

DESENIO GROUP



2022

ANNUAL &
SUSTAINABILITY
REPORT





This report is created for **Desenio Group AB** (publ), org. nr. 559107-2839, and covers the full year of 2022.

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



DESEÑO GROUP

THIS IS DESEÑO GROUP	06
LETTER FROM THE CEO	08
GROUP MANAGEMENT	10
BOARD OF DIRECTORS	12

SUSTAINABILITY REPORTING

SUSTAINABILITY AT DESEÑO	17
HIGHLIGHTS 2022	18
PEOPLE – SOCIAL SUSTAINABILITY	20
PEOPLE & CULTURE	22
VALUE CHAIN	25
PLANET - ENVIRONMENTAL SUSTAINABILITY	28
OUR PRODUCTION	28
OUR DISTRIBUTION	30
OUR COMMITMENT	31
RISK MANAGEMENT	33

FINANCIAL REPORTING

ADMINISTRATION REPORT	38
OPERATIONAL OVERVIEW	38
MULTI-YEAR REVIEW	40
SHARES	41
ALTERNATIVE KEY PERFORMANCE INDICATORS	44
INFORMATION ON RISKS AND UNCERTAINTY FACTORS	45
CORPORATE GOVERNANCE REPORT	48
CORPORATE GOVERNANCE	48
FINANCIAL REPORTS	54
THE GROUP	54
THE PARENT	58
NOTES TO THE FINANCIAL REPORTS	62
APPROVAL OF THE FINANCIAL REPORTS	94
AUDIT REPORT	95
PRELIMINARY FINANCIAL CALENDAR AND ANNUAL GENERAL MEETING	99
DEFINITION A OF KEY PERFORMANCE INDICATORS	100

THIS IS

DESENIO GROUP



FOLLOWERS

3 990 900

DESENIO Instagram 1.95M, Facebook 350K
POSTER STORE Instagram 1M, Facebook 440k
COMBINED 95 000 on Pinterest, YouTube & TikTok

Making 1.9 MILLION homes more beautiful
with affordable wall art and home decor.

VISITORS TO
OUR SITES

75 577 000

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, accessories, and homeware products 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 25 nationalities, we leverage our collective understanding of local markets, while at the same time uniting in one common set of values and goals.

NEW PRODUCTS

During 2022 we broadened our product offering by launching a wide range of new products both in the homeware and art categories. We also partnered with Warner Brothers, the first of many brands we plan to work with in the future. We are confident that this broader offering will inspire customers to return to us as a trusted supplier of art and interior design products.

NEW MARKET PRESENCE

2022 saw us place an increased focus on operating efficiency and expansion in North America by opening a fulfilment centre in Ohio. These sturdy foundations will enable long-term growth in a region we see to have huge potential.

LOOKING FORWARD

Looking forward, 2023 promises to be another exciting year focused on growing our North American business, while further broadening our assortment. We will continue to expand our customer offering with new categories and trends.

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

WELL POSITIONED FOR RETURN TO GROWTH

In 2022, the market for online affordable wall art stabilized after two dramatic years of large swings in demand. Our strategy and belief in our business model is firm and we have continued to invest and build our infrastructure and platform during the period. We now enter 2023 with an efficient organization that focuses on profitable growth in Europe and North America.

2022 was another dramatic year for the Desenio Group. At the beginning of the year, the positive momentum we saw at the end of 2021 continued, but the rise was dampened in connection with Russia's invasion of Ukraine. After an unpredictable period in the spring, we experienced increased stability in demand during the second half of the year. We navigated this environment with both a short- and long-term perspective. Short term, we focused on adapting our collections and marketing efforts daily, based on our internal data points on consumer preferences and behaviors. Long term, the focus was on developing our business, streamlining, and adapting the cost structure to further strengthen our leading position in the market.

Data-based strategy in a changing market

In the latter part of the year our markets were characterized by fierce competition in retail trade in general, as many players prioritized selling out of their stock before profitability. In addition, the use of social media continued to change, where, among other things, the platform of influencers, which is important to us, continued to become more and more fragmented. This meant that we need to be even more efficient in how we work with our marketing. To reach an even wider customer group, we initiated a broadening of both our product range and digital platforms in 2022.

We also spent a lot of time leveraging our critical, competitive advantage in analyzing customer behaviors and preferences. Thanks to our high sales volumes, we receive

a lot of relevant data that helps us understand our markets better. Our creative process is structured so that, based on data, we can identify and act on new trends, before our competitors. Our own Design Studio with illustrators, photographers and artists can quickly create new art concepts based on customer demand. We benefited greatly from this approach in 2022, including in connection with our important expansion in North America. Among other things, we launched our studio collection "Wild West", which is primarily adapted for the North American market, but is also sold in Europe. In addition, we launched another collection; "Studio Hollywood" in collaboration with Sofia Richie (daughter of Lionel Richie) who is one of America's most influential young people today.

Two well-defined brands and new web platforms


An important part of our strategy is to differentiate our two brands, Desenio and Poster Store. In this way, we can effectively segment our customer base and create strategies to reach our customers where they are. Our work on differentiating the brands continued in 2022 and has led us to step by step develop new products, art styles and marketing strategies.

In the second quarter, we launched a new web platform for Desenio's websites, with a new architecture and improved interface. The investment already had an effect in the second half of the year, with a higher conversion rate. Poster Store will also migrate to the new web platform in the first half of 2023.

Efficient logistics in Europe and North America

Desenio Group is present in 35 countries through 44 local sites, which creates some challenges in terms of logistics. The investments we made in streamlining our logistics structure and reducing shipping costs were completed for Europe already in 2021. Then we opened a new logistics centre in the Czech Republic for distribution to Central Europe and merged the warehouses in the Nordics into one logistics centre. In autumn 2022, we also started shipping products to customers in North America from our new logistics centre in the USA.

In Europe, we saw in 2022 the positive financial effects of our new structure, when fulfillment, i.e., the cost of inventory management and distribution, gradually decreased



“ To reach an even wider customer group, in 2022 we initiated a broadening of both the range and digital platforms.

during the year as a share of sales, despite lower volumes and higher fuel prices and wages. In addition, we expect that the cost per order for inventory management itself will drop when we achieve increased sales volumes. Overall, the change also means that our lead times have decreased by 1-2 days on average.

The savings we announced in June, which included many employees, were painful but necessary. The savings mean that our annual salary costs are reduced by SEK 32 million. The lower cost level kicked in already in the third quarter of 2022 and will have a positive impact on cash flow during the whole of Q1, 2023.

Growth in focus

At the time of writing, we are still in a time of changing conditions for our customers, with rising interest rates, inflation and an ongoing war in the immediate area. At the

same time, we are full of confidence, based on our market-leading position and ability to successively innovate and adapt. We have taken the necessary measures we have identified to secure profitable growth and are in the process of further developing the strong position we have in Europe and exploiting our potential in the equally large market in North America.

Our teams are now fully focused on marketing and sales. We consist of a fantastic group of employees who run our business with great commitment. I am extremely proud of all of you and look forward to us returning together to the successful journey we are only at the beginning of!

FREDRIK PALM

Stockholm, May 2023

President and CEO, Desenio Group

1



2



3



4



GROUP MANAGEMENT

**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, Brand plus Net AB, Desenio AB, and Poster Store Sverige AB. Deputy board member of Glas Scandinavia 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 the 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. **Other ongoing engagements:** -

Holdings: 6,900 shares and warrants corresponding to 165,000 shares.

**3 EXECUTIVE CREATIVE DIRECTOR AND
EMPLOYED WITHIN THE GROUP SINCE 06.2016.**

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. **Other ongoing engagements:** - **Holdings:** 459,246 shares.

**4 CHIEF COMMERCIAL OFFICER SINCE
01.2023.**

Mårten Forste

Born: 1971 **Education:** Master of Laws (LL.M.), Lund University, Sweden. **Work experience:** Former COO of LeoVegas and COO of Meetic / Match.com Europe, and former Chairman of LeoVegas AB. **Other ongoing engagements:** Chairman of the Board of Match.com Nordic AB. Board member of MD International AB and Docly International AB. **Holdings:** -

BOARD OF DIRECTORS



Alexander Hars

CHAIRPERSON OF THE BOARD OF THE COMPANY SINCE 12.2019 AND CHAIRPERSON OF THE BOARD OF DESENIO AB 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 Once Upon Publishing AB, Go North Group AB, Go North Group Holding AB and Zalster AB. Board member and CEO of Alva Linen AB. Board member of Hålsa Hemma Sverige AB, Glas of Scandinavia AB, Hars Holding AB, Desenio AB and Poster Store Sverige AB. Deputy board member in Jodgo AB, Johan & Johan AB, several Go North Rocket companies, Textual Relations AB and Fifth and Folsom AB.
Holdings: 14 188 500 shares and warrants corresponding to 11,000 shares.
Independent in relation to the Company and its senior executives: Yes.
Independent in relation to the Company's major shareholders: No.



Sarah Kauss

BOARD MEMBER OF THE COMPANY SINCE 06.2021. MEMBER OF THE AUDIT COMMITTEE.
BORN 1975

Education: Bachelor of Science in Accounting, The University of Colorado and an MBA from Harvard Business School.
Work experience: Founder and former CEO at S'well with knowledge in brand building, marketing, sales, operations, finance, new product development, manufacturing and managing a global supply chain. Previously a Certified Professional Accountant at Ernst & Young.
Other ongoing engagements: Board member of Thorne Health Tech and Glowforge. Entrepreneur in Residence, Harvard Business School. Regional Board member, UNICEF USA New York. Member of the Henry Crown Fellows and Braddock Scholars within the Aspen Global Leadership Network at the Aspen Institute.
Holdings: -
Independent in relation to the Company and its senior executives: Yes.
Independent in relation to the Company's major shareholders: Yes.



Jakob Tolleryd

BOARD MEMBER OF THE COMPANY SINCE 12.2019 AND FORMER BOARD MEMBER OF DESENIO AB 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 October 2021. Previously General Partner at Verdane and a 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, (Chairman), Unlited Travel Group (Publ), and Hygglo, 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, Mindful Ventures Investment AB, and Mindful Ventures Sverige AB, as well as advisor to the Bonnier Group.
Holdings: 615,000 shares.
Independent in relation to the Company and its senior executives: Yes.
Independent in relation to the Company's major shareholders: No.



Max Carlsén

BOARD MEMBER OF THE COMPANY SINCE 12.2018 AND FORMER DEPUTY BOARD MEMBER/BOARD MEMBER OF DESENIO AB 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: Principal at Verdane and part of the investment team since 2016. Previous experience as 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, and management consulting at AT Kearney and investment banking at Citigroup and Handelsbanken.

Other ongoing engagements: Board member of Pierce Group AB (publ), MATCHi AB, Babyland Online Nordic AB, Rörstrand Invest AB and Norsk Bildelsenter AS. Deputy Board member of Cura of Sweden AB, Desenio AB and Poster Store Sverige AB.

Holdings: -

Independent in relation to the Company and its senior executives: Yes.

Independent in relation to the Company's major shareholders: No.



Martin Blomqvist

BOARD MEMBER OF THE COMPANY SINCE 12.2019 AND FORMER CHAIRMAN OF THE BOARD/BOARD MEMBER OF DESENIO AB SINCE 07.2008. BORN 1972

Education: Jakobsberg High School (Sw. gymnasium), natural sciences track.

Work experience: Co-founder of Desenio.

Other ongoing engagements: Board member in MBHB Holding AB, FMA Holding AB, and Kiano Life AB.

Holdings: 14 779 758 shares.

Independent in relation to the Company and its senior executives: Yes.

Independent in relation to the Company's major shareholders: No.



Cecilia Marlow

BOARD MEMBER OF THE COMPANY 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 positions since 2012. Previous 30 years as CEO in retail and roles in accounting/CFO.

Other ongoing engagements: Chairperson of Wästbygg and NCS Colour. Board member of Alligo, Fazer Group, Spendrups, Kivra and BokusGruppen.

Holdings: 48,600 shares and warrants corresponding to 11,000 shares.

Independent in relation to the Company and its senior executives: Yes.

Independent in relation to the Company's major shareholders: Yes.



Nathalie du Preez

BOARD MEMBER OF THE COMPANY SINCE 01.2021 AND FORMER BOARD MEMBER OF DESENIO AB SINCE 05.2019. 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 from Harvard Business School.

Work experience: VP Operations at Jellyfish. Previously COO at Quill Content (with knowledge in business development, marketing, operations, customer service, sales, and technical development), COO at blow LTD, 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: Advisory Board Member of Wunderkind

Holdings: 12,500 shares and warrants corresponding to 11,000 shares.

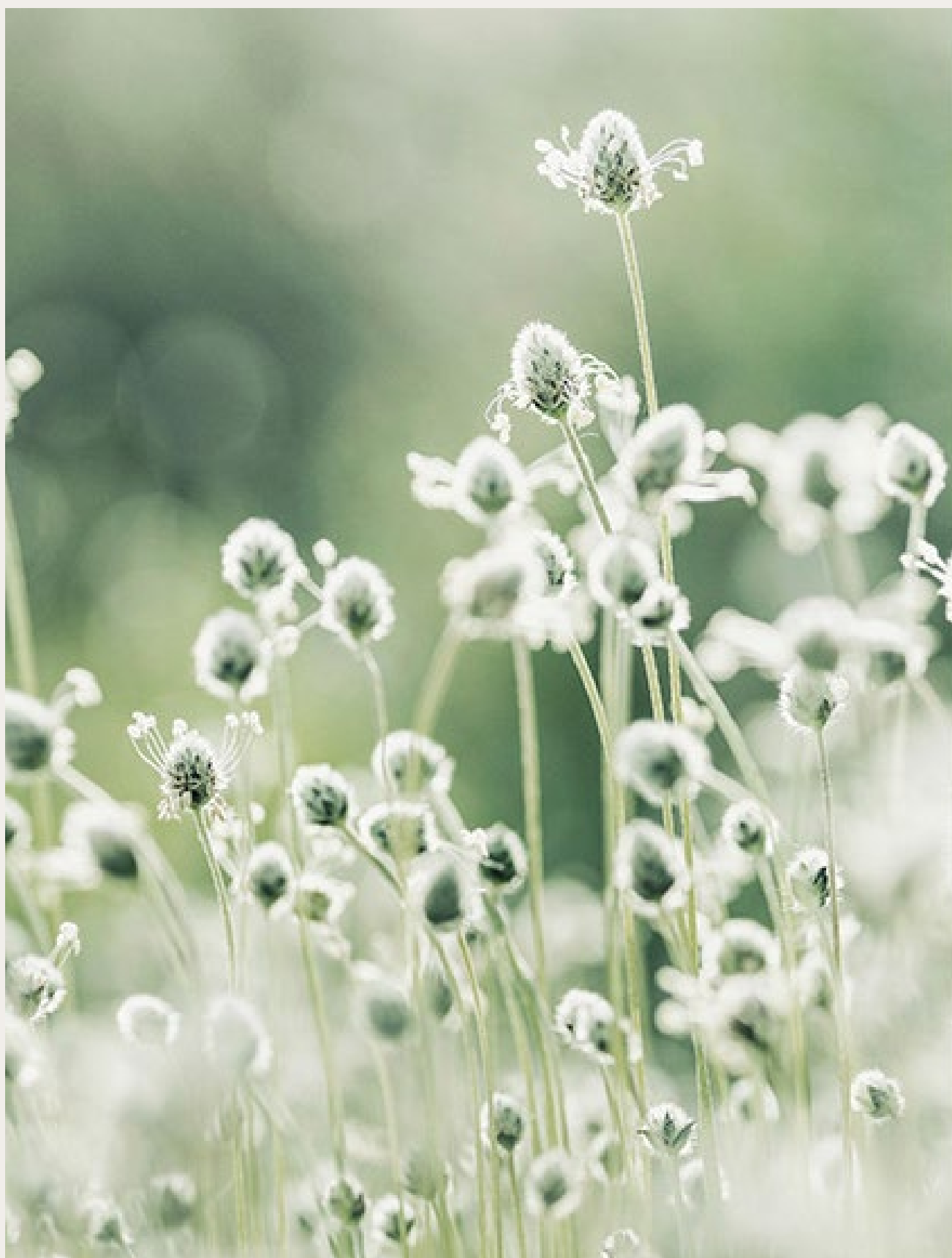
Independent in relation to the Company and its senior executives: Yes.

Independent in relation to the Company's major shareholders: Yes.

SUSTAINABILITY REPORT

- This report has been created for Desenio Group AB (publ), org. no. 559107-2839 and covers the full year 2022.
- This report covers the areas of social and environmental sustainability that Desenio Group has focused on in 2022.
- All of the facts and data presented in this report are derived from internal systems, external suppliers and partners.
- The information in this report is relevant for the subsidiaries Desenio AB, Poster Store Sverige AB, Desenio Group Inc. and DGFC s.r.o. (Desenio Group Fulfilment Center) unless otherwise indicated.
- The report is divided into two main areas, People and Planet, in line with Desenio Group's approach to sustainability and working practices.
- The report has been prepared in accordance with the requirements of Chapter 6 §10–14 of the Swedish Annual Accounts Act (1995:1554).

SUSTAINABILITY AT DESENIO	17
HIGHLIGHTS 2022	18
PEOPLE – SOCIAL SUSTAINABILITY	20
PEOPLE & CULTURE	22
VALUE CHAIN	25
PLANET - ENVIRONMENTAL SUSTAINABILITY	28
OUR PRODUCTION	28
OUR DISTRIBUTION	30
OUR COMMITMENT	31
RISK MANAGEMENT	33





SUSTAINABILITY AT DESENIO GROUP

Sustainability is close to Desenio Group's heart, as our products couldn't exist without the use of raw materials from our forests. Creating beauty through art is why we exist, and doing this in a sustainable way means always striving to improve our production methods and actively reducing our impact on the environment.

WE STRIVE TO DO EVERYTHING WE CAN to achieve a sustainable future, but we are also mindful of the fact that we still have many steps ahead of us. With an emphasis on FSC®-certified raw materials and sustainable production methods, we actively work to reduce our environmental impact with a carefully selected team of partners.

Our sustainability work is divided into two main areas, People and Planet, where People is related to social sustainability and Planet is related to environmental sustainability. In the 'People' area, we focus particularly on ensuring social compliance in our value chain. This work is carried out

through our Code of Conduct, through our factory audit programme, and through our close cooperation with our suppliers. This focus area also includes HR issues. In the Planet area, we work across our value chain to reduce our impact on the environment, for example by choosing the right raw materials and taking measures to minimise our carbon emissions. We also work with selected charitable organisations to raise awareness of important issues, and to offset our emissions through projects with a clear link to our core business.

2022

HIGHLIGHTS



EMPLOYEES || 177
(AVERAGE 2022)

THE BOARD OF DIRECTORS

43% WOMEN
57% MEN



EXECUTIVE MANAGEMENT TEAM

43% WOMEN
57% MEN

TOTAL

81% WOMEN
19% MEN

11,532

TREES
PLANTED



Suppliers who have **SIGNED OUR CODE OF CONDUCT** = 100%

GEOGRAPHICAL
DISTRIBUTION FACTORIES

50%

EUROPE

33%

ASIA

11%

NORTH
AMERICA

6%

AUSTRALIA

35
MARKETS

12
SUPPLIERS

18
FACTORIES



PEOPLE SOCIAL SUSTAINABILITY

Our vision is to be an attractive employer in affordable and sustainable wall art. We want to lead the way by having a transparent value chain where all people involved in our business have the same rights, good working conditions, and equal opportunities to create a bright future.



OBJECTIVES 2022

1 REDUCE SICK LEAVE

Reduce our employees' sick leave by 2022.

2 TRAINING

Train our staff in fire safety, CPR, crisis management and occupational health and safety. Implement a procedure to train managers and create a delegation from the CEO to individual managers to maintain a healthy way of safeguarding our work environment.

3 STRESS MANAGEMENT

Train our staff in stress management and time management.

4 INTERNAL MOBILITY

Increase the level of job satisfaction and promote personal development within the organisation. Strive to identify internal solutions before looking for external options in recruitment and career development.

5 SOCIAL AUDITS

Ensure that at least 80% of our suppliers in high-risk countries have completed and passed an independent social audit under our social audit programme.

6 CODE OF CONDUCT

Ensure that all suppliers have communicated our Code of Conduct to all subcontractors involved in the manufacture of products for Desenio Group.



PEOPLE & CULTURE

Our business would not exist without the people in our organisation. We want all our employees to feel welcome and appreciated every day, because as they grow, so does Desenio Group. Desenio Group is the place to influence, inspire, and grow. Our work environment is thriving because of our core values of passion, commitment and kindness. In 2022, we had an average of 177 employees working at Desenio Group. Together we have 25 distinct nationalities and speak more than 20 different languages. We work together as a team and we embody our values every day. Our ultimate goal in the area of People & Culture is to

provide a good work environment that prevents health problems and accidents from occurring, while creating a workplace that encourages personal development and is stimulating for all employees. Desenio Group works consciously, in a structured and active way to create a solid foundation for a work environment that encourages co-operation, motivation and personal development. We describe some of the initiatives we have been working on in 2022 to achieve our People & Culture vision below.

“Desenio Group is the place to influence, inspire, and grow. Our work environment is built on our core values of passion, commitment and kindness.”

WORK ENVIRONMENT

Our vision is to be a sustainable employer and a great place to work, offering all the necessary conditions to ensure wellbeing and performance. A place where you can influence, inspire and grow. To guide us in this work, we have our Work Environment Policy, which contains guidelines for the working environment at Desenio Group, health and safety targets, and what initiatives need to be implemented to achieve the targets. The aim of our Work Environment Policy is to create and develop an efficient organisation, and to create simple procedures to support the health, safety and wellbeing of our employees in the workplace. Managers and employees both contribute to creating and maintaining a motivating, proactive and healthy working environment.

At Desenio Group we do not tolerate harassment, bullying or victimisation. Our anti-harassment and anti-bullying work plan complements our work environment policy and describes how managers and employees should act in the event of such situations. We are well aware that this type of problem in the workplace is a threat to wellbeing, health and development opportunities, and that it leads to reduced productivity and therefore has a negative impact on the business. All managers are responsible for creating a work environment that is friendly, open, and respectful. We work together to maintain a positive work environment, and it is up to each employee to ensure that their attitude and behaviour reflect our values, and to inform their line manager if they see any signs of victimisation or harassment in the workplace. If an employee feels harassed or suspects that someone else is being harassed, we have a process in place to quickly escalate and manage the issue internally.

At Desenio Group, we believe that gender equality is an important part of creating an inclusive culture and a sustainable workplace. We have implemented our Gender Equality Plan as part of our work environment policy, to ensure that we actively and systematically work together to achieve a good work environment that is free from discrimination. The Gender Equality Plan contains guidelines on working conditions, salary levels, recruitment and career development, skills development and training, reconciling work and parenting, and last but not least, external gender equality initiatives. The Gender Equality Plan is evaluated once a year and concrete improvement measures are documented and monitored.

Desenio Group closely follows the requirements and regulations on systematic work environment from the Swedish Work Environment Authority (AFS 2001:1). These regulations describe how an employer should systematically plan, implement, and monitor activities carried out to achieve a good work environment. The regulations require all employers to analyse their employees' work conditions in terms of workload, working hours, bullying and discrimination. This work is carried out at three different levels: organisational, social and physical.

HEALTH AND SAFETY

Our safety representatives are elected by Desenio Group employees. Their responsibilities include being a point of contact for all employees for questions or concerns about the work environment, sharing information with relevant stakeholders within the organisation, and participating in the annual safety audit that evaluates our organisational, social and physical work environment. We also have a safety committee that works systematically on issues related to health and safety. The safety committee consists of a safety representative, an employers' representative and a workers' representative.

As part of our health and safety work, we regularly measure sick leave in our organisation. Sick leave in Desenio Group was 3.92% in 2022, which according to SCB was in line with the average sick leave in Sweden in 2022.

“At Desenio Group, we believe that gender equality is an important part of creating an inclusive culture and a sustainable workplace.”



EMPLOYEE SATISFACTION

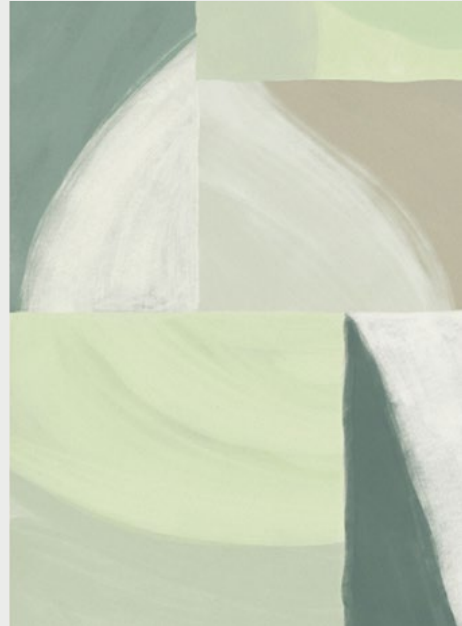
We measure our organisation's wellbeing on a weekly basis in each department through a system called Winningtemp. Every week, all Desenio Group employees are given the opportunity to answer four short questions in a survey format, which only takes a minute. The regular feedback gives us valuable insights into work conditions and is a very good tool to easily initiate a dialogue on what initiatives are needed to create a good work environment. The results of the surveys form the basis for workshops in each department, where members discuss positive and negative changes and what measures should be taken to create an engaging work environment.

Our employees' individual wellbeing is measured in Winningtemp with a metric called temperature. Our average temperature for 2022 was 6.8 (index 7.4). The strongest categories within Desenio Group were leadership, team spirit and independence. Through Winningtemp, we also measure our loyalty rate, known as the Employer Net Promoter Score (eNPS). This metric measures employee satisfaction and loyalty to the employer. Our eNPS in 2022 was -28. The scale goes from -100 to 100, and any value above 0 is considered higher than average. Our average temperature has dropped compared to last year. This can be explained by the staff cuts implemented in the middle of the year, which had a negative impact on employee satisfaction.

Our main goal for Desenio Group is to conduct our business in an honest and direct way. Our employee Code of Conduct is available to everyone in our employee handbook. The Code of Conduct contains guidelines in areas such as anti-corruption, contracts with external parties, health and safety and press enquiries.

CODE OF CONDUCT FOR SUPPLIERS

1. *No use of child labour*
2. *No forced labour*
3. *Fair remuneration*
4. *Decent working hours*
5. *No discrimination*
6. *No precarious employment contracts*
7. *Health and safety*
8. *Environmental protection*
9. *Ethical business conduct*
10. *Freedom of association and collective bargaining*



VALUE CHAIN

We work in close co-operation with a total of 12 carefully selected suppliers, geographically spread across Europe, Asia, North America and Australia. 50% of all the factories we work with are based in Europe, 33% are in Asia, 11% are in North America and the remaining 6% are in Australia. We nurture these relationships carefully and together we respect the important requirements for social and environmental sustainability that we have set out in our Code of Conduct. Our Code of Conduct has been signed by 100% of our suppliers who produce products for Desenio Group. Before entering into a contract with a new supplier, we always require a signed Code of Conduct.

SUPPLIER CODE OF CONDUCT

For Desenio Group, it is important to take responsibility for our actions and the impact we have on our environment. One of our main responsibilities lies with the people involved in the production of our products. To clarify our position and what we expect from our suppliers and partners, we have created our Code of Conduct. Our Code of Conduct applies to all suppliers and their subcontractors who manufacture products for Desenio Group. The Code of Conduct is based on the UN and ILO conventions and sets out the minimum requirements that all suppliers and subcontractors must fulfil in order to do business with Desenio Group. Our Code of Conduct contains ten different principles in the areas of social and environmental sustainability.





SOCIAL AUDIT PROGRAMME

To ensure that all suppliers meet the requirements of our Code of Conduct, in 2020 we established a social audit programme for our entire supplier base. We classify all our suppliers as low or high risk for social non-compliance, based on the six different dimensions, also known as Worldwide Governance Indicators (WGI).

- 1- Voice and accountability**
- 2- Political stability and absence of violence/terrorism**
- 3- Government effectiveness**
- 4- Regulatory quality**
- 5- Rule of law**
- 6- Control of corruption**

We use the Amfori BSCI classification to determine whether a country is at low risk or high risk of non-compliance. Low risk countries have an average WGI ranking of at least 60, and have a maximum of two individual dimensions ranked below 60. High risk countries instead have an average ranking of between 0 and 60, and have three or more dimensions ranked below 60.

In our supplier base, 67% of all factories are in countries classified as low-risk, while the remaining 33% of factories are in high-risk countries. Compared to the previous year, the share of factories in high-risk countries has decreased by 11% from 44%. We require that all factories in high-risk countries undergo an annual independent social audit to ensure they fulfil the requirements of our Code of Conduct. All deviations must be rectified by the supplier within the period of time determined by Desenio Group. The supplier draws up an initial action plan followed by a list of completed actions including supporting evidence in the form of documentation. The action plan and the implemented measures are then checked and approved by Desenio Group.

In 2022, 33% of the factories we work with in high-risk countries have completed and passed a social audit conducted by an independent third party. In 2020, this figure was 28%, rising to 83% in 2021. The decrease in factories participating in our social audit programme in 2022 can be explained by the expiry of existing audits. Because of Covid-19 and the strict travel restrictions announced in parts of Asia in 2022, audits have been delayed or cancelled. We aim to conduct social audits in 100% of all factories in high-risk countries by the end of 2023.

PLANET ENVIRONMENTAL SUSTAINABILITY

Our vision is to be at the forefront of affordable and sustainable wall art, by creating products that are produced using certified raw materials and sustainable production methods, and by collaborating with external organisations that are dedicated to making our world a better place.

OUR PRODUCTION

We set high standards when producing our products, and we highly value the craftsmanship behind each individual component. Together with our suppliers, we work to continuously improve the quality and lifespan of our products through careful product development.

In our Supplier Code of Conduct, we have defined the strict environmental requirements that all suppliers must fulfil. Our suppliers must implement and maintain an environmental management system or similar to minimise environmental risks. They must also take the necessary measures to minimise the negative impact on the environment throughout the value chain. This includes minimising pollution, promoting the sustainable use of energy and water, and minimising greenhouse gas emissions throughout the value chain. To ensure compliance with all these requirements, all factories are inspected by the local environmental protection authority. We have also determined how to handle chemicals when they are used in production. All chemicals must be handled, stored, and used with knowledge and care in accordance with documented processes. We require all our suppliers to maintain a list of the chemicals used in production, including the names of the chemicals, the area of use, and a reference to the safety data sheet. To ensure workplace safety, all suppliers must also provide training and protective equipment to all employees who handle chemicals or perform any other type of work where the use of protective equipment is recommended.



POSTERS

At Desenio Group, the sustainability of our products is very important to us. We are proud of the craftsmanship and expertise behind the production of our products. We are also proud to be certified by the Forest Stewardship Council® (FSC®). We offer a wide range of posters with modern and stylish designs. Our posters include unique motifs designed exclusively for Desenio Group by our own design studio, as well as popular posters from acclaimed artists and photographers. All our posters (except for a few hand-picked designs) are printed on a premium uncoated paper weighing 200g/m². The paper has a matt surface free of reflections, giving a sense of quality. Our paper is also age-resistant. The paper is produced in Sweden, and the pulp, paper mill and finished paper are all FSC® certified. This

OBJECTIVES 2022

- 1 FSC® certification:***ensures that the majority of our wood-based products from Desenio Group brands are FSC® certified.*
- 2 Inbound air shipping:***to be used as an alternative shipping method only when other shipping methods are unsuitable or unavailable. A maximum of 5% of all inbound deliveries.*
- 3 Outbound air shipping:***to be used as an alternative shipping method only when other shipping methods are unsuitable or unavailable. A maximum of 5% of all outbound deliveries.*
- 4 Packaging:***minimise the use of plastic-based packaging materials in both inbound and outbound deliveries.*

certification guarantees that the trees have been harvested in accordance with all applicable laws and regulations, and in accordance with the FSC organisation's strict requirements for social and environmental sustainability.

The majority of our posters are printed in Sweden, but in 2022 we also started a collaboration with a new printing company in the USA. This supplier provides customers with posters throughout North America, resulting in shorter lead times, reduced transport needs, and a minimised climate impact. We use different printers to achieve the best quality for each design, depending on whether it is a photograph, a graphic design, or a foil print. The printing companies that we work with use different types of ink depending on the printing method used, but the ink is always chosen taking into account all applicable EU regulations (including REACH). The ink is also 100% vegan. We are proud to say that we have very low levels of waste in our poster production, and that all waste is recycled into newspaper by the printers and paper mills we work with.

FRAMES

We offer elegant wooden and metal frames to suit all interior styles. We have everything from smaller frames that are great for photographs, to larger frames that can take centre stage on your walls. Our frames are made by hand by skilled craftsmen with extensive experience in frame making. All our metal and wood frames are FSC® certified, with a few exceptions, and come in eight different sizes. All frames come with transparent acrylic plexiglass, which is lightweight and shatterproof. All frames can be opened from the back using rotating metal clips, to easily mount posters without having to open sharp metal pins.

Our wooden frames are made from solid wood and come in black, white, oak, dark oak and pale wood. The wooden frames are produced in Europe and Asia. The oak frames are made from untreated solid oak. In 2022 we also launched a new product in this segment, our dark oak frames. These frames are partly made from waste material from our other oak frames, resulting in reduced waste and improved utilisation of raw materials. The dark oak frames are stained with a semi-transparent lacquer to achieve a dark and dusky design. The black and white wooden frames are made from tulip trees and then painted. Our pale wood frames are made from maple that is treated with a transparent colour for a natural finish. Our metal frames are available in the colours black, gold, silver and copper. They are produced in Europe and made of aluminium with a thin and elegant profile. The metal frames in gold, silver and copper have a glossy finish while the black metal frame is matt. In 2022, we also launched our new canvas frames. They are made from high quality solid pine and covered with a cotton canvas. These frames are an elegant addition to our range of wall decor.

ACCESSORIES

We offer a range of accessories to add that extra touch to your posters: from mounts to hanging solutions such as hooks, clips, poster hangers and washi tape, to picture ledges. All our passepartouts, poster hangers and picture frames are FSC® certified. Our high-quality mounts are made in Sweden. With these, you can frame and accentuate a design and add an exclusive feel. Available in black and white, they are true to colour throughout, with the black having a black core and the white a white one. Our white mount has the exact same colour shade as the paper we use to print our posters. Our mounts, like our posters, are also acid-free.

OUR DISTRIBUTION

We mainly use road and sea transport for our incoming deliveries from the factories to our warehouses. We only use air shipping in exceptional cases for smaller orders where road or sea transport is not possible due to low order volumes. Lorries and boats are always our preferred option. All incoming deliveries within Europe are distributed by lorries. During the first three quarters of 2022, all products were distributed from our two warehouses in Stockholm, Sweden and Bor, Czech Republic. Since September 2022, we have also established a third logistics centre in Ohio, USA. This warehouse enables significantly shorter lead times and reduced transportation distance for all customers in North America, resulting in a lower environmental impact through less use of air shipping. For deliveries from all three warehouses, we work with a large number of shipping companies to cover the 35 markets we operate in. As with inbound shipments, we treat air shipping as an option to be used only when other transportation methods are inappropriate or unavailable for the type of shipment or destination.

In 2022, Desenio Group partnered with Amazon to offer direct delivery to customers in the UK, Germany and the US. This is an important step in broadening our customer base while minimising the climate impact of our distribution by allocating products to warehouses located close to our customers. This solution allows us to minimise the need for

air shipping and instead opt for more sustainable delivery methods, while maintaining short lead times and a positive shopping experience for our customers.

We use several different packaging options to ensure that we have the optimal packaging for each product category. Based on the product category and product mix of each order, we use different packaging options to minimise the amount of air in each package without compromising the quality of our products.





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

OUR COMMITMENT

FOREST STEWARDSHIP COUNCIL® (FSC®)

We have been certified according to the Forest Stewardship Council (FSC) Chain of Custody since 2019 – a logical step in the journey towards our sustainability goals. FSC is a non-profit organisation that sets high standards to ensure that forest management is carried out in an environmentally responsible and socially beneficial way. In 2021, we expanded our certificate from single-site to multi-site, allowing us to include all Desenio Group subsidiaries and deliver certified products to the 35 markets in which we operate.

Being certified by FSC means that we fulfil the high standards defined by FSC in the field of sustainable and socially beneficial forestry. It also guarantees that the materials we use in the production of our products come from sustainable, FSC-certified forests. FSC has a strong focus on safeguarding workers' rights by integrating core labour standards into its system. These labour standards include the effective abolition of child labour, the elimination of all forms of forced labour, the elimination of discrimination in relation to employment and occupation, respect for freedom of association, and the effective recognition of the right to collective bargaining. In addition, FSC's work also contributes to achieving 40 different targets under 14 distinct Sustainable Development Goals (SDGs). FSC contributes to achieving sustainable forest management worldwide, which is one of the goals of SDG 15 (Life on Land). This broad focus on environmental, social and economic factors in the FSC principles also contributes to meeting the Sustainable Development Goals which focus on poverty, gender equality, natural resources, production and consumption patterns, decent work, climate change, inclusive and responsible communities, and global partnerships.

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

BLUE MARINE FOUNDATION

Desenio Group partners with the Blue Marine Foundation (BLUE) to support their mission to protect the world's oceans. As a charity, BLUE makes a difference by creating marine reserves, establishing sustainable fishing practices and restoring vital marine environments. Marine protected areas and sustainable fishing practices will not only heal the sea – they will also change our future. BLUE works tirelessly to raise awareness of these issues and to influence decision-makers. Through our collection of posters, Art for Oceans, we want to help BLUE draw attention to the ongoing crisis in the world's oceans and support a solution that preserves life and beauty below the surface.

VI-SKOGEN

At Desenio Group, we care about the environment. To minimise our carbon footprint, we have been a proud supporter of Vi-skogen since 2017. Vi-skogen was founded in 1983, and has since planted over 140 million trees with the aim of fighting poverty and helping families to provide for their own living expenses. By planting trees in Kenya, Uganda and Tanzania, Vi-skogen is working to combat the impacts of both climate change and poverty in these areas. Agroforestry is at the heart of their business, which involves planting trees alongside other crops in areas where livestock graze to create a balanced ecosystem that contributes to greater biodiversity and is more resilient to climate change. 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. In 2022, our contribution to Vi-skogen resulted in the planting of 11,532 trees that contribute to both carbon offsetting and social benefits. Since the beginning of our partnership, we have planted more than 47,000 trees.

PLAN INTERNATIONAL

To mark International Women's Day on 8 March 2022, Desenio Group partnered with Plan International to celebrate artistic expression as a form of empowerment and freedom – a freedom that not all women have. To highlight this topic, Desenio Group has collaborated with five talented female artists to create our The Women's Week Collection. The collection consists of 10 posters created exclusively for Desenio Group. The aim of the collection was to celebrate talented female artists around the world, while also contributing to a good cause as 20% of the proceeds from the collection are donated to Plan International. Plan International is a non-profit children's rights organisation fighting for children's rights and equality for girls. The organisation



operates in over 75 countries and represents children with the aim of strengthening their rights. Given that the world is not an equal place, Plan International has a specific focus on gender equality and girls' rights.

BREAST CANCER AWARENESS MONTH

To mark Breast Cancer Awareness Month in October 2022, Desenio Group chose to partner with CoppaFeel!, a British charity that promotes the early detection of breast cancer by encouraging young women to know their normal. We asked the artists in our own design studio to interpret what it means to be a woman, resulting in the Feel Yourself collection. The collection features a fine mix of different art forms such as typography, figurative art and abstract paintings. The aim of the collection was for Desenio Group together with CoppaFeel! to encourage all women to feel and check their bodies and detect any changes early on. During Breast Cancer Awareness Month, we donated 10% of the proceeds from the collection to CoppaFeel!



RISK MANAGEMENT

Our world is constantly changing, and the conditions and climate for businesses worldwide are heavily influenced by economic uncertainty, armed conflicts, and the effects of climate change. The importance of climate adaptation is growing, and will affect the daily operations of all businesses and even entire communities in the future. Sustainability as a field is becoming increasingly complex for companies to navigate, resulting in an increased need to conduct regular risk analyses. Risk management is an important aspect of our sustainability work, and is incorporated into everything we do. As an e-commerce company with a complex value chain, we work with many different external partners in areas such as purchasing, production and distribution. With this in mind, we conducted a risk analysis of our operations and value chain to identify and address risk areas.

In conducting our risk analysis for 2022, we focused on social and environmental sustainability. Within these two areas, we identified a number of risks that we consider relevant for Desenio Group's sustainability work in 2022 and beyond. The main risks identified within our organisation and extended value chain are presented below. We are mindful of the fact that despite these efforts, unforeseen events can still occur, and we are therefore constantly working to improve our risk management processes to minimise risks and ensure a proactive approach.

FSC®-CERTIFICATION

As an FSC® certified company, we must carefully follow and respect the requirements of the FSC standard applicable to our certificate. These requirements are often more stringent than the legal requirements. To minimise the risk of non-compliance with our FSC® certification, we have created a comprehensive mapping of all the processes involved in this certification. These processes are carried

out regularly according to a pre-determined schedule, and all process descriptions are regularly updated to ensure that they always contain accurate information. Within the scope of these processes, we provide regular training for employees involved in working with FSC. We also undergo an annual independent audit where all processes and documentation are thoroughly checked and approved by the FSC organisation. Through these actions, we believe that Desenio Group is successfully managing the requirements that come with our FSC certification.

LAWS AND REGULATIONS

Within our organisation, the risks related to non-compliance with laws and regulations are mainly linked to our internal social and environmental sustainability processes and the complexity of our global operations due to differences in local laws in various. As we have a market presence in 35 different markets around the world, with varying scope and levels of sustainability legislation, we recognise that there is a risk of non-compliance with local legislation in areas such as our value chain, producer responsibility and sustainability reporting. To ensure that we work in accordance with all local laws and regulations, we carefully examine all local laws before entering a new market. For markets where we have already established our operations, we conduct regular business intelligence to ensure that we comply with any new laws and regulations in the area of sustainability.

New laws and regulations on sustainability are now being produced and published at a rapid pace, in Sweden as well as internationally. We have identified stricter requirements in sustainable supply chains, for example through the new EU Corporate Sustainability Due Diligence Directive. These changes are highly relevant to the daily operations of the Desenio Group. We also closely follow updates on sustain-



ability reporting and producer responsibility. As a result, we see an increased need for social compliance resources and expertise to enable and ensure compliance with new and updated laws and regulations in this area. Thanks to these measures, we believe that the risk of non-compliance is low and that Desenio Group is well prepared to deal with future changes in this area.

VALUE CHAIN

Within our value chain, we consider non-compliance with our Supplier Code of Conduct to be the biggest risk. This mainly relates to human rights, the wellbeing and safety of the factory workers employed by our suppliers, anti-corruption, and the general ethical business behaviour of our partners. This includes all ten areas previously presented in our Supplier Code of Conduct, such as issues related to child labour, corruption, working hours and living wages.

As an online retailer with a complex value chain, we work with factories located in different parts of the world. As a result, it can be challenging to keep abreast of the differences between different countries' laws and regulations. We always need to ensure compliance with local laws, but in cases where the requirements of local laws are lower than the requirements of our Code of Conduct, we must also ensure that our suppliers fulfil all the requirements of our Code of Conduct. This means it is very important that

we carefully examine and evaluate these risks. Our social audit programme allows us to do just that. All of our suppliers in high-risk countries are required to carry out annual independent social audits. These audits include a review of all areas of our Code of Conduct and an assessment of the factory's status in each area. This provides us with the information we need to identify potential problems and quickly correct any deviations from our Code of Conduct. Through these efforts, we are confident that Desenio Group will continue to contribute to a more sustainable future by working to achieve our goals and actively making decisions with sustainability in mind.



FINANCIAL REPORTS

ADMINISTRATION REPORT	38
OPERATIONAL OVERVIEW	38
MULTI-YEAR REVIEW	40
SHARES	41
ALTERNATIVE KEY PERFORMANCE INDICATORS	44
INFORMATION ON RISKS AND UNCERTAINTY FACTORS	45
CORPORATE GOVERNANCE REPORT	48
CORPORATE GOVERNANCE	48
FINANCIAL REPORTS	54
THE GROUP	54
THE PARENT	58
NOTES TO THE FINANCIAL REPORTS	62
APPROVAL OF THE FINANCIAL REPORTS	94
AUDIT REPORT	95
PRELIMINARY FINANCIAL CALENDAR AND ANNUAL GENERAL MEETING	99
DEFINITION A OF KEY PERFORMANCE INDICATORS	100



ADMINISTRATION REPORT

Desenio is the leading e-commerce company in affordable wall art in Europe, and aims to become the leading company 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. 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 177 (198), with the majority based in Stockholm. The proportion of women was 81 (79) percent.

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

Net sales for the financial year decreased by 21.4% to SEK 964.9 (1,227.2) million.

The gross margin for the financial year increased to 84.0% (82.2%), driven by price increases, stable procurement prices, lower freight costs and currency effects. Operating profit (EBIT) for the year amounted to SEK 52.8 (143.0) million. Adjusted EBITA for the year amounted to SEK 101.9 (201.5) million and the adjusted EBITA margin was 10.6% (16.4%). This change is explained by lower net sales and costs being lower in absolute terms but higher in relation to net sales. As a percentage of net sales, marketing costs were 23.5% last year and 28.0% (excluding the amortisa-

SIGNIFICANT EVENTS 2022

- 1 The logistics centre for North America opened at the end of September.
- 2 A cost-cutting programme was implemented in June and 45 employees, representing 27% of the workforce, were given a notice of termination. The cost-cutting programme was implemented due to high short-term uncertainty about online demand, and to ensure profitability.

tion of the Poster Store customer database) in the current period. Items affecting comparability totalled SEK 13.2 (23.2) million related to the warehouse move in quarter one 2022 and redundancies in quarter two 2022 as well as costs for the listing process in quarters one to four 2021, which have been deducted from the adjusted EBITA.

Equity as at 31 December 2022 totalled SEK 238.5 million, compared with SEK 260.7 million at the start of the financial year. Cash and cash equivalents as at 31 December 2022 totalled SEK 155.7 million compared with SEK 162.2 million at the start of the financial year. Net debt amounted to SEK 999.0 million as at 31 December 2022 compared



to 978.2 at the start of the financial year. 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. The bond has no ongoing covenants, except when new debt is raised and, for example, in the event of share dividends.

INVESTMENTS AND CASH FLOW

The cash flow from operating activities amounted to SEK 25.0 (26.3) million. Tax paid of SEK -26.8 million relates to the payment of the remaining parts of corporate taxes for the income year 2020 totalling SEK -37.5 million, paid preliminary taxes for the income year 2022 totalling SEK -13 million and a refund of SEK 22.6 million for the income year 2021. Cash flow from changes in working capital was SEK 0.8 (-72.2) million, inventory decreased by SEK 17.3 million during the period and changes in current receivables/liabilities reduced cash flow by a net SEK 16.5 million.

Net investments in property, plant and equipment during the financial year amounted to SEK 13.9 (7.5) million related to equipment in the warehouse buildings in the Czech Republic and the USA. Investments in lease assets of SEK 0.9 million relate to a payment in the first quarter for the early termination of a lease agreement. Investments in intangible assets totalled SEK 3.1 (0) million, which consisted largely of investments in websites and business systems. The previous year's investments related to the lease agreement for the warehouse building in the Czech Republic amounting to SEK 51.0 million and an office space costing SEK 8.1 million.

ENVIRONMENTAL INFORMATION AND SUSTAINABILITY REPORT

A Sustainability Report has been prepared and may be found on pages 14-35 of this Annual Report. Desenio does not carry on any notifiable/licensable operations.

EXPECTATIONS IN RESPECT OF FUTURE DEVELOPMENT

The uncertainty experienced in 2022 will continue in 2023 as a result of rising interest rates, inflation and the ongoing war in close proximity to Sweden. However, Desenio is standing strong thanks to a market-leading position where we are gradually broadening our range. The combination of our efficient operations, highly motivated employees and a cost level that is balanced in relation to current sales levels makes the company well equipped for growth.

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 brought forward	409,966,858
Net profit for the year	3,437,466
Total	413,404,324

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

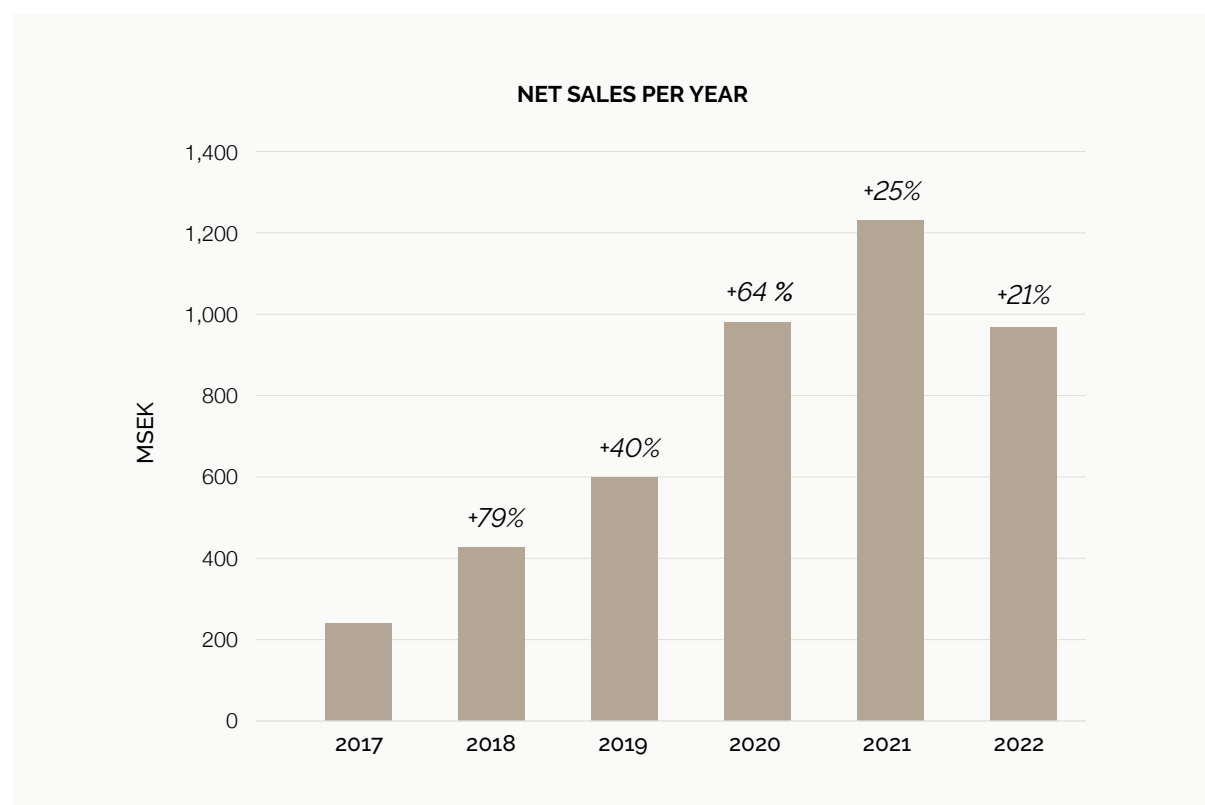
Dividend (SEK 0 per share)	0
Carried forward	413,404,324
Total	413,404,324

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

KEY PERFORMANCE INDICATORS 4 YEARS

MSEK	2022	2021	2020	2019
Net sales	964.9	1,227.2	978.5	596.5
Gross profit	810.5	1,008.2	827.4	397.3
Gross profit margin, %	84.0 %	82.2 %	84.6 %	66.6 %
Operating profit (EBIT)	52.8	143.0	247.2	112.3
Operating margin, %	5.5 %	11.7 %	25.3 %	18.8 %
Adjusted operating profit*	66.0	166.2	260.3	112.3
Adjusted operating margin, %*	6.8 %	13.5 %	26.6 %	18.8 %
Adjusted operating profit before amortisation of intangible assets	101.9	201.5	261.6	112.4
Adjusted operating profit before amortisation of intangible assets margin, %*	10.6 %	16.4 %	26.7 %	18.8 %
Earnings per share	-0.15	0.40	1.28	0.61
Cash flow from operating activities	25.0	26.3	279.7	142.2
Investments*	17.1	60.7	7.3	6.1
Net debt*	999.0	978.2	434.8	-63.5
Number of visits, '000	75,577	104,636	84,524	51,018
Number of orders '000	1,891	2,520	1,966	1,299
Average order value, SEK	526	498	502	485
Number of active customers, '000	3,312	3,777	2,301	1,673

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

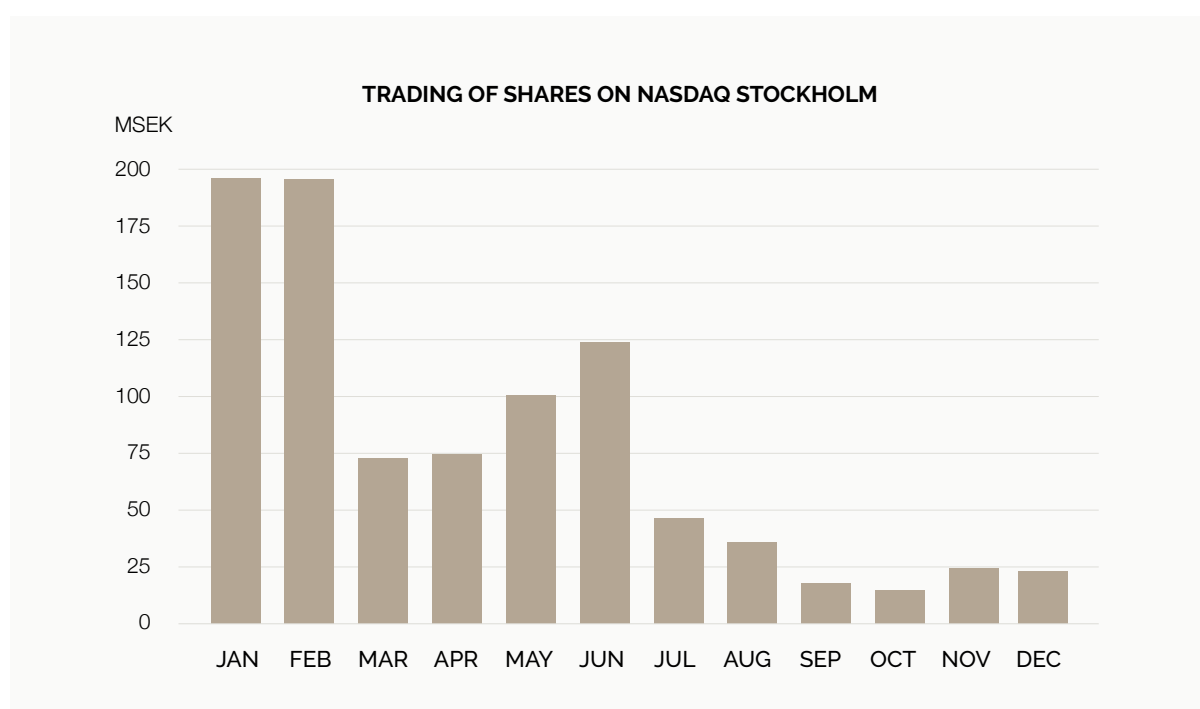
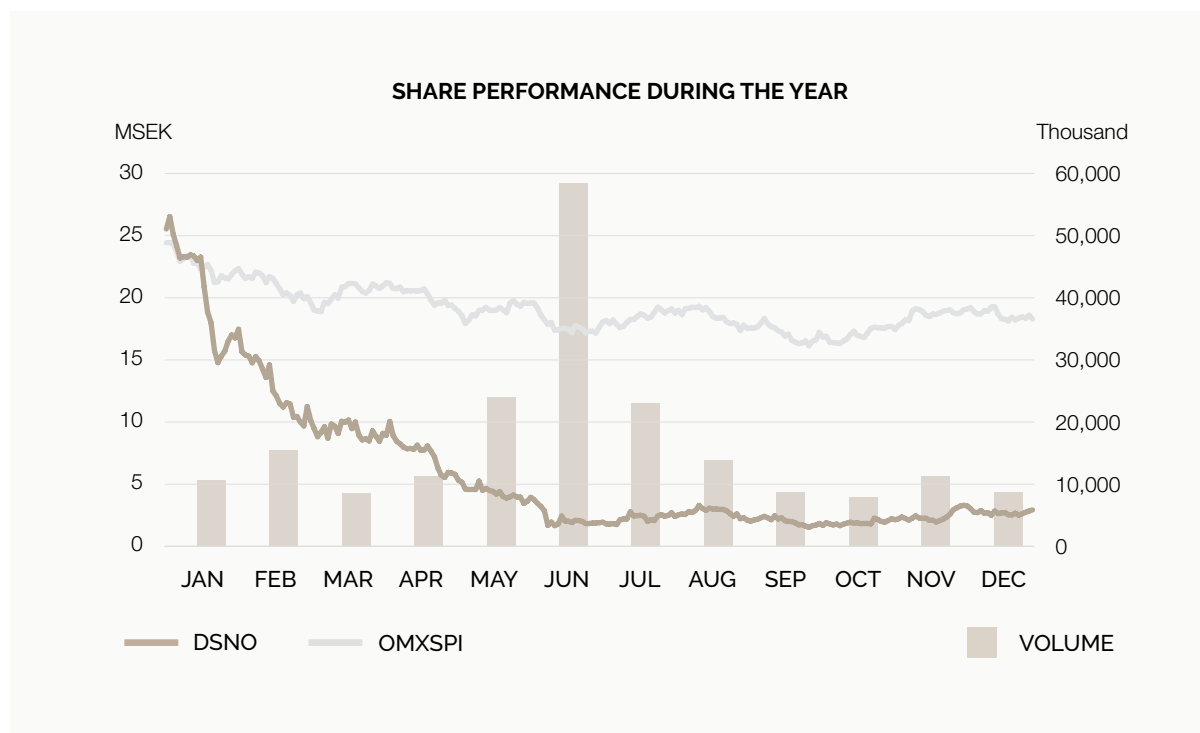


THE SHARE

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 2022, the Desenio Group had 3,489 shareholders, of which the largest were Verdane (25.2%), MBHB Holding AB (9.9%), and Hars Holding AB (9.5%).

SHARE PRICE PERFORMANCE AND TRADING

On the last trading day of the year, the share price was SEK 2.92. The highest closing price, SEK 26.54, was recorded in January, and the lowest closing price, SEK 1.52 was recorded in September. 200,885,118 shares were traded during the year.



THE COMPANY'S LARGEST SHAREHOLDERS 31 DECEMBER 2022

Shareholder	Shareholding	Capital	Votes
Verdane Capital	37,546,878	25.2 %	25.2 %
MBHB Holding AB	14,779,758	9.9 %	9.9 %
Hars Holding AB (Alexander Hars)	14,188,500	9.5 %	9.5 %
Fredrik Palm	9,708,445	6.5 %	6.5 %
Ferd AS	6,261,400	4.2 %	4.2 %
Nordnet Pensionsförsäkring	4,959,270	3.3 %	3.3 %
Pär Josefsson privately and via companies	3,530,198	2.4 %	2.4 %
Fidelity International (FIL)	3,114,460	2.1 %	2.1 %
Avanza Pension	2,912,341	2.0 %	2.0 %
Klas Bengtsson	2,760,000	1.9 %	1.9 %
Total 10 largest	99,761,250	66.9 %	66.9 %
Other	49,321,260	33.1 %	33.1 %
Total	149,082,510	100.0 %	100.0 %

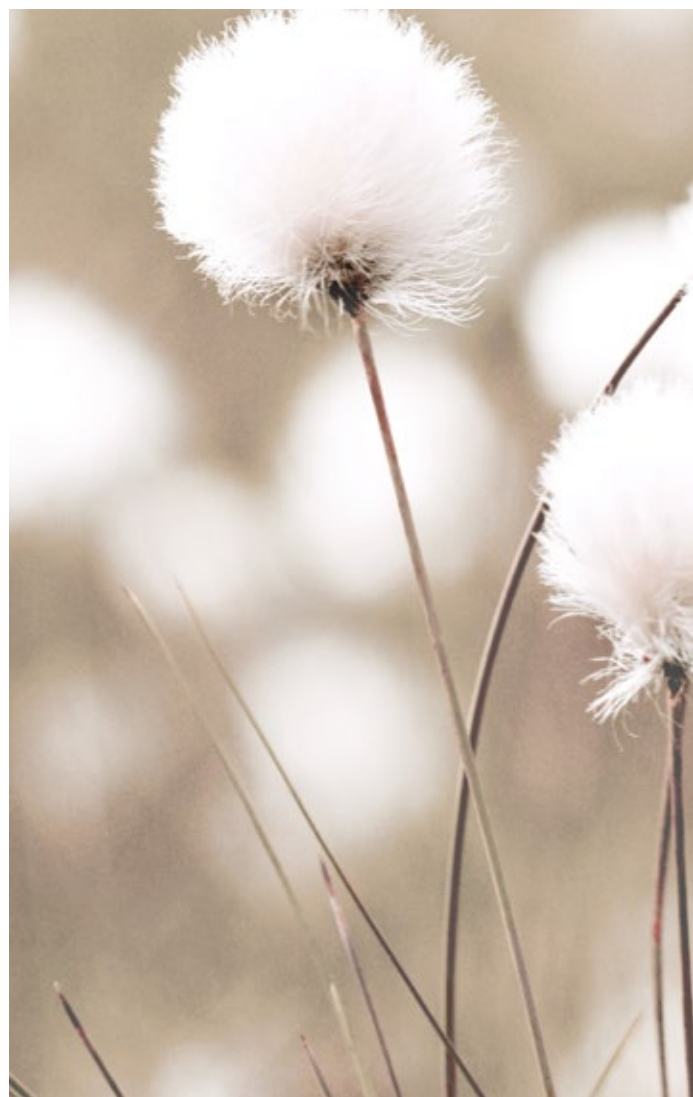
DIVIDEND

The Board proposes that no dividend be distributed for financial year 2022.

SHARES AND SHARE CAPITAL

The Company's registered share capital as at 31 December 2022 amounted to SEK 532,437.54, divided over 149,082,510 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.

Warrants were exercised in 2022 under the long-term incentive programme 2017/2022. All outstanding warrants were exercised, resulting in 4,971,400 new shares and votes. 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, entered into a corresponding undertaking for a period of 24 months from the first trading day on Nasdaq First North Growth Market. In total, lock-up agreements entered into cover around 63 percent of the shares and votes in the Company on 25 February 2021 which was the date on which the shares were first traded on Nasdaq First North Growth Market.

ANALYSTS WHO FOLLOW DESENIIO

ABG Sundal Collier, Benjamin Wahlstedt
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 calculat-

ed 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	2022	2021	2020	2019
Operating profit (EBIT)	52.8	143.0	247.2	112.3
Items affecting comparability	13.2	23.2	13.1	0.0
Adjusted operating profit	66.0	166.2	260.3	112.3
Operating profit	52.8	143.0	247.2	112.3
Amortisation of intangible assets	35.9	35.3	1.3	0.1
Operating profit before amortisation (EBITA)	88.7	178.3	248.5	112.4
Items affecting comparability	13.2	23.2	13.1	0.0
Adjusted operating profit before amortisation of intangible assets	101.9	201.5	261.6	112.4
Operating profit	52.8	143.0	247.2	112.3
Amortisation of customer data	35.9	35.3	1.3	0.1
Operating profit before amortisation	88.7	178.3	248.5	112.4
Depreciation/amortisation	19.7	2.1	1.2	0.9
Operating profit before depreciation/amortisation (EBITDA)	108.4	180.4	249.7	113.3
Items affecting comparability	13.2	23.2	13.1	0.0
Adjusted operating profit before depreciation/amortisation	121.6	203.6	262.8	113.3
Non-current interest-bearing liabilities	1,083.0	1,074.3	1,065.5	43.3
Non-current lease liabilities	52.1	51.4	11.4	16.3
Current lease liabilities	19.6	14.7	5.2	5.3
Cash and cash equivalents	-155.7	-162.2	-647.4	-128.5
Net debt (+) / Net cash (-)	999.0	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 in 2022 included the warehouse move (SEK 2.5 million) and redundancies (SEK 10.8 million), transaction costs for the listing process in 2021 (SEK 23.0 million), and warehouse move costs (SEK 8.7 million) and transaction costs (SEK

4.4 million) in 2020. Adjusted operating profit before amortisation of intangible assets. 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 Junique, 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 un-registered 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

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 second 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.

GENERAL MEETINGS DURING THE YEAR

The Annual General Meeting held on 12 May 2022 resolved to adopt the Annual Report, the Consolidated Financial Statements, to appropriate the net profit for the year in accordance with the Board of Directors' 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 decided on guidelines for appointing members of the Nominations Committee and the Nominations Committee's tasks. The Annual General Meeting further resolved on the customary recalculation and subsequent change of terms of the incentive programmes for 2017/2022 and 2018/2023. The Annual General Meeting resolved on an incentive programme 2022/2025 for employees in accordance with the Board's proposal and to authorise the Board to decide on a new share issue.

Desenio's Annual General Meeting 2023 will be held on Thursday, 25 May 2023. For further information, see the Company's website, www.deseniogroup.com.



NOMINATIONS COMMITTEE

The Nominations Committee represents the shareholders. The Nominations Committee's task is to prepare and submit proposals for resolutions to be voted on by shareholders at the Annual General Meeting. The proposals concern the number and election of Board Members, the Chair of the Board, the remuneration of the Board and its committees, the election and remuneration of the auditors and, where appropriate, the process and criteria for appointing the members of the Nominations Committee.

The Annual General Meeting decides on the rules for the appointment and work of the Nominations Committee. The Company shall have a Nominations Committee consisting of members appointed by each of the three largest shareholders in terms of votes and the Chair of the Board of Directors. When forming the Nominations Committee, the ownership structure of the Company, based on information from Euroclear Sweden AB on the last business day in August and other reliable ownership information provided to the Company at that time, shall determine which are the three largest shareholders in terms of votes. The majority of the Nominations Committee's members shall be independent in relation to the Company and its management. The Chief Executive Officer or any other member of the Executive Management Team shall not be a member of the Nominations Committee. At least one of the members of the Nominations Committee shall be independent in relation to the largest shareholder or group of shareholders in the Company in terms of voting rights. Members of the Board of Directors may be members of the Nominations Committee, but may not constitute a majority of its members. If more than one Board Member is on the Nominations Committee, no more than one of them may be dependent in relation to the Company's major shareholders.

The Chair of the Company's Board of Directors shall convene the first meeting and shall ensure that the Nominations Committee promptly receives the relevant information regarding the results of the Board's evaluation of its work. Such information shall be provided in October at the latest and shall include information on the working methods of the Board and the effectiveness of its work, etc. The members of the Nominations Committee shall not receive any remuneration from the Company.

In accordance with the adopted instructions, a Nominations Committee for the Annual General Meeting 2023 has been constituted consisting of Chair Jacob Wiström appointed by Ver dane Capital, Thomas Blomqvist appointed by MBHB Holding and Alexander Hars in his capacity as third largest owner and chairman of the board of Desenio Group.

THE BOARD OF DIRECTORS

The Board of Directors is the Company's second highest decision-making body after the General Meeting of Shareholders. The Board of Directors is appointed by the owners to be ultimately responsible for the organisation of the Company and the management of the Company's affairs in the best interests of the Company and its 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 three (3) and a maximum of seven (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 COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS 1 JANUARY – 31 DECEMBER 2022

Member of the Board	Board meetings	Audit Committee	Remuneration Committee
Alexander Hars	15/15		2/2
Cecilia Marlow	15/15	4/4	2/2
Jakob Tolleryd	11/15		
Martin Blomqvist	13/15		
Max Carlsén	15/15	4/4	
Nathalie du Preez	15/15		2/2
Sarah Kauss	13/15	2/4	

THE WORK OF THE BOARD OF DIRECTORS

During the financial year, 15 minuted meetings were held, of which 12 were ordinary meetings. Board meetings have a recurrent structure with structured main points. One consistent issue for the year was the Company's sales trends. 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. Four of the Board meetings were held in preparation for Interim Reports. The Extraordinary Board meetings dealt with issues and decisions related to the company's redundancies in June. 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 and the Chief Financial Officer attended Board meetings as rapporteurs. 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 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

The Chair ensures that the Board and its work is evaluated annually and that the results of the evaluation are passed

on to the Nominations Committee. The evaluation during the year was a self-assessment in which members responded in writing to questions on various topics related to the Board's work. 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 small number of areas which could be improved were identified, and these improvements will be rolled out over the course of 2023.

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 Committee held two meetings during the year. The Committee dealt with issues related to incentive programmes, remuneration for the CEO and Executive Management Team, and succession planning. The Head of HR at the Company acted as rapporteur on specific issues.

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 Chief Financial Officer and the Chief Executive Officer attended all meetings during the year and acted as rapporteurs. 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 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 work on the Company's Board of Directors, according to the resolution of the Annual General Meeting on 12 May 2022, a fee of SEK 400,000 is paid to the Chair of the Board of Directors, SEK 200,000 to Board Members who are not employed by the Company and do not represent major shareholders, an additional SEK 75,000 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 and an additional 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. It was also resolved in accordance with the major shareholders' proposal that Board Member Jakob Tolleryd receive retroactive board fees for the period from 1 October 2021 to 30 April 2022, amounting to SEK 116,667.

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 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. 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 Chief Executive Officer 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. The Board agreed with the Committee's recommendation.

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 2022 for the period until the close of the Annual General Meeting 2023. The auditor in charge is Mathias Arvidsson. Mathias Arvidsson is an Authorised Public Accountant and a member of FAR (FAR – the industry organisation for accounting, auditing and consulting).



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 December			
MSEK	Note	2022	2021
Net sales	2, 3	964.9	1,227.2
Cost of goods sold		-154.4	-219.0
Gross profit		810.5	1,008.2
Fulfilment costs		-287.0	-345.2
Marketing costs		-294.7	-321.9
Administration costs		-164.8	-196.9
Other operating income	4	8.0	16.8
Other operating costs	5	-19.2	-18.1
Operating profit	3, 6, 7, 8, 21, 24	52.8	143.0
Financial income		20.8	9.2
Financial expense		-88.1	-75.5
Net financial income/expense	9	-67.3	-66.3
Profit/loss before tax		-14.6	76.7
Tax	11	-7.8	-19.5
		-7.8	
Net profit/loss for the year		-22.3	57.2
Net profit for the year attributable to:		-22.3	
the Parent's shareholders		-22.3	57.2
Net profit/loss for the year		-22.3	57.2
Earnings per share	12		
before dilution (SEK)		-0.15	0.40
after dilution (SEK)		-0.15	0.38

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

1 January - 31 December			
MSEK	Note	2022	2021
Net profit/loss for the year	28	-22.3	57.2
		0.0	
Translation differences transferred to net profit for the year		0.2	0.0
Other comprehensive income		0.2	-
		-	
Other comprehensive income for the year		-22.1	57.2
Comprehensive income for the year		-22.1	57.2
Net profit for the year attributable to:			
the Parent's owners		-22.3	57.2
Comprehensive income for the year		-22.1	57.2

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

MSEK	Note	31 December 2022	31 December 2021
Assets	25, 26		
Goodwill	13	834.3	834.3
Brands	14	429.0	429.0
Other intangible assets	15	39.3	73.1
Equipment and fixtures and fittings	16	21.9	11.1
Right-of-use assets	26	65.9	64.9
Financial assets	24	7.2	6.8
Deferred tax assets	11	0.4	–
Total fixed assets		1,398.0	1,419.3
Inventories	17	74.0	91.3
Other receivables		9.3	19.7
Prepaid expenses and accrued income	18	11.2	11.2
Cash and cash equivalents	19	155.7	162.2
Total current assets		250.2	284.4
Total assets		1,648.2	1,703.7
Equity	20		
Share capital		0.5	0.5
Other contributed capital		296.1	296.1
Retained earnings including net profit for the year		-58.1	-35.9
Equity attributable to the Parent's shareholders		238.6	260.7
Total equity		238.6	260.7
Liabilities	6, 22		
Non-current interest-bearing liabilities	21, 24	1,083.0	1,074.3
Non-current lease liabilities	26	52.1	51.4
Deferred tax liabilities	11	95.0	101.6
Total non-current liabilities		1,230.0	1,227.3
Current lease liabilities	26	19.6	14.7
Accounts payable		55.1	76.0
Current tax liabilities	11	10.2	25.9
Other provisions		–	2.6
Other liabilities		52.7	47.5
Accrued expenses and deferred income	23	42.1	48.9
Total current liabilities		179.6	215.6
Total liabilities		1,409.6	1,443.0
Total equity and liabilities		1,648.2	1,703.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the Parent's shareholders					
MSEK	Share capital	Other contribut- ed capital	Translation reserve	Retained earnings includ- ing net profit for the year	Total
Opening equity 1 Jan 2021	0.5	–	–	185.7	186.2
COMPREHENSIVE INCOME FOR THE YEAR					
Net profit for the year	–	–	–	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
Opening equity 1 Jan 2022	0.5	296.0	–	-35.8	260.7
COMPREHENSIVE INCOME FOR THE YEAR					
Translation differences				0.2	0.2
Net profit/loss for the year				-22.3	-22.3
Comprehensive income for the year				-22.1	-22.1
TRANSACTIONS WITH THE GROUP'S OWNERS					
Total transactions with the Group's owners	–	–	–	–	–
Closing equity 31 Dec 2022	0.5	296.0	–	-57.9	238.6

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January - 31 December				
MSEK	Note	2022	2021	
	31			
OPERATING ACTIVITIES				
Profit/Loss after financial items		-14.6	76.7	
Adjustments for items not included in cash flow		65.9	46.8	
Income tax paid		-26.8	-25.0	
		24.5	98.5	
Increase(-)/Decrease(+) in inventories		17.3	-37.6	
Increase(-)/Decrease(+) in operating receivables		11.5	20.4	
Increase(+)/Decrease(-) in operating liabilities		-28.0	-55.0	
Cash flow from operating activities		25.3	26.3	
INVESTING ACTIVITIES				
Acquisition of property, plant, and equipment		-13.9	-66.6	
Acquisition of intangible assets		-3.1	0.0	
Investments in lease assets		-0.9	-	
Acquisition of subsidiaries/businesses, net effect on liquidity		-	-	
Acquisition of financial assets		-0.4	-1.0	
Cash flow from investing activities		-18.3	-67.6	
FINANCING ACTIVITIES				
Warrants		-	6.3	
Change in reserves		-1.8	-	
Amortisation of loans		-	-509.8	
New issue		-	296.0	
Amortisation of lease liability and interest		-11.4	48.8	
Dividend paid to Parent's shareholders		-	-285.1	
Cash flow from financing activities		-13.2	-443.8	
Cash flow for the year		-6.2	-485.1	
Cash and cash equivalents at the beginning of the year		161.9	647.0	
Cash and cash equivalents at year-end		155.7	161.9	

INCOME STATEMENT FOR THE PARENT

1 January - 31 December				
MSEK	Note	2022	2021	
Net sales	2	11.5	7.6	
Cost of goods sold		–	–	
Gross profit		11.5	7.6	
Fulfilment costs		–	–	
Marketing costs		–	-0.4	
Administration costs		-21.2	-39.9	
Other operating income		–	0.1	
Other operating costs		–	-0.2	
Operating profit	3, 6, 7, 8	-9.7	-32.8	
Profit/loss after financial items				
Interest income from Group companies		0.3	–	
Interest income and similar profit/loss items		7.5	0.1	
Interest expense and similar profit/loss items	9	-81.6	-68.2	
Profit/loss after financial items		-83.5	-100.9	
Appropriations	10	100.9	207.3	
Profit/loss before tax		17.4	106.4	
Tax	11	-14.0	-25.2	
Net profit/loss for the year		3.4	81.2	

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

1 January - 31 December				
MSEK	Note	2022	2021	
Net profit/loss for the year		3.4	81.2	
Other comprehensive income				
Other comprehensive income for the year			–	
Comprehensive income for the year		3.4	81.2	

BALANCE SHEET FOR THE PARENT

MSEK	Note	31 December 2022	31 December 2021
NON-CURRENT ASSETS			
Property, plant, and equipment		0.1	0.1
Financial assets			
Participations in Group companies	29	1,406.3	1,406.2
Total fixed assets		1,406.4	1,406.3
CURRENT ASSETS			
Current receivables			
Receivables from Group companies		110.8	79.4
Other receivables		0.4	3.6
Prepaid expenses and accrued income	18	0.7	0.6
Total current receivables		111.9	83.6
Cash and bank balances		9.5	17.6
Total current assets		121.4	101.2
Total assets		1,527.8	1,507.5
MSEK	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity	20		
Restricted equity			
Share capital		0.5	0.5
Non-restricted equity			
Profit/loss brought forward		410.0	328.8
Net profit/loss for the year		3.4	81.2
Total equity		413.9	410.5
NON-CURRENT LIABILITIES			
Bond loan	21, 24	1,083.0	1,074.3
Total non-current liabilities		1,083.0	1,074.3
CURRENT LIABILITIES			
Accounts payable		1.4	2.1
Liabilities to Group companies		14.1	9.5
Current tax liability		9.4	8.9
Accrued expenses and deferred income	23	6.0	2.3
Total current liabilities		30.9	22.8
Total equity and liabilities		1,527.8	1,507.5

STATEMENT OF CHANGES IN EQUITY FOR THE PARENT

	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	97.4	214.1	312.0
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	328.8	81.2	410.5

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Profit/loss brought forward	Net profit for the year	Total equity
Opening equity 1 Jan 2022	0.5	328.8	81.2	410.5
Comprehensive income for the year				
Net profit for the year			3.4	3.4
Translation differences	–	–	0.1	0.1
Comprehensive income for the year	–	–	3.5	3.5
Appropriation of profits		81.2	-81.2	
Closing equity 31 Dec 2022	0.5	409.9	3.5	413.9

STATEMENT OF CASH FLOWS FOR THE PARENT

1 January - 31 December			
MSEK	Note	2022	2021
OPERATING ACTIVITIES			
Profit/loss after financial items		-83.5	-100.9
Adjustments for items not included in cash flow		8.7	8.8
Income tax paid		-13.5	-26.1
		-88.3	-118.2
Increase(-)/Decrease(+) in operating receivables		-28.3	-75.3
Increase(+)/Decrease(-) in operating liabilities		7.5	-514.8
Cash flow from operating activities		-109.0	-708.3
INVESTING ACTIVITIES			
Acquisition of property, plant, and equipment		–	-0.1
Cash flow from investing activities		–	-0.1
FINANCING ACTIVITIES			
New issue		–	296.0
Share options exercised		–	6.3
Group contributions received		100.9	207.3
Borrowings		–	–
Dividend paid		–	-285.1
Cash flow from financing activities		100.9	224.5
Cash flow for the year		-8.1	-483.9
Cash and cash equivalents at the beginning of the year		17.7	501.6
Cash and cash equivalents at year-end		9.5	17.7

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 financial 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 03 May 2023. 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 25 May 2023.

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.

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. Desenio 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.

PENSION PLANS

All of Desenio's pension obligations are defined contribution 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

The terms used for the Parent are 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.

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 2022	31 December 2021
Other receivables		9.3	9.1

THE PARENT			
MSEK	Note	31 December 2022	31 December 2021
Intra-Group accounts receivable		2.7	3.9

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 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	2022	2021
Income from external customers		
Sweden	94.8	112.0
Germany	226.3	306.2
France	85.1	108.7
The Netherlands	52.7	74.9
Great Britain	112.3	175.7
Rest of Europe	322.6	396.0
USA	41.0	39.6
Rest of World	30.1	14.1
	964.9	1,227.2
Non-current assets		
Sweden	0.6	4.4
The Czech Republic	10.4	6.8
USA	4.3	–
Total	15.3	11.1

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.

NOTE 3 *Operating segments, cont.*

THE GROUP'S OPERATING SEGMENTS

	Nordics		Core Europe		Rest of Europe		Rest of World		Reconciling items		Total consolidated	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales	221.9	262.5	476.3	653.2	195.4	238.2	71.3	67.1	0	6.3	964.9	1,227.3
Cost of goods sold	-37.4	-48.9	-75.0	-117.8	-32.3	-44.2	-9.7	-8.1	0	0	-154.4	-219.0
Gross profit	184.5	213.6	401.3	535.4	163.1	194.0	61.7	59.0	0	6.3	810.5	1,008.3
Operating costs	-124.1	-111.3	-263.2	-357.3	-102.9	-147.1	-58.2	-43.0	-209.3	-206.5	-757.7	-865.2
Operating profit	60.4	102.3	138.1	178.1	60.2	46.9	3.5	16.0	-209.3	-200.2	52.8	143.1
Net financial income/expense	--	--	--	--	--	--	--	--	-67.3	-66.3	-67.3	-66.3
Profit/loss before tax	60.4	102.3	138.1	178.1	60.2	46.9	3.5	16.0	-276.6	-266.5	-14.6	76.8

*Reconciliation items refer to income and expenses that are group-wide and cannot be attributed to a specific segment.

NOTE 4 *Other operating income*

THE GROUP		
MSEK	2022	2021
Exchange rate gains on receivables/liabilities of an operating character	8.0	16.1
Other	--	0.7
Total	8.0	16.8

THE PARENT		
MSEK	2022	2021
Pass-through expenses	0.4	--
Total	0.4	--

NOTE 5 *Other operating costs*

THE GROUP		
MSEK	2022	2021
Exchange rate losses on receivables/liabilities of an operating character	-19.2	-18.0
Total	-19.2	-18.0

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

COST OF REMUNERATION TO EMPLOYEES

THE GROUP		
MSEK	2022	2021
Salaries and remuneration etc.	83.3	75.1
Pension costs, defined-contribution plans (see also Note 37)	5.5	5.2
Social security contributions	25.1	29.9
Total	114.0	110.3

	2022	Of whom men	2021	Of whom men
THE PARENT				
Sweden	3	67 %	1	100 %
Total Parent	3	67 %	1	100 %
SUBSIDIARIES				
Sweden	158	18 %	196	20 %
The Czech Republic	14	23 %	1	100 %
USA	2	25 %	–	–
Total in subsidiaries	174	18 %	197	21 %
Group total	177	19 %	198	21 %

GENDER DISTRIBUTION IN THE EXECUTIVE MANAGEMENT TEAM

	31 December 2022 Percentage of women	31 December 2021 Percentage of women
THE PARENT		
Board of directors	43 %	43 %
Other senior executives	43 %	43 %

	31 December 2022 Percentage of women	31 December 2021 Percentage of women
THE GROUP		
Board of directors	43 %	43 %
Other senior executives	43 %	43 %

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

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

THE PARENT	2022		
MSEK	Senior executives (1 person)	Other employees	Total
Wages, salaries and other benefits	5.3	–	5.3
(of which bonuses, etc.)	0.2	–	0.2
Social security expenses	3.1	–	3.1
(of which pension expenses)	1.2	–	1.2

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

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

THE GROUP	2022	2021
MSEK	Senior executives (6 persons)	Senior executives (6 persons)
Wages, salaries and other benefits	9.0	9.0
(of which bonuses, etc.)	0.3	0.4
Pension costs	1.8	1.7
Pension obligations	–	–

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

SALARIES AND OTHER BENEFITS TO SENIOR EXECUTIVES

THE PARENT					2022
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	0.1	–	–	0.1	0.2
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	–	–	–	0.2
Member of the Board					
SARAH KAUSS					
Remuneration from the Parent	0.2	–	–	–	0.2
Member of the Board					
CECILIA MARLOW					
Remuneration from the Parent	0.3	–	–	–	0.3
Chief Executive Officer					
FREDRIK PALM					
Remuneration from the Parent	2.6	0.2	0.6	0.0	3.4
Other senior managers					
Remuneration from the Parent	2.5	–	0.5	0.0	3.0
Remuneration from subsidiaries	3.6	0.1	0.6	0.0	4.2
Total	9.9	0.3	1.8	0.1	12.1
Remuneration from the Parent	6.4	0.2	1.2	0.1	7.8
Remuneration from subsidiaries	3.6	0.1	0.6	0.0	4.2

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
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.*

SHARE-RELATED PAYMENT

In June 2017, the Group launched a warrant programme which gives senior executives and other employees the right to acquire shares in the Company. In October 2018, June 2021 and June 2022, further allocations on similar terms were offered to these personnel groups. The programme gives the right to subscribe for one share at a pre-determined exercise price. The programme has a require-

ment 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	-	Acquired options at a fixed price which gave 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. The options were exercised in May 2022.
Allocation of share options to other employees, June 2017	-	
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	1,379,000	
Allocation of share options to senior executives, June 2021	208,300	Acquired options at a fixed price which give the right, in June–August 2025, to acquire the same number of shares as the holding of options. Specific employment requirement up until the redemption date. ISIN: SE0016275085
Allocation of share options to other employees, June 2021	259,050	
Allocation of share options to senior executives, June 2022	164,600	Acquired options at a fixed price which give the right, in June–September 2025, to acquire the same number of shares as the holding of options. Specific employment requirement up until the redemption date. ISIN: SE0018219859
Allocation of share options to other employees, June 2022	617,200	
Total outstanding equity-settled options as at 31 December 2022	2,628,150	
Total Group		
Total number of equity-settled options	2,628,150	
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 2022	Number of options 2022	Weighted average exercise price 2021	Number of options 2021	Weighted average exercise price 2020	Number of options 2020
Outstanding at the start of the period	9.47	6,855,200	1.51	6,482,000	1.56	6,566,000
Allocated during the period	12.59	786,200	118.40	472,300	-	-
Forfeited during the period	17.40	-41,850	7.71	-99,100	5.17	-84,000
Redeemed during the period	0.00357	-4,971,400	-	-	-	-
Matured during the period	-	-	-	-	-	-
Outstanding at the end of the period	28.19	2,628,150	9.47	6,855,200	1.51	6,482,000
Redeemable at the end of the period	-	-	-	-	-	-

Outstanding equity-settled options as at 31 December 2022 (2021) have an exercise price within the range SEK 6.46 to SEK 118.40 (SEK 0.003572 to SEK 118.40) and a weighted average remaining contractual term of 1.71 (0.93) years.

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

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

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	2022	2021	2022	2021
Fair value at the valuation date	0.08	13.55	0.08	13.55
Share price (expressed as weighted average share price)	4.57	93.55	4.57	93.55
Exercise price	12.59	118.40	12.59	118.40
Exercise price based on the volume-weighted share price of the measurement period.	200%	130 %	200 %	130 %
Expected volatility (expressed as weighted average volatility)	35 %	30 %	35 %	30 %
Term of the options (expressed as weighted average term)	3.33	4.31	3.33	4.31
Expected dividend	0.48	3.42	0.48	3.42
Risk-free interest rate (based on government bonds)	1.54 %	-0.11 %	1.54 %	-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 3.3 (4.3) years.

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

THE GROUP		
MSEK	2022	2021
KPMG AB		
Audit services	0.6	0.9
Audit operations over and above the audit assignment	0.5	–
Tax advice	–	0.1
Other assignments	0.9	4.1

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

THE PARENT		
MSEK	2022	2021
KPMG AB		
Audit services	0.4	0.4
Audit operations over and above the audit assignment	0.3	–
Other assignments	0.8	–

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	2022	2021
Goods for resale	-154.0	-219.0
Other external expenses	-619.2	-733.2
Personnel expenses	-114.0	-110.3
Depreciation/amortisation of property, plant and equipment and intangible assets.	-19.2	-18.1
Other operating costs	-5.7	-3.6
Total	-912.1	-1,084.2

THE PARENT		
MSEK	2022	2021
Personnel expenses	-11.8	-9.6
Other operating costs	-9.4	-30.9
Total	-21.2	-40.4

NOTE 9 *Net financial income/expense*

THE GROUP		
MSEK	2022	2021
Exchange gains	20.7	9.2
Other assets measured at amortised cost – interest income	0.1	–
Financial income	20.8	9.2
Liabilities valued at amortised cost – interest expense	-70.8	-59.3
Exchange losses	-7.0	-6.1
Costs of bond loan	-8.7	-8.7
Other financial expense	-1.6	-1.4
Financial expense	-88.1	-75.5
Net financial income/expense recognised in profit or loss	-67.3	-66.2

THE PARENT		
MSEK	2022	2021
INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS		
Exchange gains	7.5	–
Total	7.5	–
Interest expense bond loan	-70.8	-59.3
Costs of bond loan	-8.7	-8.7
Other	-2.1	-0.2
Total	-81.6	-68.2

NOTE 10 *Appropriations*

THE PARENT		
MSEK	2022	2021
Group contributions received	100.9	207.3
Total	100.9	207.3

NOTE 11 *Tax***RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME/STATEMENT OF PROFIT OR LOSS**

THE GROUP			
MSEK		2022	2021
Current tax expense (-)/tax income (+)			
Tax expense for the year		-14.8	-25.7
		-14.8	-25.7
Deferred tax expense (-) /tax income (+)			
Deferred tax in respect of temporary differences		7.0	6.3
		7.0	6.3
Total recognised tax expense in the Group		-7.8	-19.5

THE PARENT			
MSEK		2022	2021
Current tax expense (-)/tax income (+)			
Tax expense for the year		-14.0	-25.2
Total recognised tax expense in the Parent		-14.0	-25.2

RECONCILIATION OF EFFECTIVE TAX

THE GROUP					
MSEK				2022	2021
Profit/loss before tax				-14.6	76.7
Tax in accordance with current tax rates for the Parent	20.6 %			3.0	-15.8
Non-deductible expenses	-73.5 %			-10.7	-3.7
Recognised effective tax	-52.9 %			-7.7	-19.5
				25.4 %	

THE PARENT					
MSEK				2022	2021
Profit/loss before tax				17.4	106.4
Tax in accordance with current tax rates for the Parent	20.6 %			-3.6	-21.9
Non-deductible expenses	59.8 %			-10.4	-3.3
Recognised effective tax	80.4 %			-14.0	-25.2
				23.7 %	

NOTE 11 *Tax, cont.*
CHANGE IN DEFERRED TAX AND TEMPORARY DIFFERENCES AND LOSS CARRY-FORWARD

THE GROUP						
MSEK	Balance as at 1 Jan 2022	Recognised in profit or loss	Recognised in other comprehen- sive income	Recognised in equity	Acquisition/ Disposal of businesses	Balance as at 31 Dec 2022
Change in deferred tax and temporary differences and loss carry-forward	101.6	-7.0	-	-	-	94.6
Allocated during the period	-	-	-	-	-	-
	10.6	-7.0	-	-	-	94.6

THE GROUP						
MSEK	Balance as at 1 Jan 2021	Recognised in profit or loss	Recognised in other comprehen- sive 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

The nominal tax rate for Swedish limited liability companies is 20.6% for the years 2021 and 2022.

NOTE 12 *Earnings per share*
EARNINGS PER SHARE FOR TOTAL AND REMAINING OPERATION

AFTER DILUTION			BEFORE DILUTION		
MSEK	2022	2021	MSEK	2022	2021
Earnings per share	-0.15	0.38	Earnings per share	-0.15	0.40

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

MSEK	2022	2021
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	-22.3	57.2

The weighted average number of shares amounted to 147,107,759 (143,562,962), which was affected by the redemption of share option programmes in 2022.

MSEK	2022	2021
PROFIT ATTRIBUTABLE TO THE PARENT'S ORDINARY SHAREHOLDERS, AFTER DILUTION		
Net profit for the year attributable to the Parent's shareholders	-22.3	57.2

NOTE 12 *Earnings per share, cont.*

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES, AFTER DILUTION

IN THOUSANDS OF SHARES	2022	2021
Weighted average number of ordinary shares during the year, before dilution	147,108	143,563
Effect of options	–	6,224
Weighted average number of ordinary shares during the year, after dilution	147,108	149,787

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

During 2022, the Company had three outstanding share option programmes. The exercise price (SEK 6.46, 118.40 and 12.59 per share) exceeded the average price of ordinary shares during the year (SEK 5.94 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 prices the options will lead to dilution.

The Company has no other outstanding share option programmes in which the exercise prices are below the average price of the ordinary shares. No options have a diluting effect.

NOTE 13 *Goodwill*

THE GROUP		
MSEK	2022	2021
ACCUMULATED COST		
Opening balance	834.3	834.3
Business combinations	–	–
Closing balance	834.3	834.3

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	2022 Carrying amount	2021 Carrying amount
Desenio / Poster Store	834.3	834.3
Total	834.3	834.3

GOODWILL IN THE DESENI0 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. The Group consolidated the two businesses in 2021 and thus 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 15.3% (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	<p>The Company's potential addressable market, which is the global market for affordable wall art, is worth just over SEK 165 billion. The market had an annual growth of about five percentage points between 2015 and 2019, and is expected to continue to grow at approximately the same rate in the coming years. The online specialist segment, in which Desenio operates, is expected to grow at an annual rate of approximately 10 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.</p> <p>The development in Desenio's addressable market is driven by a number of factors and trends – the Company considers some of the most important to be: i) increased online penetration, ii) increased market share for specialised online retailers and iii) increased interest in affordable art in the form of posters and frames.</p> <p>The online market for affordable wall art has grown by an average of around 25 percent between 2015 and 2019. The growth has been largely driven by an increasing share of general household consumption taking place online, as well as a growing preference among consumers to buy affordable wall art online.</p> <p>Online penetration is expected to continue to increase from the current level of approximately 43%. This is driven by the fact that there is less need for physical evaluation before buying posters and frames, and that the importance of a wide and unique range with simple and efficient logistics is becoming increasingly important. In addition, the increased availability of these products, combined with a smooth shopping experience, are also factors driving the expected increase in online penetration. The market share of physical stores in the affordable wall art market is expected to decrease over time, driven by a growing number of new specialised online retailers, omnichannel retailers moving to pure online business models and the continued strong presence of online retailers in online marketplaces.</p> <p>Market penetration among specialised online retailers is currently relatively low but is expected to increase over time. The variety and depth of the companies' curated ranges has proven to be important purchasing criteria for affordable wall art. Customers show a strong preference for clear interfaces that help them explore large ranges, supporting the growth prospects of specialised online retailers.</p>
Discount rate	<p>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.</p> <p>The calculated recoverable amount is higher than the current market value of the Group, which justifies a specific risk premium. A company-specific risk premium of 6% (0%) has been added to account for the higher risk in the growth forecasts, geographical expansion, realisation of cost savings and forecast accuracy. With the company-specific risk premium, the discount rate is 15.3% (7.6%) before tax and 19.2% (9.6%) after tax compared to 11.3% (7.6%) before tax and 14.3% (9.6%) after tax without the added risk premium.</p>

The company-specific risk premium could increase to 6.5% (35.2%) before it results in the recoverable amount being lower than the carrying amount. The Executive Management Team judges that no reasonable changes in the other 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	2022	2021
Accumulated cost		
Opening balance	429.0	429.0
Business combinations	–	–
Closing balance	429.0	429.0

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 2022		31 December 2021	
MSEK	Capitalised development expenditure	Customer relationships	Capitalised development expenditure	Customer relationships
ACCUMULATED COST				
Opening balance	11.1	134.0	8.9	134.0
Other investments	2.1	–	2.2	–
Closing balance	13.2	134.0	11.1	134.0
Total closing balance		147.2		145.1
ACCUMULATED DEPRECIATION/AMORTISATION				
Opening balance	-3.4	-68.6	-1.3	-35.3
Business combinations	–	–	–	–
Depreciation/amortisation for the year	-2.6	-33.3	-2.1	-33.3
Closing balance	-6.0	-101.9	-3.4	-68.6
Total closing balance		-107.9		-72.0
Carrying amount	7.2	32.1	7.7	65.4
Total carrying amount		39.3		73.1

Customer relationships with a value of SEK 100 million were identified at the time of the acquisition of Poster Store Sverige AB in December 2020. This value is amortised on a straight-line basis over three years, until mid-December 2023, at a rate of SEK 33.3 million per year.

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

	2022		2021	
Marketing costs	–	-33.3	–	-33.2
Administration costs	-2.6	–	-2.1	–
Other operating costs	–	–	–	–
	-2.6	-33.3	-2.1	-33.2
Total depreciation/amortisation		-35.9		-35.3

NOTE 16 *Equipment and fixtures and fittings*

THE GROUP			
MSEK	31 December 2022	31 December 2021	
ACCUMULATED COST			
Opening balance	16.6	9.1	
Purchases	13.2	7.5	
Sales/retirements	-0.1	-	
Exchange rate differences for the year	0.8	-	
Closing balance	30.5	16.6	
ACCUMULATED DEPRECIATION/AMORTISATION AND IMPAIRMENTS			
Opening balance	-5.5	-3.9	
Depreciation/amortisation for the year	-3.1	-1.6	
Sales/retirements	-	-	
Closing balance	-8.6	-5.5	
Total closing balance	21.9	11.1	
ACCUMULATED COST			
	2022	2021	
Fulfilment costs	-1.9	-	
Administration costs	-1.2	-	
Other operating costs	-	-1.6	
Total depreciation/amortisation	-3.1	-1.6	

NOTE 17 *Inventories*

THE GROUP		
MSEK	31 December 2022	31 December 2021
Finished products and goods for resale	74.0	91.3
	74.0	91.3

The cost of goods sold for the Group includes reversal of impairment of inventory by 1.0 and an impairment of 3.5 in 2021.

NOTE 18 *Prepaid expenses and accrued income*

THE GROUP		
MSEK	31 December 2022	31 December 2021
Accrued income	4.5	-
Rent	3.0	2.4
Other prepaid expenses	3.7	8.8
	11.2	11.2

THE PARENT		
MSEK	31 December 2022	31 December 2021
Rent	-	0.5
Other prepaid expenses	0.7	0.1
	0.7	0.6

NOTE 19 *Cash and cash equivalents*

THE GROUP		
MSEK	31 December 2022	31 December 2021
Cash and cash equivalents consist of the following subcomponents:		
Cash and bank balances	155.7	162.2
Total in accordance with the statement of financial position	155.7	162.2

NOTE 20 *Equity*

THE GROUP		
MSEK	2022	2021
ORDINARY SHARES		
Issued as at 1 January	144,111,110	100,000
Utilised warrants	4,971,400	—
Set-off issue	—	4,111,110
Share split	—	139,900,000
Issued as at 31 December – paid	149,082,510	144,111,110
Share capital (SEK)	532,438	514,683
Share quota value (SEK)	0.003571	0.003571

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.

Warrants were exercised in 2022 under the long-term incentive programme 2017/2022. All outstanding warrants were exercised, resulting in 4,971,400 new shares and votes. 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 25 May 2023.

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 25.

THE GROUP		
MSEK	2022	2021
NON-CURRENT LIABILITIES		
Bond loan	1,083.0	1,074.3
Lease liabilities	52.1	51.4
Liabilities to credit institutions	–	–
Total	1,135.1	1,125.7
CURRENT LIABILITIES		
Liabilities to credit institutions	–	–
Current portion of lease liabilities	19.6	14.7
Total	19.6	14.7

THE PARENT		
MSEK	2022	2021
NON-CURRENT LIABILITIES		
Bond loan	1,083.0	1,074.3
Liabilities to credit institutions	–	–
Total	1,083.0	1,074.3
CURRENT LIABILITIES		
Liabilities to credit institutions	–	–
Total	–	–
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 is subject to conditions such as when raising new debt (indebtedness in relation to earnings must be less than 3.25 times) or dividends (indebtedness in relation to earnings must be less than 2.00 times). There are no other current covenants.

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	2022	2021
THE GROUP		
Costs of defined-contribution plans	5.5	5.2
THE PARENT		
Costs of defined-contribution plans	1.4	0.7

NOTE 23 *Accrued costs and deferred income*

MSEK	2022	2021
THE GROUP		
Holiday pay	9.3	11.2
Accrued interest expense	3.7	0.5
Accrued costs	29.1	37.2
	42.1	48.9
THE PARENT		
Holiday pay	1.3	1.0
Accrued interest expense	3.7	0.5
Accrued costs	1.0	0.8
	6.0	2.3

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	155.7	155.7	155.7
Liquidity reserve	1,955.7	1,255.7	855.7

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
2022								
Bond loan	SEK	1,100.0	1,100.0	–	–	–	1,100.0	–
Accounts payable		55.1	55.1	–	55.1	–	–	–
Lease liabilities		71.7	71.7	–	–	19.6	51.6	0.5
Total		1,226.7	1,226.8	–	55.1	19.6	1,151.6	0.5

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		66.1	66.1	–	–	14.7	45.4	6.0
Total		1,242.1	1,242.1	–	76.0	14.7	1,145.4	6.0

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 2022	2022	2023	2024	2025	2026
LIABILITY					
Bond loan	–	–	1,100.0	–	–
31 December 2021	2021	2022	2023	2024	2025
LIABILITY					
Bond loan	–	–	–	1,100.0	–

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 (+11) – given the interest-bearing assets and liabilities as at the end of the reporting period.

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	2022	2021
DKK	54.7	70.9
EUR	497.5	628.7
GBP	112.3	174.9
NOK	50.6	57.7
SEK	94.8	111.5
USD	41.0	39.4
Other	114.0	144.0
Total	964.9	1,227.2

NOTE 25 Financial risks and risk management, cont.

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 -87 million (SEK -111 million).

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	2022	2021
Adjusted operating profit before amortisation of int. assets (Adjusted EBITA)		
Adjusted EBITA is the operating profit before amortisation of intangible assets and items affecting comparability.	101.9	201.5

NET DEBT/EQUITY RATIO

MSEK	2022	2021
Financial liabilities	1,154.7	1,140.4
Minus cash and cash equivalents and short-term investments	-155.7	-162.2
Net debt (+) / Net cash (-)	999.0	978.2
Indebtedness in relation to profit or loss (number of times) (Net debt / Adjusted EBITA)	9.80	4.85

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	Equipment	Total
Depreciation/amortisation during the year	16.6	0.1	16.7
Closing balance 31 December 2022	65.8	0.1	65.9
Depreciation/amortisation during the year	11.9	0.1	12.0
Closing balance 31 December 2021	64.7	0.2	64.9

Additions to right-of-use assets during 2022 amounted to SEK 17.7 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.

NOTE 26 *Leases, cont.*
LEASE LIABILITIES

THE GROUP		
MSEK	2022	2021
Current lease liabilities	19.6	14.7
Non-current lease liabilities	52.1	51.4
Lease liabilities included in the statement of financial position	71.7	66.1

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	2022	2021
Amortisation of right-of-use assets	16.7	12.0
Interest on lease liabilities	1.0	0.6

**NON-CANCELLABLE LEASE
PAYMENTS AMOUNTED TO:**

THE PARENT		
MSEK	2022	2021
Within one year	2.0	1.8
Between one and five years	1.8	3.6
Longer than five years	–	–
	3.8	5.4

EXPENSED FEES AMOUNTED TO:

THE PARENT		
MSEK	2022	2021
Minimum lease fees	–	–
Variable fees	–	–
Lease costs	1.6	0.1
Total	1.6	0.1

**AMOUNTS RECOGNISED IN THE STATEMENT OF
CASH FLOWS**

THE GROUP		
MSEK	2022	2021
Total cash flows related to leases	11.4	10.3

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.

NOTE 26 *Leases, cont.***EXTENSION AND TERMINATION OPTIONS**

Desenio's leases for office premises consist primarily of non-cancellable periods of five to six years, which are extended by further periods of 3 years if Desenio has not given 9–12 months' notice of termination of the contract. For premises, 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 71.6 million.

OTHER LEASES

Desenio leases 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 2022	31 December 2021
Pledged assets		
Net assets	1,144.9	1,179.9
Total pledged assets	1,144.9	1,179.9
Contingent liabilities	None	None

THE PARENT		
MSEK	31 December 2022	31 December 2021
Pledged assets		
In the form of pledged assets for own liabilities and provisions		
Bond loan		
Pledged shares in Desenio AB	1,396.8	250.8
Pledged shares in Poster Store Sverige AB	9.4	1,155.4
Total pledged assets	1,406.2	1,406.2
Contingent liabilities /Indemnities	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	-22.3
Total	-22.3

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	2022	–	–	–	–	–
Other related parties	2021	–	0.1	–	–	–

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	2022	11.5	–	–	110.8	–14.1
Subsidiaries	2021	7.6	–	–	75.6	–9.5
Other related parties						
	2022	–	–	–	–	–
	2021	–	–	–	–	–

TRANSACTIONS WITH KEY INDIVIDUALS IN SENIOR POSITIONS

Members of the Board, the CEO and their family members control almost 27% 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 2022	31 December 2021
Desenio AB	Stockholm	Sweden	100 %	100 %
Poster Store Sverige AB	Stockholm	Sweden	100 %	100 %
DGFC s.r.o.	Prague	The Czech Republic	100 %	100 %
Desenio Group Inc.	Delaware	USA	100 %	100 %

THE PARENT		
MSEK	2022	2021
Accumulated cost		
At beginning of year	1,406.2	1,406.2
Purchases	0.1	0.0
Carrying amount 31 December	1406.3	1,406.2

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

Subsidiary / Corporate ID number / Registered office	Number of participations	Ownership in %	Carrying amount	
			31 December 2022	31 December 2021
Desenio AB, 556763-0693, Stockholm	1,000	100	1,396.8	250.8
Poster Store Sverige AB, 559047-8151, Stockholm	100	100	9.4	1,155.4
DGFC s.r.o., 10838325, Prague	100	100	0.0	0.0
Desenio Group Inc., 86-3387044, Delaware	100	100	0.1	–

During the financial year, surplus value of SEK 1.146 million in Poster Store Sverige AB was transferred to Desenio AB due to the transfer of Poster Store's operations to Desenio.

NOTE 31 *Specifications for the statement of cash flows*

CASH AND CASH EQUIVALENTS

MSEK	31 December 2022	31 December 2021
THE GROUP		
Cash and cash equivalents consist of the following subcomponents:		
Cash and bank balances	155.7	162.2
Total in accordance with the statement of financial position	155.7	162.2
THE PARENT		
Cash and cash equivalents consist of the following subcomponents:		
Cash and bank balances	9.5	17.6
Balance of Group account at the Parent	–	–
Total in accordance with the balance sheet	9.5	17.6

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

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	2022	2021
THE GROUP		
Dividend received	–	–
Interest received	0.1	–
Interest paid	79.5	66.2
THE PARENT		
Dividend received	–	–
Interest received	–	–
Interest paid	79.5	66.2

TRANSACTIONS WHICH DO NOT LEAD TO PAYMENTS

MSEK	2022	2021
THE GROUP		
Acquisition of asset through lease	17.7	59.1

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 2022	1074.3	66.1	–	1,140.4
Cash flows within financing activities				
Amortisation of lease liabilities	–	-11.5	–	-11.5
Other changes				
Additional lease liabilities	–	18.0	–	18.0
Capitalised loan expenses	8.7	–	–	8.7
Interest expense	–	-1.0	–	-1.0
Closing balance 2022	1,083.0	71.6		1,154.6
Opening balance 2021	1,065.5	16.7	–	1,082.2
Cash flows within financing activities				
Amortisation of lease liabilities	–	-9.7	–	-9.7
Other changes				
Additional lease liabilities	–	59.1	–	59.1
Capitalised loan expenses	8.8	–	–	8.8
Interest expense	–	–	–	–
Closing balance 2021	1,074.3	66.2	–	1,140.5

NOTE 31 *Specifications for the statement of cash flows cont.***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
<u>Opening balance 2022</u>	1,074.3	–	–	1,074.3
Other changes				
Capitalised loan expenses	8.7	–	–	8.7
Closing balance 2022	1,083.0			1,083.0
<u>Opening balance 2021</u>	1,065.5	–	–	1,065.5
Other changes				
Capitalised loan expenses	8.8	–	–	8.8
Closing balance 2021	1,074.3	–	–	1,074.3

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

No significant events have occurred after the end of the financial year that are expected to have a significant impact on Desenio's financial statements.

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 car-

ried 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 2022, 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 15.3 % before tax. The cash flows and growth rates used have been verified against actual outcomes.

The company-specific risk premium could increase to 6.5% before it results in the recoverable amount being lower than the carrying amount. The Executive Management Team judges that no reasonable changes in the other 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.

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 15.3 % before tax. The cash flows and growth rates used have been verified against actual outcomes.

The company-specific risk premium could increase to 6.5% before it results in the recoverable amount being lower than the carrying amount. The Executive Management Team judges that no reasonable changes in the other 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 visiting address for the head office is Maria Bangata 4a, 118 63 Stockholm, Sweden and the postal address is Box 11025, 100 61 Stockholm, Sweden.

The Consolidated Financial Statements for 2022 include the Parent and its subsidiaries, together designated the Group.

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 03 May 2023. 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 25 May 2023.

Stockholm, 3 May 2023

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 3 May 2023

KPMG AB
Mathias Arvidsson
Authorised Public Accountant



AUDIT REPORT

To the Annual General Meeting of Desenio Group AB (publ), 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 2022 with the exception of the Corporate Governance Report on pages 48–53 and the Sustainability Report on pages 17–34.

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 2022 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 2022 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 48–53 and the Sustainability Report on pages 17–34. 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.

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.

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 63 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 2022 amounted to SEK 964.9 (1,227.2) 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 65-66 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 2022, the Group recognised goodwill and brands totalling SEK 1,263 (1,263) million, which constitutes 77% 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 shares exceeds the equity of the respective Group company, the same type of test is carried out, using the same technique and input values, as for goodwill in the Group. The test must, according to current regulations, be carried out according to a technique in which the Company prepares future judgements of the internal and external conditions and plans for the business. 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 1-16 and 99-101. 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.

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.

cism 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 con-

trolling, 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 period. We must also inform the Board of any significant observations during audit, including any significant deficiencies we have identified in internal control.

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 unless laws or regulations preclude disclosure of the matter or when, in extremely rare cases, we judge that a matter should not be communicated in the Auditor's Report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest in such communication.

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 2022 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 48-53 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 recommendation 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 17-34 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, Box 11908, 404 39, Gothenburg, was appointed as Desenio Group AB (publ)'s auditor by the General Meeting of Shareholders held on 12 May 2022. KPMG AB or auditors affiliated with KPMG AB has been the Company's auditor since 2017.

Gothenburg, 3 May 2023

KPMG AB
MATHIAS ARVIDSSON
 Authorised Public Accountant

PROVISIONAL FINANCIAL CALENDAR

25 May 2023

Annual General Meeting

24 AUGUST 2023

Interim Report January - June 2023

26 OCTOBER 2023

Interim Report January - September 2023

15 FEBRUARY 2024

Interim Report January - December 2023

ANNUAL GENERAL MEETING 2023

Desenio's Annual General Meeting 2022 will be held on Thursday, 25 May 2023. 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:

<https://deseniogroup.com/en/governance/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.
Fulfilment cost ratio, %	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