.4	-0.7	–
Financial expense	-75.5	-19.1	-3.4
Net financial income/expense recognised in profit or loss	**-66.2**	**-19.1**	**-3.4**

THE PARENT

MSEK	2021	2020	2019
Profit/loss from participations in Group companies	–	190.0	70.0
Anticipated dividend	**–**	**190.0**	**70.0**

THE PARENT

MSEK	2021	2020	2019
INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS			
Interest income on bank balances	–	–	–
Total	**–**	**–**	**–**
Interest expense bond loan	-59.3	–	–
Interest expense other loans	–	-6.4	-4.0
Costs of bond loan	-8.7	-1.6	–
Exchange losses	–	–	–
Other	-0.2	-0.3	–
Total	**-68.2**	**-8.3**	**-4.0**

NOTE 10 *Appropriations*

THE PARENT

MSEK	2021	2020	2019
Group contributions received	207.3	42.0	80.0
Total	**207.3**	**42.0**	**80.0**

NOTE 11 *Tax*

RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME/STATEMENT OF PROFIT OR LOSS

THE GROUP

MSEK	2021	2020	2019
Current tax expense (-)/tax income (+)			
Tax expense for the year	-25.7	-50.4	-23.0
Tax attributable to previous years			
	-25.7	**-50.4**	**-23.0**
Deferred tax expense (-) /tax income (+)			
Deferred tax in respect of temporary differences	6.3	1.2	3.1
Deferred tax in consequence of changes in tax rates /and changed tax rules/	–	–	–
Deferred tax income during the year on capitalised tax amount in loss carry-forward	–	–	–
Deferred tax expense in consequence of the utilisation of previously capitalised tax amounts in loss carry-forward	–	–	–
Deferred tax on review/revaluation of the carrying amount of deferred tax assets	–	–	–
	6.3	**1.2**	**3.1**
Total recognised tax expense in the Group	**-19.5**	**-49.1**	**-23.3**

THE PARENT

MSEK	2021	2020	2019
Current tax expense (-)/tax income (+)			
Tax expense for the year	-25.2	-6.6	-16.3
Tax attributable to previous years	–	–	–
Total recognised tax expense in the Parent	**-25.2**	**-6.6**	**-16.3**

RECONCILIATION OF EFFECTIVE TAX

THE GROUP						
MSEK		2021		2020		2019
Profit/loss before tax		76.7		228.1		108.9
Tax in accordance with current tax rates for the Parent	20.6 %	-15.8	21.4 %	-48.8	21.4 %	-23.3
Non-deductible expenses	4.8 %	-3.7	0.1 %	-0.3	0.1 %	-0.1
Non-taxable income		–		–		–
Effect of changed tax rates/and tax rules		–		–		–
Other		–		–		–
Recognised effective tax	25.4 %	-19.5	21.5 %	-49.1	21.5 %	-23.4

THE PARENT						
MSEK		2021		2020		2019
Profit/loss before tax		106.4		220.6		146.0
Tax in accordance with current tax rates for the Parent	20.6 %	-21.9	21.4 %	-47.2	21.4 %	-31.2
Non-deductible expenses	3.1 %	-3.3	0.0 %	–	0.0 %	–
Effect of changed tax rates/and tax rules	0.0 %	–	-18.4 %	40.7	-10.2 %	15.0
Recognised effective tax	23.7 %	-25.2	3.0 %	-6.6	11.2 %	-16.3

CHANGE IN DEFERRED TAX AND TEMPORARY DIFFERENCES AND LOSS CARRY-FORWARD

THE PARENT						
MSEK	Balance as at 1 Jan 2021	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/ Disposal of businesses	Balance as at 31 Dec 2021
Change in deferred tax and temporary differences and loss carry-forward	107.9	-6.3	–	–	–	101.6
Allocated during the period	–	–	–	–	–	–
	107.9	-6.3	–	–	–	101.6

MSEK	Balance as at 1 Jan 2020	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/ Disposal of businesses	Balance as at 31 Dec 2020
Change in deferred tax and temporary differences and loss carry-forward	34.9	-0.9	–	–	73.9	107.9
Allocated during the period	–	–	–	–	–	–
	34.9	-0.9	–	–	73.9	107.9

MSEK	Balance as at 1 Jan 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Acquisition/ Disposal of businesses	Balance as at 31 Dec 2019
Change in deferred tax and temporary differences and loss carry-forward	37.7	-2.8	–	–	–	34.9
Allocated during the period	–	–	–	–	–	–
	37.7	-2.8	–	–	–	34.9

CHANGED TAX RATES

From and including 1 January 2019 the tax rate in Sweden was 21.4 %.
From and including 1 January 2021 the tax rate is 20.6 %.

NOTE 12 *Earnings per share*

EARNINGS PER SHARE FOR TOTAL, REMAINING AND DISCONTINUED OPERATION

BEFORE DILUTION			
MSEK	2021	2020	2019
Earnings per share	0.40	1.28	0.61

AFTER DILUTION			
MSEK	2021	2020	2019
Earnings per share	0.38	1.22	0.58

The amounts used in the numerator and denominator are reported in more detail below.

MSEK	2021	2020	2019
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT'S ORDINARY SHAREHOLDERS, BEFORE DILUTION			
Net profit for the year attributable to the Parent's shareholders	57.2	179.0	85.6

The weighted average number of shares was 143,562 (140,000 and 140,000) thousand.
This was affected by a share split of 1:1400 and a set-off issue of 4,111 thousand shares during 2021.

MSEK	2021	2020	2019
PROFIT ATTRIBUTABLE TO THE PARENT'S ORDINARY SHAREHOLDERS, AFTER DILUTION			
Net profit for the year attributable to the Parent's shareholders	57.2	179.0	85.6

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES, AFTER DILUTION

IN THOUSANDS OF SHARES	2021	2020	2019
Weighted average number of ordinary shares during the year, before dilution	143,563	140,000	140,000
Effect of options	6,224	6,482	6,566
Weighted average number of ordinary shares during the year, after dilution	149,787	146,482	146,566

INSTRUMENTS WHICH MAY HAVE A FUTURE DILUTING EFFECT AND CHANGES AFTER THE END OF THE REPORTING PERIOD

During 2021, the Company had an outstanding share option programme. The exercise price (SEK 118.40 per share) exceeded the average price of ordinary shares (SEK 41.94 per share). Accordingly, these options do not have a dilution effect, and they have been excluded from the calculation of earnings per share after dilution. If in the future the share price rises to a level above the exercise price, these options will lead to dilution.

The Company has two other outstanding share option programmes in which the exercise prices are below the average price of the ordinary shares. Accordingly, these options do have a diluting effect.

NOTE 13 *Goodwill*

THE GROUP			
MSEK	2021	2020	2019
ACCUMULATED COST			
Opening balance	834.3	18.9	18.9
Business combinations	–	815.4	–
Closing balance	**834.3**	**834.3**	**18.9**

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following cash-generating units have significant recognised goodwill values in relation to the Group's total recognised goodwill values:

MSEK	2021 Carrying amount	2020 Carrying amount	2019 Carrying amount
Desenio / Poster Store	834.3	834.3	18.9
Total	834.3	834.3	18.9

GOODWILL IN THE DESENIO AND POSTER STORE OPERATION

Consolidated goodwill arose through two acquisitions. The first was the previous acquisition of the Desenio operation and the second the acquisition of the Poster Store operation at the end of 2020. During 2021, the Group integrated these two operations and, accordingly, has one cash-generating unit. Impairment tests of the operations are based on their values in use. This value is based on cash flow estimates, of which the first five years are based on the five-year business forecast adopted by the Executive Management Team. The cash flows estimated after the first five years are based on an annual growth rate of 2 % (2 %), which corresponds to the long-term growth rate in the unit's markets. The estimated cash flows have been discounted to present value using a discount rate of 7.6 % before tax. Assumptions which are important in the five-year business forecast are described in the list below.

The important assumptions in the five year forecasts and the methods used to estimate values are as follows (for the current and the preceding year):

Important variables	Methods for estimating values
Market growth	The Company's addressable market had an annual growth of around five percentage points between 2015 and 2019, and this is expected to continue at the same rate over the next five years. The online specialist segment, in which Desenio operates, is expected to grow at an annual rate of 15-20 percent. Other online markets are expected to grow at an annual rate of 5-10 percent. Expected market growth is based on transition from the current business climate to an anticipated long-term growth.
Discount rate	The discount rate is formulated through a weighted average cost of capital for the sector in which the Group operates and reflects current market assessments of the time value of money and the risks which particularly relate to the asset for which the future cash flows have not been adjusted.

The Executive Management Team judges that no reasonable changes in the important assumptions would lead to the estimated total recoverable amount in the Desenio and Poster Store operations being lower than their total carrying amount.

NOTE 14 *Brands*

THE GROUP			
MSEK	2021	2020	2019
Accumulated cost			
Opening balance	429.0	169.0	169.0
Business combinations	–	260.0	–
Closing balance	**429.0**	**429.0**	**169.0**

In the impairment test of goodwill, the carrying amount of brands have been included in the asset base for which the impairment tests have been based on (cash-generating unit). In accordance with the disclosures in Note 13, no impairment need has been identified, and the Executive Management Team judges that no reasonable changes in the important assumptions would lead to the estimated total recoverable amount in the Desenio and Poster Store- operations being lower than their total carrying amounts.

NOTE 15 *Other intangible assets*

THE GROUP	31 December 2021		31 December 2020		31 December 2019	
MSEK	Capitalised development expenditure	Customer relationships	Capitalised development expenditure	Customer relationships	Capitalised development expenditure	Customer relationships
ACCUMULATED COST						
Opening balance	8.9	134.0	2.4	34.0	–	34.0
Business combinations	–	–	–	100.0	–	–
Other investments	–	–	6.5	–	2.4	–
Reclassifications	–	–	–	–	–	–
Closing balance	**8.9**	**134.0**	**8.9**	**134.0**	**–**	**34.0**
Total closing balance	**–**	**142.9**		**142.9**		**36.4**
ACCUMULATED DEPRECIATION/AMORTISATION						
Opening balance	-1.3	-35.3	-0.1	-31.1	–	-19.8
Business combinations	–	–	–	-1.3	–	-11.3
Depreciation/amortisation for the year	–	-33.2	-1.2	-2.8	-0.1	–
Sales/retirements	–	–	–	–	–	–
Closing balance	**–**	**-68.5**	**-1.3**	**-35.2**	**-0.1**	**-31.1**
Total closing balance		**-68.5**		**-36.5**		**-31.2**
Carrying amount	7.6	65.6	7.6	98.8	2.4	2.9
Total carrying amount		73.2		106.4		5.2

Depreciation/amortisation for the year is included in the following lines in the statement of profit and loss and other comprehensive income

	2021		2020		2019	
Marketing costs	–	-33.2	–	-35.3	–	-31.2
Administration costs	-2.1	–	-1.2	–	-0.1	–
Other operating costs	–	–	–	–	–	–
	-2.1	-33.2	–	-35.3	–	-31.2
Total depreciation/amortisation		**-35.3**		**-36.5**		**-31.3**

NOTE 16 *Equipment and fixtures and fittings*

CHANGE IN DEFERRED TAX AND TEMPORARY DIFFERENCES AND LOSS CARRY-FORWARD

THE GROUP MSEK	31 December 2021	31 December 2020	31 December 2019
ACCUMULATED COST			
Opening balance	9.1	7.3	3.6
Purchases	7.5	0.8	3.6
Business combinations	–	1.1	–
Internally developed assets	–	–	–
Sales/retirements	–	–	–
Closing balance	**16.6**	**9.1**	**7.3**
ACCUMULATED DEPRECIATION/AMORTISATION AND IMPAIRMENTS			
Opening balance	-3.9	-2.3	-1.4
Depreciation/amortisation for the year	-1.6	-1.3	-0.9
Business combinations	–	-0.3	–
Internally developed assets	–	–	–
Sales/retirements	–	–	–
Closing balance	**-5.5**	**-3.9**	**-2.3**
Total closing balance	**11.1**	**5.2**	**4.9**

ACCUMULATED COST

	2021	2020	2019
Cost of goods sold	–	–	–
Administration costs	–	–	–
Other operating costs	-1.6	-1.3	-0.9
Total depreciation/amortisation	**-1.6**	**-1.3**	**-0.9**

NOTE 17 *Inventories*

THE GROUP MSEK	31 December 2021	31 December 2020	31 December 2019
Finished products and goods for resale	91.2	53.7	41.4
Right to return goods	–	–	–
	91.2	**53.7**	**41.4**

The cost of goods sold for the Group includes impairment of inventory by 3.5 (2.5, 3.4). There was no reversal of impairments from previous years.

NOTE 18 *Prepaid expenses and accrued income*

THE GROUP MSEK	31 December 2021	31 December 2020	31 December 2019
Accrued income	–	3.8	2.9
Rent	2.4	2.9	1.4
Other prepaid expenses	8.8	7.6	1.2
Right to return goods	11.2	14.3	5.5

THE PARENT MSEK	31 December 2021	31 December 2020	31 December 2019
Accrued income	–	3.8	–
Rent	0.5	–	–
Other prepaid expenses	0.1	–	–
Right to return goods	0.6	3.8	–

NOTE 19 *Cash and cash equivalents*

THE GROUP MSEK	31 December 2021	31 December 2020	31 December 2019
Cash and cash equivalents consist of the following subcomponents:			
Cash and bank balances	162.2	647.0	129.0
Short-term investments, equal to cash and cash equivalents	–	–	–
Total in accordance with the statement of financial position	**162.2**	**647.0**	**129.0**

NOTE 20 *Equity*

TYPES OF SHARES

THE GROUP MSEK	2021	2020	2019
ORDINARY SHARES			
Issued as at 1 January	100,000	100,000	100,000
Set-off issue	4,111,110	–	–
Share split	139,900,000	–	–
Issued as at 31 December – paid	**144,111,110**	**100,000**	**100,000**

Holders of ordinary shares are entitled to dividends which are determined subsequently, and the shareholding qualifies for a voting right at the General Meeting of Shareholders of one vote per share. All ordinary shares have the same right to Desenio's remaining net assets.

A set-off issue of SEK 296.0 million relating to the acquisition of Poster Store was implemented during the first quarter of 2021.

DIVIDEND

After the end of the reporting period, the Board proposed that no dividend will be paid. The proposal will be subject to adoption at the Annual General Meeting on 12 May 2022.

TOTAL EQUITY

Translation reserve

The translation reserve contains all exchange differences which arise in the translation of financial reports from foreign operations which have prepared their financial statements in a currency other than the currency in which the Consolidated Financial Statements are presented.The Parent and the Group present their financial statements in Swedish Kronor.

THE PARENT'S TOTAL EQUITY

Restricted equity

It is not permitted to reduce restricted equity through appropriations.

Non-restricted equity

Non-restricted equity is available for dividends to shareholders.

NOTE 21 *Interest-bearing liabilities*

Information on the Company's contractual terms and conditions in respect of interest-bearing liabilities is given below. For more information on the Company's exposure to interest-rate risk and the risk of exchange rate fluctuations, please refer to Note 42.

THE GROUP MSEK	2021	2020	2019
NON-CURRENT LIABILITIES			
Bond loan	1,074.3	1,065.6	–
Lease liabilities	51.4	11.4	16.3
Liabilities to credit institutions	–	–	43.0
Total	**1,125.7**	**1,077.1**	**59.3**
CURRENT LIABILITIES			
Liabilities to credit institutions	–	–	58.0
Current portion of lease liabilities	14.7	5.2	5.3
Total	**14.7**	**5.2**	**63.3**

THE PARENT MSEK	2021	2020	2019
NON-CURRENT LIABILITIES			
Bond loan	1,074.3	1,065.6	–
Liabilities to credit institutions	–	–	43.0
Total	**1,074.3**	**1,065.6**	**43.0**
CURRENT LIABILITIES			
Liabilities to credit institutions	–	–	58.0
Total	**–**	**–**	**58.0**
Liabilities which fall due for payment later than five years after the end of the reporting period	–	–	–

TERMS AND CONDITIONS AND REPAYMENT PERIODS

The Company issued a senior covered bond loan on 10 December 2020 of SEK 1,100 million within a framework of SEK 1,800 million.

The bond matures on 16 December 2024, and has a variable interest rate of Stibor 3 months plus 5.5 percent.

The bond has a conditionality clause covering, for example, new borrowings and share dividends. There are no other current conditionalities.

The bond was listed on the Frankfurt Stock Exchange Open Market Quotation Board on 8 February 2021, and on Nasdaq Stockholm on 14 December 2021.

NOTE 22 *Pensions*

THE GROUP AND THE PARENT

Defined-contribution pension plans

Desenio has defined-contribution pension plans only, and these are paid by the companies in the Group.

MSEK	2021	2020	2019
THE GROUP			
Costs of defined-contribution plans	5.2	3.3	2.4
THE PARENT			
Costs of defined-contribution plans	0.7	0.4	0.3

NOTE 23 *Accrued costs and deferred income*

MSEK	2021	2020	2019
THE GROUP			
Holiday pay	11.2	8.2	4.8
Accrued interest expense	0.5	3.6	–
Accrued costs	38.0	44.8	23.4
	49.7	**56.7**	**28.2**
THE PARENT			
Holiday pay	1.0	0.4	0.3
Accrued interest expense	0.5	3.6	–
Accrued costs	0.8	9.0	0.0
	2.3	**13.1**	**0.3**

NOTE 24 *Valuation of financial assets and liabilities*

CLASSIFICATION AND FAIR VALUE

All financial assets and liabilities in the Group are valued at amortised cost. Carrying amounts represent an approximation of fair value.

NOTE 25 *Financial risks and risk management*

Through its operation, the Group is exposed to financial risks of various types.

- Credit risk
- Liquidity risk
- Market risk

FRAMEWORK FOR FINANCIAL RISK MANAGEMENT

The Group's finance policy for handling financial risks was formulated by the Board of Directors and forms a framework of guidelines and rules in the form of risk mandates and limits for finance operations. The responsibility for the Group's financial transactions and risks is handled centrally by the Group Finance Department which is located within the Parent. The overall objective of the Finance Department is to provide cost-effective financing and to minimise the negative effects on the Group's profit or loss stemming from market risks.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may encounter problems in fulfilling its obligations which are associated with financial liabilities. The Group operates rolling liquidity planning which covers every unit in the Group. The planning is updated every third month. Liquidity planning is used to manage liquidity risk and the costs of financing of the Group. The objective is that the Group must be able to meet its financial obligations in upswing's and in downturns without significant unforeseeable expense and without risk to the Group's reputation. The Group's goal is to optimise cash flows and concentrate surplus liquidity in the Parent. Potential surplus liquidity shall be used in the first instance to repay external liabilities or finance investments in the near future. Liquidity risks are managed centrally for the whole Group by the Central Finance Department.

CREDIT FACILITIES

MSEK	Nominal	Utilised	Available
Corporate bond	1,800.0	1,100.0	700.0
Total	**1,800.0**	**1,100.0**	**700.0**
Available cash and cash equivalents	162.2	162.2	162.2
Liquidity reserve	**1,962.2**	**1,262.2**	**862.2**

MATURITY STRUCTURE OF FINANCIAL LIABILITIES – UNDISCOUNTED CASH FLOWS

The Company's financial liabilities at the end of the year amounted to SEK 1.2 billion, and the maturity structure of loan debt is shown in the table below.

THE GROUP MSEK	Currency	Nominal amount in original currency	Total	< 1 month	1-3 months	3 months -1 year	1-5 years	> 5 years
2021								
Bond loan	SEK	1,100.0	1,100.0	–	–	–	1,100.0	–
Accounts payable		76.0	76.0	–	76.0	–	–	–
Lease liabilities	SEK	66.1	66.1	–	–	14.7	–	51.4
Total		**1,242.1**	**1,242.1**	**–**	**76.0**	**14.7**	**1,100.0**	**51.4**

MSEK	Currency	Nominal amount in original currency	Total	< 1 month	1-3 months	3 months -1 year	1-5 years	> 5 years
2020								
Bond loan	SEK	1,100.0	1,100.0	–	–	–	1,100.0	–
Accounts payable		91.3	91.3	–	91.3	–	–	–
Lease liabilities	SEK	16.6	16.6	–	–	5.2	–	11.4
Total		**1,207.9**	**1,207.9**	**–**	**91.3**	**5.2**	**1,100.0**	**11.4**

MSEK	Currency	Nominal amount in original currency	Total	< 1 month	1-3 months	3 months -1 year	1-5 years	> 5 years
2019								
Liabilities to credit institutions	SEK	101.6	101.6	–	–	58.3	43.3	–
Accounts payable		54.8	54.8	–	54.8	–	–	–
Lease liabilities	SEK	21.6	21.6	–	–	5.3	–	16.3
Total		**178.0**	**178.0**	**–**	**54.8**	**63.6**	**43.3**	**16.3**

NOTE 25 *Financial risks and risk management, cont.*

MARKET RISK

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. Market risks are divided by IFRS into three types, currency risk, interest-rate risk and other price risks. The market risks which primarily affect the Group consist of interest-rate risks and currency risks.

The Group's objective is to manage and control market risks within established parameters, and, at the same time, optimise the results of risk-taking within given frameworks. The parameters are set with the aim that in the short term (6-12 months) market risks shall have only a marginal impact on the Group's profit or loss and position. In the longer term, however, permanent changes in exchange rates, interest rates and electricity prices will have an effect on consolidated profit or loss.

INTEREST-RATE RISK

Interest-rate risk is the risk that the value of financial instruments may vary due to changes in market interest rates. Interest-rate risk may lead to changes in fair values and in cash flows. A significant factor affecting interest-rate risk is the fixed-interest period.

The Group's interest-rate risk arises primarily through long-term borrowing, and is managed by the Central Finance Department. In accordance with the Finance Policy, the strategy for managing interest-rate risk is, as a general rule, to arrange financing at variable interest rates. This is because short-term interest rates over time are cheaper than fixed interest rates, and because Desenio has no long-term fixed price contracts with customers.

As at the end of the reporting period, the Group had the following fixed interest periods on its financial instruments, excluding the effects of derivatives.

THE GROUP					
31 December 2021	2021	2022	2023	2024	2025
LIABILITY					
Bond loan	–	–	–	1,100.0	–
31 December 2020	2020	2021	2022	2023	2024
LIABILITY					
Bond loan	–	–	–	–	1,100.0
31 December 2019	2019	2020	2021	2022	2023
LIABILITY					
Liabilities to credit institutions	–	58.3	–	–	43.3

Sensitivity analysis – interest-rate risk

The impact of interest income and interest expense over the next twelve-month period in the event of an increase in interest rates of 1 percentage point at the end of the reporting period amounts to SEK +11 million (p.y. SEK + 11 million) – given the interest-bearing assets and liabilities as at the end of the reporting period.

NOTE 25 *Financial risks and risk management, cont.*

CURRENCY RISK

Desenio is exposed to risk related to currency fluctuations primarily in connection with the sale of the Group's products in foreign currencies. The Group's presentation currency is SEK, while around 90 % of net sales take place in other currencies, particularly EUR, GBP, DKK and USD. Accordingly, the Group's consolidated income and income-related balance sheet items are exposed to currency fluctuations. Desenio is not currently attempting to hedge this currency exposure.

Transaction exposure

The Group's recognised net sales in invoiced currency, as well as the cost of goods per purchase currency, are distributed as follows:

THE GROUP			
Net sales MSEK	2021	2020	2019
EUR	628.7	488.8	313.9
GBP	174.8	149.8	75.8
DKK	70.9	58.6	42.2
SEK	111.4	98.5	87.5
USD	39.4	20.3	8.9
Other	202.0	162.5	68.2
Total	1,227.2	978.5	596.5

Sensitivity analysis - exchange rate risk

If the Swedish Krona had been 10 % stronger against the respective currencies in the tables above calculated on the average annual exchange rate, net sales would have been changed by SEK -111 million (-85 and -51 respectively). The same conditions were applied for 2020 and 2019.

CREDIT RISK

The Group's customers who wish to purchase on credit do this through a third party solution through a financial institution with the Group assuming no credit risk. The Group's credit risk in respect of financial receivables is, consequently, insignificant.

CAPITAL MANAGEMENT

Under the policy of the Board of Directors, the Group's financial objective is to have a sound financial position which contributes to maintaining the confidence of investors, creditors and the market, as well as constituting a base for continued development of the commercial operation; at the same time as the long-term return generated for the shareholders is satisfactory. All financial activities shall contribute to achieving the long-term goals, and ensure that the Company has a balanced risk level. Capital management shall be structured effectively with reference to financing, currency and tax regulations in the various jurisdictions.

PROFIT OR LOSS AND INDEBTEDNESS

MSEK	2021	2020	2019
Adjusted operating profit before amortisation of customer data (Adjusted EBITA) *Adjusted EBITA is the operating profit before amortisation of intangible assets and items affecting comparability.*	201.5	261.6	112.4

NET DEBT/EQUITY RATIO

MSEK	2021	2020	2019
Financial liabilities	1,140.4	1,082.2	65.0
Minus cash and cash equivalents and short-term investments	-162.2	-647.4	-128.5
Net debt (+) / Net cash (-)	978.2	434.8	-63.5
Indebtedness in relation to profit or loss (number of times)	4.85	1.66	-0.57

There was no change in the Group's capital management during the year.
Neither the Parent nor any of the subsidiaries is under external capital requirements.

NOTE 26 Leases

LEASES IN WHICH THE COMPANY IS LESSEE

Right-of-use assets

THE GROUP				
MSEK	Premises	Vehicles	Equipment	Total
Depreciation/amortisation during the year	11.9	–	0.1	12.0
Closing balance 31 December 2021				–
Depreciation/amortisation during the year	5.0	0.1	0.1	5.1
Closing balance 31 December 2020				–
Depreciation/amortisation during the year	4.2	0.1	0.0	4.3
Closing balance 31 December 2019				–

Additions to right-of-use assets during 2021 amounted to SEK 59.1 million.

This amount includes the cost of acquiring new rights of use during the year as well as additional amounts on the review of lease liabilities on the grounds of changes in payments resulting from changes in the lease period.

LEASE LIABILITIES

THE GROUP			
MSEK	2021	2020	2019
Current lease liabilities	14.7	5.2	5.3
Non-current lease liabilities	51.4	11.4	16.3
Lease liabilities included in the statement of financial position	**66.1**	**16.7**	**21.6**

For a maturity analysis of the lease liabilities, see Note 25 Financial risks and risk management in the liquidity risk section.

AMOUNTS RECOGNISED IN PROFIT OR LOSS

THE GROUP			
MSEK	2021	2020	2019
Amortisation of right-of-use assets	12.0	5.1	4.3
Interest on lease liabilities	0.6	0.4	0.2

NOTE 26 Leases, cont.

NON-CANCELLABLE LEASE PAYMENTS AMOUNTED TO:

THE PARENT			
MSEK	2021	2020	2019
Within one year	1.8	–	–
Between one and five years	3.6	–	–
Longer than five years	–	–	–
	5.4	**–**	**–**

EXPENSED FEES AMOUNTED TO:

THE PARENT			
MSEK	2021	2020	2019
Minimum lease fees	–	–	–
Variable fees	–	–	–
Lease costs	0.1	–	–
Total	**0.1**	**–**	**–**

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

THE GROUP			
MSEK	2021	2020	2019
Total cash flows related to leases	10.3	5.4	5.6

The above-mentioned cash flows include both amounts for leases which are recognised as lease liabilities, as well as amounts which are paid for variable lease fees, short-term leases and leases of low value.

PROPERTY LEASES - PREMISES

Desenio leases buildings for its office premises. Leases for office premises normally have a term of 5 years. Certain leases include an option for, at the end of the lease period, renewing the lease by a further period of the same term.

Certain leases contain lease fees which are based on changes in local price indices or the Group's sales in the leased stores during the year. Certain leases require that the Group pay fees which relate to property taxes which are levied on the lessor. These amounts are set annually.

EXTENSION AND TERMINATION OPTIONS

Desenio's leases for office premises consist primarily of non-cancellable periods of 5 years, which are extended by further periods of 3 years if Desenio has not given 9 months notice of termination of the contract. For offices, in the majority of cases Desenio judges that it is not reasonably certain that the contract will be extended beyond the first period – i.e. the lease period is usually judged to be one period. Recognised lease liabilities for these leases amounted to SEK 63.3 million.

OTHER LEASES

Desenio leases vehicles and equipment with lease periods of 2 to 5 years. In certain cases, the Group has an option to purchase the asset at the end of the lease period. In other cases, the Group guarantees the residual value of the leased asset at the end of the lease period. Extension options occur only to an insignificant extent.

The Group also leases machinery and IT equipment with lease periods of 1 to 3 years. These leases are short-term leases and/or leases of low value. The Group has decided not to recognise right-of-use assets and lease liabilities for these leases.

NOTE 27 *Pledged assets, contingent liabilities and contingent assets*

THE GROUP

MSEK	31 December 2021	31 December 2020	31 December 2019
Pledged assets	None	None	None
Contingent liabilities	None	None	None

THE PARENT

MSEK	31 December 2021	31 December 2020	31 December 2019
Pledged assets In the form of pledged assets for own liabilities and provisions			
Bond loan			
Pledged shares in Desenio AB	250.8	250.8	–
Pledged shares in Posterstore Sverige AB	1,155.4	1,155.4	–
	1,406.2	**1,406.2**	**–**
Other collateral and pledged assets			
Pledged shares in Desenio AB	–	–	250.8
	–	–	250.8
Total pledged assets	**1,406.2**	**1,406.2**	**250.8**
Contingent liabilities /Indemnities	**None**	**None**	**None**

NOTE 28 *Proposed appropriation of the Company's profit or loss*

PROPOSED APPROPRIATION OF THE COMPANY'S PROFIT OR LOSS

Dividend (SEK 0 per share)	–
Carried forward	57.2
Total	**57.2**

NOTE 29 *Related parties*

RELATED PARTY RELATIONSHIPS

The Parent has a related party relationship with its subsidiaries, see Note 30.

STATEMENT OF RELATED PARTY TRANSACTIONS

THE GROUP

MSEK	Year	Sale of goods/services to related parties	Purchase of goods/services from related parties	Other (e.g. interest rate, dividend)	Receivables from related parties as at 31 December	Liabilities to related parties as at 31 December
Related party relationships						
Other related parties	2021	–	–	–	–	–
Other related parties	2020	–	–	–	–	–
Other related parties	2019	–	–	–	–	–

THE PARENT

MSEK	Year	Sale of goods/services to related parties	Purchase of goods/services from related parties	Other (e.g. interest rate, dividend)	Receivables from related parties as at 31 December	Liabilities to related parties as at 31 December
Related party relationships						
Subsidiaries	2021	7.6	–	–	75.6	-9.5
Subsidiaries	2020	3.1	–	190.0	50.0	-50.8
Subsidiaries	2019	2.3	–	–	–	-0.3
Other related parties	2021	–	–	–	–	–
Other related parties	2020	–	–	–	–	–
Other related parties	2019	–	–	–	–	–

TRANSACTIONS WITH KEY INDIVIDUALS IN SENIOR POSITIONS

Members of the Board of the Company and their family members control just over 22 % of the votes in the Company.

Senior executives also participate in the Group's share options programme, see Note 6. For other remuneration/benefits to key individuals, refer also to Note 6.

NOTE 30 *Group companies*

HOLDINGS IN SUBSIDIARIES

THE GROUP			Ownership in %		
	Subsidiary's registered office, country		31 December 2021	31 December 2020	31 December 2019
Desenio AB	Stockholm	Sweden	100 %	100 %	100 %
Poster Store Sverige AB	Stockholm	Sweden	100 %	100 %	–
DGFC s.r.o.	Prague	The Czech Republic	100 %	–	–
Desenio Group Inc.	Delaware	USA	100 %	–	–

THE PARENT MSEK	2021	2020	2019
Accumulated cost			
At beginning of year	1,406.2	250.8	250.8
Purchases	0.0	1,155.4	–
Sales	–	–	–
Reclassifications	–		–
Group contribution provided			
Closing balance 31 December	1,406.3	1,406.2	250.8
Accumulated appreciation			
At beginning of year	–	–	–
Sales	–	–	–
Reclassifications	–	–	–
Appreciation for the year	–	–	–
Closing balance 31 December	–	–	–
Accumulated impairment			
At beginning of year	–	–	–
Sales	–	–	–
Reclassifications	–	–	–
Impairment reversed during the year	–	–	–
Impairment for the year	–	–	–
Closing balance 31 December	–	–	–
Carrying amount 31 December	1,406.3	1,406.2	250.8

Impairment reversed during the year as well as impairment for the year are recognised in profit or loss on the line "Profit/loss from participations in Group companies".

SPECIFICATION OF THE PARENT'S DIRECT HOLDING OF PARTICIPATIONS IN SUBSIDIARIES

			Carrying amount		
Subsidiary / Corporate ID number / Registered office	Number of participations	Ownership in %	31 December 2021	31 December 2020	31 December 2019
Desenio AB, 556763-0693, Stockholm	1,000	100	250.8	250.8	250.8
Poster Store Sverige AB, 559047-8151, Stockholm	100	100	1,155.4	1,155.4	–
DGFC s.r.o., 10838325, Prague	100	100	0.0	–	–
Desenio Group Inc.	100	100	0.0	–	–

NOTE 31 *Specifications for the statement of cash flows*

CASH AND CASH EQUIVALENTS

MSEK	31 December 2021	31 December 2020	31 December 2019
THE GROUP			
Cash and cash equivalents consist of the following subcomponents:			
Cash and bank balances	162.2	647.4	128.5
Balance of Group account at the Parent	–	–	–
Short-term investments, equal to cash and cash equivalents	–	–	–
Total in accordance with the statement of financial position	162.2	647.4	128.5
THE PARENT			
Cash and cash equivalents consist of the following subcomponents:			
Cash and bank balances	17.6	501.5	2.6
Balance of Group account at the Parent	–	–	–
Total in accordance with the balance sheet	17.6	501.5	2.6

SHORT-TERM INVESTMENTS HAVE BEEN CLASSIFIED AS CASH AND CASH EQUIVALENTS ON THE FOLLOWING BASIS:

- They have an insignificant risk of fluctuations in value.
- They can easily be converted into cash.
- They have a term of up to 3 months from the date of acquisition.

INTEREST PAID AND DIVIDEND RECEIVED

MSEK	2021	2020	2019
THE GROUP			
Dividend received	–	–	–
Interest received	–	–	–
Interest paid	66.2	19.1	4.4
THE PARENT			
Dividend received	–	190.0	70.0
Interest received	–	–	–
Interest paid	66.2	19.1	4.0

TRANSACTIONS WHICH DO NOT LEAD TO PAYMENTS

MSEK	2021	2020	2019
THE GROUP			
Acquisition of asset through a liability directly related to the asset being taken over, or a vendor loan has been issued.	–	–	–
Acquisition of asset through lease	59.1	–	24.9
THE PARENT			
Acquisition of asset through a liability directly related to the asset being taken over, or a vendor loan has been issued.	–	–	–

NOTE 31 *Specifications for the statement of cash flows cont.*

ACQUISITION OF SUBSIDIARIES AND OTHER BUSINESS UNITS

THE GROUP MSEK	2021	2020	2019
Acquired assets and liabilities			
Intangible assets	–	1,175.5	–
Property, plant, and equipment	–	0.8	–
Financial assets	–	0.5	–
Inventories	–	17.7	–
Operating receivables	–	19.3	–
Cash and cash equivalents	–	66.3	–
Total assets	–	1,280.1	–
Non-current provisions	–	89.4	–
Operating liabilities	–	35.3	–
Total provisions and liabilities	–	124.7	–
Consideration:	–	1,155.4	–
Retires:			
Vendor loan	–	-296.0	–
Supplementary consideration	–	-213.8	–
Consideration paid	–	645.6	–
Retires: Cash and cash equivalents in the acquired operation	–	-66.3	–
Impact on cash and cash equivalents	–	579.3	–

BUSINESS COMBINATION DISCLOSURES, POSTER STORE SVERIGE AB

On 16 December 2020, Desenio acquired 100 percent of the shares (100 shares) in Poster Store Sverige AB. Poster Store was acquired to further strengthen Desenio's market position, supplement the product portfolio and increase geographical presence. Poster Store, which also has an established presence in the USA, is expected to contribute to the expansion in America. This is a logical move from a strategic standpoint, since there are many advantages in growing together, and there are also several obvious cost synergies.

The synergies include:

- Improvement in product margin through savings in the production and purchasing of frames, combined with improved carriage costs and lower payment fees made possible through economies of scale.
- Marketing two brands in the same organisation improves search visibility, reduces search competition and facilitates working with influencers, and:
- Reduced costs for key individuals in central functions.

In the acquisition analysis drawn up, fair value was allocated to the identifiable assets and liabilities of the acquired company. The difference between the recognised cost and the fair value of the identifiable assets and liabilities of the acquired company is recognised as goodwill. The difference between fair value and the carrying amount of the assets and liabilities of the acquired company is designated here as surplus value. The acquisition analysis identified surplus value in respect of brands and customer relationships, which, together with goodwill, are recognised in Desenio's consolidated balance sheet. The estimated useful life of customer relationships is three years. Amortisation is applied on a straight-line basis over the estimated useful life, whereby annual amortisation amounts to SEK 33.3 million. In accordance with the accounting principles in IFRS, transaction costs of SEK 6.4 million were expensed and not included in the recognised cost of Poster Store. The total recognise cost for the shares amounted to SEK 1,155.5 million, consisting of initial consideration, supplementary consideration and transaction costs.

NOTE 31 *Specifications for the statement of cash flows cont.*

BUSINESS COMBINATION DISCLOSURES, POSTER STORE SVERIGE AB CONT.

MSEK	
Assets	113.5
Liabilities and untaxed reserves	-59.2
Acquired identifiable assets and liabilities, net	54.2
Fair value adjustment intangible assets	
Brands	260.0
Customer relationships	100.0
Total fair value adjustments intangible assets	360.0
Deferred tax attributable to fair value adjustments intangible assets	-74.2
Goodwill	815.4
Recognised cost for Poster Store	1,155.5

Poster Store was consolidated in Desenio's Consolidated Financial Statements from and including the acquisition date, 16 December 2020. The initial consideration for the shares in Poster Store was paid on the acquisition date, and amounted to SEK 935.2 million, consisting of a cash payment of SEK 639.2 million and the vendor loan of SEK 296 million. Through a set-off issue, this vendor loan has been set off against newly-issued shares in Desenio. The vendor loan was interest free. In addition a supplementary consideration was payable including interest which was determined at SEK 213.9 million. This was paid on 19 February 2021. The acquisition was financed through existing cash in combination with the arrangement of a bond loan. From and including the acquisition date, 16 December 2020, Poster Store contributed revenue of SEK 28.9 million and a net profit for the year of SEK 5.3 million. If Poster Store had been acquired on 1 January 2020, the company would have contributed revenue of SEK 339.7 million and a profit of SEK 56.2 million for financial year 2020.

CHANGE IN LIABILITIES WITHIN FINANCING ACTIVITIES - THE GROUP

THE GROUP				
MSEK	Bond loan	Lease liabilities	Other interest-bearing liabilities	Total liabilities arising from financing activities
Opening balance 2021	1,065.5	16.7	–	1,082.2
Cash flows within financing activities				–
Borrowings	–	59.1	–	–
Amortisation of loans	–	-9.7	–	59.1
Amortisation of lease liabilities	–	–	–	-9.7
Total cash flows within financing activities	–	–	–	–
Acquired operations	–	–	–	–
Exchange rate differences	–	–	–	–
Other changes				
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	8.8	–	–	8.8
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	–
Closing balance 2021	1,074.3	66.1	–	1,140.4
Opening balance 2020	–	21.6	118.0	139.7
Cash flows within financing activities				–
Borrowings	1,065.5	–	–	1,065.5
Amortisation of loans	–	-5.0	-118.0	-123.0
Amortisation of lease liabilities	–	–	–	–
Total cash flows within financing activities	–	–	–	–
Acquired operations	–	–	–	–
Exchange rate differences	–	–	–	–
Other changes				–
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	–	–	–	–
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	–
Closing balance 2020	1,065.5	16.7	–	1,082.2
Opening balance 2019	–	1.7	160.0	161.7
Cash flows within financing activities				–
Borrowings	–	24.9	–	24.9
Amortisation of loans	–	-5.0	-42.0	-46.9
Amortisation of lease liabilities	–	–	–	–
Total cash flows within financing activities	–	–	–	–
Acquired operations	–	–	–	–
Exchange rate differences	–	–	–	–
Other changes				–
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	–	–	–	–
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	–
Closing balance 2019	–	21.6	118.0	139.7

CHANGE IN LIABILITIES WITHIN FINANCING ACTIVITIES - THE PARENT

THE PARENT				
MSEK	Bond loan	Lease liabilities	Other interest-bearing liabilities	Total liabilities arising from financing activities
Opening balance 2021	1,065.5	–	–	1,065.5
Cash flows within financing activities	–	–	–	–
Borrowings	–	–	–	–
Amortisation of loans	–	–	–	–
Total cash flows within financing activities	–	–	–	–
Other changes	–	–	–	–
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	8.8	–	–	8.8
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	–
Closing balance 2021	1,074.3	–	–	1,074.3
Opening balance 2020	–	–	118.0	118.0
Cash flows within financing activities				–
Borrowings	1,065.5	–	–	1,065.5
Amortisation of loans	–	–	-118.0	-118.0
Total cash flows within financing activities	–	–	–	–
Other changes				–
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	–	–	–	–
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	
Closing balance 2020	1,065.5	–	–	1,065.5
Opening balance 2019	–	–	160.0	160.0
Cash flows within financing activities				–
Borrowings	–	–	–	–
Amortisation of loans	–	–	-42.0	-42.0
Total cash flows within financing activities	–	–	–	–
Other changes				–
Additional lease liabilities	–	–	–	–
Capitalised loan expenses	–	–	–	–
Interest expense	–	–	–	–
Interest paid	–	–	–	–
Total other changes	–	–	–	–
Closing balance 2019	–	–	118.0	118.0

CHANGE IN LIABILITIES WITHIN FINANCING ACTIVITIES - THE PARENT

MSEK	2021	2020	2019
THE GROUP			
Unutilised credits amounted to	–	–	–
THE PARENT			
Unutilised credits amounted to	–	–	–

NOTE 32 *Events after the end of the reporting period*

The war in Ukraine broke out in February. If the war is prolonged, this could lead to negative effects on both the global economy and consumers' willingness to purchase the Company's products. This could have a negative impact on the Company despite the fact that the Company does not operate in Ukraine.

NOTE 33 *Important estimates and judgements*

Preparing the financial statements in accordance with IFRS requires that the Executive Management Team makes estimates and judgements as well as assumptions which affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expense. The actual outcomes may deviate from these estimates and judgements. Beyond what is described below, the critical judgements and sources of uncertainty in estimates are the same as those used in the most recent Annual Report.

The Executive Management Team and the Audit Committee have discussed the trend, choice and disclosures in respect of the Group's important accounting policies and estimates, as well as the application of these policies and estimates.

IMPORTANT JUDGEMENTS IN THE APPLICATION OF THE GROUP'S ACCOUNTING POLICIES

Certain important accounting judgements which have been made in the application of the Group's accounting policies are described below.

BUSINESS COMBINATIONS

The Group implemented one business combination before the transition. The acquisition analysis has not been calculated retroactively in respect of this business combination. The amount for brands, however, which was not separately recognised under the previously applied accounting policies, has been identified in the goodwill total as at the transition date. This amount has been separately recognised in the transition balance with the corresponding reduction in the previously recognised amount for goodwill as at the same date.

TESTING FOR IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The Group carries out an impairment test of goodwill at least annually in accordance with the accounting policies. In preparation for the transition to applying IFRS in the Consolidated Financial Statement, the impairment test was carried out as at the transition date, 1 January 2019. As at that date, consolidated goodwill was attributable in its entirety to the acquisition of Desenio AB. As at 31 December 2020, an impairment test was carried out in respect of this goodwill as well as the newly added goodwill which arose on the acquisition of Poster Store at the end of 2020.

The impairment test was based on estimating the value in use. This value is based on cash flow estimates, of which the cash flows for the first five years are based on the business plan adopted by the Board of Directors. Thereafter, the cash flows are based on an annual growth rate of 2 %. The estimated cash flows have been discounted to present value using a discount rate of 7.6 % before tax. The cash flows and growth rates used have, in respect of the Desenio acquisition, been verified against actual outcomes over the first years.

The Executive Management Team judges that no reasonable changes in the important assumptions would lead to the estimated total recoverable amount being lower than the carrying amount.

Brands

The Group carries out an impairment test of brands annually in accordance with the accounting policies. In preparation for the transition to applying IFRS in the Consolidated Financial Statement, the impairment test was carried out as at the transition date, 1 January 2019. As at that date, the amount for brands in the consolidated balance sheet was attributable in its entirety to the acquisition of Desenio AB. As at 31 December 2020, impairment testing has been carried out in respect of this brand as well as the new brand which arose on the acquisition of Poster Store at the end of 2020.

The impairment test was based on estimating the value in use. This value is based on cash flow estimates, of which the cash flows for the first five years are based on the business plan adopted by the Board of Directors. Thereafter, the cash flows are based on an annual growth rate of 2 %. The estimated cash flows have been discounted to present value using a discount rate of 7.6 % before tax. The cash flows and growth rates used have, in respect of the Desenio acquisition, been verified against actual outcomes over the first years.

The Executive Management Team judges that no reasonable changes in the important assumptions would lead to the estimated total recoverable amount being lower than the carrying amount.

CAPITALISED DEVELOPMENT EXPENDITURE

The Group has capitalised expenditure for the development of various IT systems as intangible assets After the first recognition, impairment testing is carried out as soon as there are indications that the recoverable amount of the assets may be lower than the carrying amount. The useful life is estimated and established in connection with initial recognition and is tested for any necessary adjustments annually. Currently, the useful life is estimated at 5 years for the existing assets.

LEASES

Certain leases include extension options and termination options which the Group can exercise or not up to one year before the expiry of the non-cancellable lease period. When possible, the Group includes these options in new leases, since they provide operational flexibility. An assessment as to whether it is reasonably certain that an extension option will be exercised is made on the commencement date of the lease. The Group reviews the lease period on the occurrence of an important event or significant changes in circumstances which are within the Group's control, and which affect whether there is reasonable certainty that the Group will exercise (or not exercise) an option included in the original contract.

IMPORTANT SOURCES OF UNCERTAINTIES IN ESTIMATES

The sources of uncertainty in estimates listed below refer to those which involve a significant risk that the value of assets and liabilities will need to be adjusted to a significant degree during the next financial year.

IMPAIRMENT TEST OF GOODWILL

In estimating the recoverable amount of a cash-generating unit for assessing a possible impairment need for goodwill, a number of assumptions on future circumstances and estimates of parameters were made. An account of these is given in Note 13.

NOTE 34 *Information on the Parent*

Desenio Group AB (corporate ID number 559107-2839) is a Swedish registered joint-stock company with its registered office in Stockholm. The Parent's shares are registered on the Nasdaq First North Growth Market in Stockholm. The address of the Company's head office is Maria Bangata 4a, 100 61 Stockholm. The Consolidated Financial Statements for 2021 include the Parent and its subsidiaries, together designated the Group.

NOTE 35 *Explanations relating to the transition to IFRS*

These Consolidated Financial Statements are the first complete financial statements drawn up in accordance with IFRS (EU), and the Parent's financial statements are the first complete financial statements drawn up in accordance with the Swedish Financial Reporting Board's recommendation No. 2 - Accounting for legal entities (RFR 2). During 2021, however, Interim Reports were prepared in accordance with IFRS (EU) and RFR 2. In the Interim Report for the first quarter of 2021, the transition effects which arose during the transition were recognised for the first time. Explanations of the transition effects are also given in the descriptions and tables below.

IFRS 3

In the Consolidated Financial Statements, IFRS 3 has been applied to all business combinations made from and including 1 January 2019, the date of transitioning to IFRS. From and including 1 January 2019, there has been no amortisation of intangible assets with indefinite lives, including goodwill. These are, instead, tested annually, or on indications of a reduction in value, for possible impairment.

Business combinations before 1 January 2019 have not been recalculated. However, part of previously recognised goodwill as at that date has been allocated to brands.

IFRS 16

Under previously applied accounting policies, leases were classified as Operating leases or Finance leases. The transition to IFRS has led to leases been recognised as a right-of-use asset, which represents a right to use the underlying asset and a lease liability to pay lease fees. Right-of-use assets and lease liabilities have not been recognised for leases for which the lease period ends in 12 months or less (short-term leases), and for leases with an underlying asset of low value. In the income statement, the lease expense has been replaced by amortisation and interest expense.

IFRS 15

In applying IFRS, a reserve is recognised for returns through income being reduced and a corresponding repayment liability recognised. At the same time, the cost of goods sold is reduced and a return asset is recognised.

EFFECTS ON THE INCOME STATEMENT, BALANCE SHEET AND EQUITY

In the following tables, the above-mentioned effects on the income statements, balance sheets and equity are shown as if IFRS had been applied since 1 January 2019.

NOTE 35 *Explanations relating to the transition to IFRS cont.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, 1 JANUARY 2019

MSEK	In accordance with previous policies	Effect of IFRS 3	Effect of IFRS 16	Effect of IFRS 15	In accordance with IFRS
Assets					
Goodwill	148.5	-145.4	–	–	3.1
Brands	–	169.0	–	–	169.0
Customer relationships	–	14.1	–	–	14.1
Other intangible assets		–	–	–	–
Equipment and fixtures and fittings	2.2	–	–	–	2.2
Right-of-use assets	–	–	1.8	–	1.8
Non-current receivables	–	–	–	–	–
Deferred tax assets	–	–	–	–	–
Total fixed assets	150.7	37.7	1.8	–	190.2
Inventories	29.4	–	–	–	29.4
Current tax assets	–	–	–	–	–
Other receivables	12.4	–	–	–	12.4
Prepaid expenses and accrued income	–	–	–	–	–
Cash and cash equivalents	79.6	–	–	–	79.6
Total current assets	121.4	–	–	–	121.4
Total assets	272.2	37.7	1.8	–	311.7
Equity					
Share capital	0.1	–	–	–	0.1
Other contributed capital		–	–	–	–
Reserves		–	–	–	–
Retained earnings including net profit for the year	21.7	–	0.1	–	21.8
Total equity	21.8	–	0.1	–	21.9
Liabilities					
Non-current interest-bearing liabilities	101.7	–	–	–	101.7
Non-current lease liabilities	–	–	0.1	–	0.1
Other non-current liabilities	–	–	–	–	–
Deferred tax liabilities	–	37.7	0.0	–	37.7
Total non-current liabilities	101.7	37.7	0.1	–	139.5
Current interest-bearing liabilities	–	–	–	–	–
Current lease liabilities	–	–	1.6	–	1.6
Accounts payable	–	–	–	–	–
Current tax liabilities	–	–	–	–	–
Other liabilities	148.7	–	–	–	148.7
Accrued costs and deferred income	–	–	–	–	–
Total current liabilities	148.7	–	1.6	–	150.3
Total liabilities	250.4	37.7	1.7	–	289.8
Total equity and liabilities	272.2	37.7	1.8	–	311.7

NOTE 35 *Explanations relating to the transition to IFRS cont.*

CONSOLIDATED INCOME STATEMENT, 1 JANUARY - 31 DECEMBER 2020

MSEK	In accordance with previous policies	Effect of IFRS 3	Effect of IFRS 16	Effect of IFRS 15	In accordance with IFRS
Net sales	980.5	–	–	-2.0	978.5
Cost of goods sold	-170.1	–	–	0.3	-169.8
Gross profit	810.4	–	–	-1.7	808.7
Distribution costs	-283.9	–	–	–	-283.9
Marketing costs	-209.1	–	–	–	-209.1
Administration costs	-136.7	62.3	0.2	–	-74.2
Other operating income	19.3	–	–	–	19.3
Other operating costs	-14.3	–	–	–	-14.3
Operating profit	185.8	62.3	0.2	-1.7	246.6
Financial income	–	–	–	–	–
Financial expense	-18.7	–	–	–	-18.7
Net financial income/expense	-18.7	–	–	–	-18.7
Profit/loss before tax	167.1	62.3	0.2	-1.7	227.9
Tax	-49.7	–	–	–	-49.7
Net profit for the year	117.4	62.3	0.2	-1.7	178.2

NOTE 35 *Explanations relating to the transition to IFRS cont.*

STATEMENT OF CONSOLIDATED FINANCIAL POSITION, 31 DECEMBER 2020

MSEK	In accordance with previous policies	Effect of IFRS 3	Effect of IFRS 16	Effect of IFRS 15	In accordance with IFRS
Assets					
Goodwill	870.2	-35.9	–	–	834.3
Brands	258.0	171.0	–	–	429.0
Other intangible assets	106.4	–	–	–	106.4
Equipment and fixtures and fittings	5.2	–	17.7	–	22.9
Financial assets	4.7	–	–	1.1	5.8
Right-of-use assets	–	–	–	–	–
Non-current receivables	–	–	–	–	–
Deferred tax assets	–	–	–	–	–
Total fixed assets	**1,244.5**	**135.1**	**17.7**	**1.1**	**1,398.4**
Inventories	52.8			0.9	53.7
Current tax assets	–	–	–	–	–
Other receivables	51.3	–	–	–	51.3
Prepaid expenses and accrued income	–	–	–	–	–
Cash and cash equivalents	647.4	–	–	–	647.4
Total current assets	**751.6**	**–**	**–**	**0.9**	**752.5**
Total assets	**1,996.1**	**135.1**	**17.7**	**2.0**	**2,150.9**
Equity					
Share capital	0.5	–	–	–	0.5
Other contributed capital	–	–	–	–	–
Reserves	–	–	–	–	–
Retained earnings including net profit for the year	89.2	99.9	0.8	-4.2	185.7
Total equity	**89.7**	**99.9**	**0.8**	**-4.2**	**186.2**
Liabilities					
Non-current interest-bearing liabilities	1,065.5	–	–	–	1,065.5
Non-current lease liabilities	–	–	11.4	–	11.4
Other non-current liabilities	–	–	–	–	–
Deferred tax liabilities	73.5	35.2	0.2	–	108.9
Total non-current liabilities	**1,139.0**	**35.2**	**11.6**	**–**	**1,185.9**
Current interest-bearing liabilities	–	–	–	–	–
Current lease liabilities	–	–	5.2	–	5.2
Accounts payable	–	–	–	–	–
Current tax liabilities	–	–	–	–	–
Other liabilities	767.3	–	–	6.2	773.5
Accrued costs and deferred income	–	–	–	–	–
Total current liabilities	**767.3**	**–**	**5.2**	**6.2**	**778.8**
Total liabilities	**1,906.3**	**35.2**	**16.9**	**6.2**	**1,964.7**
Total equity and liabilities	**1,996.0**	**135.1**	**17.7**	**2.0**	**2,150.9**

NOTE 35 *Explanations relating to the transition to IFRS cont.*

EFFECT ON THE STATEMENT OF CASH FLOWS

For the statement of cash flows, the transition to IFRS has involved moving cash flow in respect of lease payments from operating activities to financing activities.

	2020
Cash flow from operating activities	-4.9
Cash flow from financing activities	4.9
	0.0

APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors and the Chief Executive Officer declare that the Annual Report has been drawn up in accordance with generally accepted audit standards in Sweden, and the Consolidated Financial Statements have been prepared in accordance with international financial reporting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and the Consolidated Financial Statements provide a fair view of the position and results of the Parent and the Group. The Administration Report for the Group and the Parent provides a fair view of the development of the Group's and the Parent's operations, financial position and results of operations, and describes material risks and uncertainties facing the Parent and the companies included in the Group.

As stated above, the Annual Report and the Consolidated Financial Statements were approved for release by the Board of Directors and the Chief Executive Officer on 20 April 2022. The consolidated statement of profit or loss and other comprehensive income and the statement of financial position and the Parent's income statement and balance sheet will be subject to adoption at the Annual General Meeting on 12 May 2022.

Stockholm, 20 April 2022

Alexander Hars
Chair of the Board

Fredrik Palm
Chief Executive Officer

Jakob Tolleryd
Member of the Board

Nathalie du Preez
Member of the Board

Martin Blomqvist
Member of the Board

Max Carlsén
Member of the Board

Cecilia Marlow
Member of the Board

Sarah Kauss
Member of the Board

Our Audit Report was submitted on 20 April 2022

KPMG AB
Mathias Arvidsson
Authorised Public Accountant

AUDIT REPORT

To the Annual General Meeting of Desenio Group AB, corporate ID number 559107-2839

REPORT ON THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have carried out an audit of the Annual Report and the Consolidated Financial Statements of Desenio Group AB (publ) for the year 2021 with the exception of the Corporate Governance Report on pages 65-70 and the Sustainability Report on pages 28-49. The Company's Annual Report and Consolidated Financial Statements are presented on pages 55-120 of this document.

In our opinion, the Annual Report has been prepared in accordance with the Annual Accounts Act and presents fairly, in all material respects, the financial position of the Parent as of 31 December 2021 and its financial results and its cash flows for the year then ended in accordance with the Annual Accounts Act. In our opinion, the Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and its financial results and its cash flows for the year in accordance with International Financial Reporting Standards (IFRS), as approved by the EU, and the Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 65-70 and the Sustainability Report on pages 28-49. The Administration Report is consistent with the other parts of the Annual Report.

Accordingly, we recommend that the Annual General Meeting adopt the income statement and balance sheet of the Parent, as well as the statement of comprehensive income and the statement of financial position of the Group.

Our opinion in this report on the Annual Report and Consolidated Financial Statements is consistent with the content of the supplementary report which was submitted to the Parent's Audit Committee in accordance with Article 11 of the Auditor's Regulation (EU) No 537/2014.

BASIS FOR THE OPINION

We have conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in detail in the section on the Responsibility of the Auditor. We are independent of the Parent and the Group in accordance with generally accepted accounting standards in Sweden, and have otherwise fulfilled our professional ethical responsibility in accordance with these standards. This means that, to the best of our knowledge and belief, no prohibitive services as referred to in Article 5.1 of the Auditors Regulation (537/2014) have been provided to the audited company or, where appropriate, its Parent or its controlled companies within the EU.

We consider that the audit evidence we have obtained sufficient and appropriate as the basis of our opinions.

PARTICULARLY SIGNIFICANT AREAS

Particularly significant areas for the audit are those areas which, in our professional judgement, were the most significant for the audit of the Annual Report and the Consolidated Financial Statements for the period in question. These areas were treated within the framework of the audit of, and in our position to, the Annual Report and the Consolidated Financial Statements as a whole, but we are expressing no separate opinion on these areas.

Revenue recognition of goods sold with return right

See Note 2 and the accounting policies on page 81 of the Annual Report and the Consolidated Financial Statements for detailed disclosures and descriptions of the area.

DESCRIPTION OF THE AREA

Net sales for the Group as at 31 December 2021 amounted to SEK 1,227 (979) million. The Group recognises revenue in accordance with the terms and conditions of sale, that is when the goods have been passed over to a carrier, with a deduction for returns.

Revenue recognition includes estimates and judgements in the reserve for expected returns. The reserve is based on historical data and the Executive Management Team's experience. Accordingly, revenue recognition of goods sold with return right are assessed as constituting a particularly significant area.

HOW THE AREA HAS BEEN TREATED IN THE AUDIT

Our audit included the following review measures, but was not limited to these:

Review of processes and procedures for revenue recognition.

Substantive analytical review of recognise sales in relation to the time of inventory transactions.

We have assessed the Executive Management Team's assumptions and models for provisions for returns.

Valuation of goodwill and brands, as well as of participations of Group companies in the Parent

See Notes 13, 14 and 30, and the accounting policies on pages 82-84 of the Annual Report and the Consolidated Financial Statements for detailed disclosures and descriptions of the area.

DESCRIPTION OF THE AREA

As at 31 December 2021, the Group recognised goodwill and brands totalling SEK 1,263 million, which constitutes 74 % of total assets. Goodwill and brands are subject annually to at least one impairment test which contains both complexity and significant elements of judgements from the Executive Management Team.

Participations in Group companies are recognised in the Parent. If the value of the participations exceeds equity in the respective Group company, the same type of test is carried out, using the same technique and input values as took place with respect to goodwill in the Group.

Under the current regulatory framework, the testing is carried out using a method in which the Company draws up future judgements on the internal and external conditions of the operation and the Group's plans. An example of such judgements is the particular discount rate which should be used to take into account that future estimated payments received are associated with risk and are therefore worth less than cash and cash equivalents that are directly available to the Group.

HOW THE AREA HAS BEEN TREATED IN THE AUDIT

We have checked the Group's impairment tests to assess whether they have been carried out in accordance with the current regulatory framework. In addition we have assessed the reasonableness of the future payments inwards and outwards and the assumed discount rate and growth rate.

We have involved our own valuation specialists to ensure the reasonableness in the discount rate used, which includes evaluating financial and sector-specific forecasts where this is appropriate.

We have also carried out random checks that the Company's calculations are mathematically correct.

We have assessed the circumstances presented in the disclosures in the Annual Report and whether the information is sufficiently comprehensive as a description of the judgements made in assumptions and of applied methods.

INFORMATION OTHER THAN THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

This document also contains information other than the Annual Report and the Consolidated Financial Statements. This is found on pages 1-27 and 125-130. It is the Board of Directors and the Chief Executive Officer who are responsible for this other information.

Our opinion in respect of the Annual Report and Consolidated Financial Statements does not include this information, and we express no substantiating opinion in respect of this other information.

In connection with our audit of the Annual Report and Consolidated Financial Statements, it is our responsibility to read the information identified above and consider whether the information to a significant extent is inconsistent with the Annual Report and the Consolidated Financial Statements. In this review, we also take account of the knowledge we have otherwise obtained during the audit, and also assessed whether the information otherwise appears to contain material errors.

If based on the work we have carried out in respect of this information, we draw the conclusion that the other information contains a material error, we are obliged to report this. We have nothing to report in this respect.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

It is the Board of Directors and the CEO who are responsible for ensuring that the Annual Report and the Consolidated Financial Statements are drawn up and that they provide a fair view in accordance with the Swedish Annual Accounts Act and, in respect of the Consolidated Financial Statements, in accordance with IFRS, as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control which they deem necessary in drawing up an Annual Report and Consolidated Financial Statements which do not contain any material inaccuracies whether through irregularities or error.

In the preparation of the Annual Report and Consolidated Financial Statements, the Board of Directors and the CEO are responsible for the assessment of the Company's and Group's ability to continue as a going concern.

They will disclose, when appropriate, any circumstances which may affect the Company's ability to continue as a going concern and to use the assumption of continuing as a going concern. The assumption of continuing as a going concern does not, however, apply if the Board of Directors and the CEO intend to liquidate the Company, cease trading or have no realistic alternative to doing any of these.

The Board's Audit Committee shall, without affecting the Board's responsibility and duties otherwise, monitor the Company's financial reporting, among other things.

RESPONSIBILITY OF THE AUDITOR

Our objective is to reach a reasonable degree of assurance on whether the Annual Report and Consolidated Financial Statements as a whole do not contain any material errors, whether due to irregularities or mistakes, and to submit an Auditor's Report which contains our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material inaccuracy if such exists. Errors may arise as a result of irregularities or mistakes, and be regarded as material if, individually or together, they may reasonably be expected to affect the financial decisions taken on the basis of the Annual Report and the Consolidated Financial Statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

In addition:

- we identify and assess the risk of material errors in the Annual Report and the Consolidated Financial Statements, whether these are due to irregularities or mistakes, formulate and implement review measures partly on the basis of these risks and obtain audit evidence which is sufficient and appropriate as the basis of our opinions. The risk of not detecting a material error as a result of irregularities is higher than for material error which is due to a mistake, since irregularity can involve actions of collusion, fraud, intentional omission, inaccurate information or disregarding internal control
- we gain an understanding of that part of the Company's internal control which is significant for our audit in enabling us to formulate review measures which are appropriate in the circumstances but not to express an opinion on the effectiveness of internal control.
- we evaluate the appropriateness of the accounting policies used in the reasonableness of the estimates made by the Board of Directors and the Chief Executive Officer in the financial statements and the associated disclosures.
- we draw a conclusion on the appropriateness of the going concern assumption that the Board of Directors and the Chief Executive Officer use in the preparation of the Annual Report and the Consolidated Financial Statements. We also draw a conclusion, based on the audit evidence collected, on whether there are any significant uncertainty factors which relate to events or circumstances which may lead to significant doubt about the ability of the Company and the Group to continue trading. If we draw the conclusion that there is a significant uncertainty factor, we must draw attention in the Auditor's Report to the information in the Annual Report and the Consolidated Financial Statements on the significant uncertainty factor or, if such information is insufficient, modifying our opinion on the Annual Report and the Consolidated Financial Statements. Conclusions are based on the audit evidence we obtain up until the date of the Auditor's Report. Future events or circumstances, however, may mean that a company and a group are no longer able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the Annual Report and the Consolidated Financial Statements, including disclosures, and whether the Annual Report and the Consolidated Financial Statements reflect the underlying transactions and events in a manner which provides a fair view.
- we also collect sufficient and appropriate audit evidence in respect of the financial information for the units or the business activities within the Group to express an opinion in respect of the Consolidated Financial Statements. We are responsible for controlling, supervising and carrying out the Group audit. We are solely responsible for our opinions.

We must inform the Board of Directors on the planned scope and focus of the audit, and the date. We must also inform the Board of any significant observations during audit, including any significant deficiencies we have identified in internal control.

We must also provide the Board with a declaration that we have complied with the relevant standards of professional ethics in respect of independence, and mention all relationships and other circumstances which could reasonably affect our independence, and, where appropriate, actions that have been taken to eliminate the threat or countermeasures that have been taken.

Of the areas which are to be communicated, we establish with the board which of these areas were the most significant for the audit of the Annual Report and the Consolidated Financial Statements, including the most important assessed risks of material errors and which, therefore, constitute particularly significant areas for the audit. We describe these areas in the Auditor's Report provided that no statutes or other ordinances prevent disclosures on the matter.

REPORT ON OTHER REQUIREMENTS UNDER STATUTES AND OTHER ORDINANCES

OPINION

Over and above our audit of the Annual Report and Consolidated Financial Statements, we have also carried out an audit of the administration of Desenio Group AB (publ) for 2021 by the Board of Directors and the Chief Executive Officer as well as the proposed appropriation of the Company's profit or loss.

We recommend that the AGM adopt the proposed allocation of profits contained in the Administration Report, and discharge the Board members and the Chief Executive Officer from liability for the financial year.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

It is the responsibility of the Board of Directors to propose appropriations of the Company's profit or loss. Any proposal for a dividend must include an assessment of whether the dividend is justified with respect to the requirements that the nature of the Company's and the Group's business, its scope and risks place on the amount of the Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the organisation of the Company and for the administration of its affairs. This means, among other things, continuously assessing the financial situation of the Company and the Group, and ensuring that the Company's organisation is so arranged that the accounting, the management of funds and the Company's financial affairs otherwise are controlled in a satisfactory manner.

The Chief Executive Officer must conduct the ongoing administration of the Company in accordance with the Board's guidelines and instructions, and, among other things, take the measures necessary to ensure that the Company's accounting is carried out in conformity with the law, and that the administration of funds is conducted in a satisfactory manner.

RESPONSIBILITY OF THE AUDITOR

Our objective in respect of the audit of the administration and, accordingly, our opinion on discharge from liability, is to obtain audit evidence to enable us to assess with a reasonable degree of assurance whether any member of the Board or the Chief Executive Officer, in any material respect:

- has taken any action or been guilty of any omission which may lead to a liability for damages against the Company, or
- has in any way acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective in respect of the audit of the proposed appropriation of the Company's profit or loss, and, accordingly, our opinion on this, is to assess with a reasonable degree of assurance that the proposal is in conformity with the Companies Act.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit which has been carried out in accordance with generally accepted accounting standards in Sweden will always discover actions or omissions which may lead to a liability for damages against the Company, or that a proposal for appropriations of the Company's profit or loss is not in conformity with the Companies Act.

As part of an audit in accordance with generally accepted accounting standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The audit of the administration and the proposed appropriation of the Company's profit or loss is based primarily on the audit of the financial records. Any additional audit measures which are carried out are based on our professional judgement on the basis of risk and materiality. This means that we focus the audit on measures, areas and circumstances which are material for the operation and in which deviations and infringements would have particular significance for the Company's situation. We review and assess decisions taken, decision documentation, actions taken and other circumstances which are relevant for our opinion on discharge from liability. As a basis for our opinion on the Board's proposed appropriation of the Company's profit or loss, we have reviewed whether the proposal is consistent with the Companies Act.

THE AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

It is the Board of Directors who are responsible for the Corporate Governance Report on pages 65-70 and for ensuring that it has been drawn up in accordance with the Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevR 16 The Auditor's review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and a significantly reduced scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review gives us sufficient grounds for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chap. 6 § 6 paragraph 2 items 2-6 of the Annual Accounts Act and Chap. 7 § 31 paragraph 2 of the same Act are consistent with the other parts of the Annual Report and the Consolidated Financial Statements and are in conformity with the Annual Accounts Act.

THE AUDITOR'S OPINION IN RESPECT OF THE STATUTORY SUSTAINABILITY REPORT

It is the Board of Directors who are responsible for the Sustainability Report on pages 28-49 and for ensuring that it has been drawn up in accordance with the Annual Accounts Act.

Our review has been carried out in accordance with FAR's statement RevR 12 The Auditor's review of the statutory Sustainability Report. This means that our review of the Sustainability Report has a different focus and a significantly reduced scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review gives us sufficient grounds for our opinion.

A Sustainability Report has been prepared.

KPMG AB, was appointed as Desenio Group AB (publ)'s auditor by the General Meeting of Shareholders held on 19 February 2021. KPMG AB or auditors affiliated with KPMG AB has been the Company's auditor since 2017.

Gothenburg, 20 April 2022

KPMG AB
MATHIAS ARVIDSSON
Authorised Public Accountant

PROVISIONAL FINANCIAL CALENDAR

27 APRIL 2022
Interim Report January - March 2022

12 MAY 2022
Annual General Meeting

14 JULY 2022
Interim Report January - June 2022

26 OCTOBER 2022
Interim Report January - September 2022

15 FEBRUARY 2023
Interim Report January - December 2022

ANNUAL GENERAL MEETING 2022

Desenio's Annual General Meeting 2022 will be held on Thursday, 12 May 2022. The Board of Directors has resolved that the Annual General Meeting shall be held solely through postal voting, under the provisions of the temporary legal rules which came into force on 1 March 2022. This means that the Annual General Meeting will be held without the physical presence of shareholders, proxies or third parties. Shareholders' exercise of their voting rights at the Annual General meeting can, accordingly, be done solely through the shareholder submitting postal votes in the prescribed manner.

More information on the Annual General Report and instructions for advance voting are contained in the notification of the Annual General Meeting and on Desenio's website:

www.deseniogroup.com/general-meetings

DEFINITION OF KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS	DEFINITIONS	JUSTIFICATIONS FOR USE
Active customers	Number of customers who have placed at least one order during the preceding 24-month period.	This key performance indicator measures the Company's ability to attract and retain customers.
Percentage of administration costs and other costs, %	Administration costs and other costs constitute operational expenses minus the cost of goods for resale, handling costs and distribution costs, as well as marketing costs.	This key performance indicator gives the company an indication of external costs, per earned Krona, which are not attributable to handling and distribution costs or marketing costs, and is, accordingly, an indication of the efficiency of the Company's operation.
Proportion of marketing costs, %	Marketing costs are recognised in profit or loss as a sub item in other external costs. This key ratio is calculated by dividing marketing costs by net sales, expressed in percent.	This key performance indicator enables the Company to measure how effective its marketing activities are and, accordingly, provides an indication of how efficient the Company's operation is.
Proportion of handling and distribution costs, %	Handling and distribution costs include the costs of 3PL, carriage to customer and costs for bank and cash (primarily costs of payment providers such as Klarna and PayPal), as well as IT and systems costs.	This key performance indicator gives the Company an indication of how much of the costs of each earned Krona in net sales originate from handling and distribution, and therefore provides an indication of how efficient the Company's operation is.
Number of visitors '000	The number of visitors to a website or a group of websites during the measurement period (independent of the unit used).	This key performance indicator enables the Company to measure its reach and marketing activities.
Number of orders '000	Number of orders placed during measurement period, adjusted for cancellations and returns.	Number of orders is a key performance indicator used to measure customer commitment.
Gross profit margin, %	Gross profit (net sales minus the Cost of goods sold) divided by net sales, expressed as a percentage.	The gross profit margin gives an overview of the earnings from operating activities.
EBIT margin, %	Operating profit (EBIT) divided by net sales, expressed as a percentage.	The operating margin gives a picture of the profit generated by operating activities.
EBITA	Operating profit with the add-back of amortisation of acquisition-related intangible assets.	EBITA gives an overall picture of the earnings generated by the operation with the add-back of amortisation and impairment of acquisition-related intangible assets.
EBITA margin, %	EBITA as a percentage of net sales.	The EBITA margin is a useful measure along with net sales growth for monitoring value-generation.
EBITDA	Earnings before financial items, tax, depreciation and amortisation	EBITDA provides an overall picture of earnings generated on operating activities.

DEFINITION OF KEY PERFORMANCE INDICATORS CONT.

KEY PERFORMANCE INDICATORS	DEFINITIONS	JUSTIFICATIONS FOR USE
Average order value (AOV)	Transaction-based net sales divided by the number of orders during the measurement period. The average order value is minus discounts, excluding VAT and after returns.	The average order value is measured as an indicator of income generation. It is regarded as constituting a key performance indicator of the attractiveness of the Company's products and websites to customers.
Investments	Acquisition of property, plant and equipment and intangible assets, excluding financial assets.	This key performance indicator gives the Company a picture of investments including capitalised leases.
Adjusted EBIT	EBIT excluding items affecting comparability. Items affecting comparability include transaction costs and the costs of the warehouse move.	Adjusted EBIT is adjusted for items affecting comparability and is regarded, therefore, as constituting a useful measure of the Company's underlying earnings generated from operating activities.
Adjusted EBIT margin, %	Adjusted EBIT divided by net sales, expressed as a percentage.	Adjusted EBIT margin is adjusted for items affecting comparability and is regarded, therefore, as constituting a useful measure of the Company's underlying earnings generated from operating activities.
Adjusted EBITA	EBITA excluding items affecting comparability. Items affecting comparability include transaction costs and the costs of the warehouse move.	The metric is relevant for giving an indication of the Company's underlying earnings generated by operating activities excluding items affecting comparability.
Adjusted EBITA margin, %	Adjusted EBITDA divided by net sales, expressed as a percentage.	Adjusted EBITDA margin is adjusted for items affecting comparability and is regarded, therefore, as constituting a useful measure of the Company's underlying earnings generated from operating activities before depreciation and amortisation.
Adjusted EBITDA	EBITDA excluding items affecting comparability. Items affecting comparability include transaction costs and the costs of the warehouse move.	Adjusted EBITDA margin is adjusted for items affecting comparability and is regarded, therefore, as constituting a useful measure of the Company's underlying earnings generated from operating activities before depreciation and amortisation.
Sales increase, %	Annual increase in sales, expressed as a percentage.	The key ratio shows the Company's percentage sales growth between different periods.
Net debt / net cash	Interest-bearing liabilities at the end of the period minus cash and bank balances at the end of the period. Interest-bearing liabilities include the bond loan, liabilities to credit institutions, lease liabilities and the liability in respect of supplementary consideration.	Net debt / Net cash is a key performance indicator which shows the Company's total indebtedness.

DESENIO GROUP