Annual Report 2021

BHG Group AB (publ)
Nasdaq Stockholm: BHG

Contents

About BHG

BHG is the number 1 consumer e-commerce company in the Nordics. In addition to our Nordic operations, we also have a significant presence in the rest of Europe, as well as in selected markets outside of Europe. Our strong position in these markets makes us the largest European online pure-play within the Home Improvement space, meaning do-it-yourself and home furnishings. With an ecosystem of online stores, supported by physical destinations and services, such as last-mile deliveries and installation, we offer the market's leading range of well-known external and strong own brands, totalling close to 1.5 million products and encompassing a complete offering within DIY, leisure, furniture and furnishings.

The Group includes over 100 online sites – including sites like www.bygghemma.se, www.trademax.se, www.chilli.se, www.furniturebox.se and www.nordicnest.se – and over 70 showrooms. We are headquartered in Malmö, Sweden, with operations throughout Europe. Our share is traded on Nasdaq Stockholm, under the ticker "BHG."

The BHG brands employ more than 3,000 people, working every day to create the ultimate online shopping experience by combining an unbeatable product range with smart technology, leading product expertise and a broad range of services.

bhg.

The year in brief

OUR JOURNEY OF GROWTH CONTINUED!

Our journey of growth began in 2021 through a combination of organic initiatives, M&A and synergies. Despite high comparative figures from the previous year, which was affected by the pandemic, we reported total growth of 41.2% and net sales of SEK 12.7 billion. Our journey towards our next milestone, to reach SEK 20 billion with an adjusted EBIT margin of at least 7%, continues. At our current pace, it will soon be time to map out our path towards new peaks.

MILESTONES, QUARTER BY QUARTER

Important milestones were reached this past year. Market circumstances were generally favourable, particularly during the first half of the year, while the demand situation and disruptions in the global supply chain during the second half of the year was more challenging. However, our uninterrupted growth continued during the year – and customer satisfaction improved materially – demonstrating the strength of our business model. In 2021 we also increased our investments in technology and talent, solidifying the foundation for future growth and customer centricity.

- We began 2021 with a roaring start: a first quarter characterised by strong profitability and impressive 57.7% growth. During that time, we also announced three acquisitions – IP Agency, Hafa Bathroom Group and Svenssons i Lammhult – while at the same time we began consolidating our largest acquisition so far, Nordic Nest, from 1 January. In addition, we carried out a directed issue through which we further strengthened our ownership base and secured new growth capital.
- Our excellent profitability and high rate of growth continued during the second quarter, and we announced the acquisition of HYMA, the second largest in our history. We also expanded our credit facilities, with the aim of supporting a continued high acquisition rate, and we launched a new incentive programme.
- The third quarter saw a general slowdown in demand in our markets as well as disruptions in global supply chains. As COVID-19 restrictions were essentially lifted, consumption of services that were not available during the pandemic increased while demand for products generally decreased in society. We continued to grow and strengthen our market position despite the more complex market situation and high comparative figures from the quarters that were more affected by the pandemic. We also announced our first acquisition in the German market: AH-Trading, which was incorporated into BHG.
- The general market scenario from the third quarter continued in the fourth. However, our focus on continuing to build our position and take advantage of the opportunities arising in a weaker market enabled continued growth. Nevertheless, we decided not to complete several potential acquisitions due to the sellers' valuation expectations not adequately reflecting the prevailing market circumstances. Despite this, our M&A pipeline is well filled, and we firmly believe that our acquisition journey will continue in 2022.

ORGANIC INITIATIVES + M&A + SYNERGIES

Our organic initiatives revolve around four strategic cornerstones: 1) the broadest product range in the market; 2) economies of scale and proprietary brands; 3) the digital journey; and 4) matching infrastructure. Our efforts to make life at home as easy as possible for our customers are ultimately based on our motto: *We make living easy!*

Since it was founded ten years ago, BHG has consistently combined this organic approach with acquisitions. Today, we have a team dedicated to acquisition processes and another that leads the integration of the companies we acquire. We continued refining our synergy and integration playbook during the year. Through this systematic approach, we were able to maintain a high pace of acquisitions, while consistently creating added value from the growing group of online specialists that make up the BHG family.

THE POTENTIAL IN CONTINENTAL EUROPE

Our position as the largest consumer-oriented online retailer in the Nordic region was strengthened in 2021. We also took decisive steps to advance our position in the continental European market, which is 15–20 times larger, partly through significant organic growth and partly through the completion of our first acquisition in Germany. The process we have pursued to consolidate our home markets in the Nordic region is well advanced and, in addition, our sights are now set on continental Europe.

That said, growth opportunities in the Nordic markets remain favourable since online penetration in our categories is still relatively low.

OWNERSHIP BASE AND THE BHG SHARE

We have noted gradually rising interest in BHG, both from society at large and from the stock market, since our stock exchange listing in March 2018. We reached an important milestone in 2021 when the number of shareholders exceeded 10,000. Today, we have a broad ownership base made up of Nordic private individuals and institutions as well as a growing share of foreign institutions.

We are focused on building our base of satisfied customers and driving profitable growth. We have made some progress in realising our vision, but our journey of growth is still at an early stage. We are convinced that the strength of our model and our initiatives to further strengthen BHG will continue to create value for our shareholders in the future.

1.5

million products

Financial overview

(SEKm)	2021	2020	2019	2018	2017
Net sales	12,666.0	8,968.2	6,212.5	4,973.7	3,955.5
Gross profit	3,357.1	2,326.2	1,490.5	1,047.5	820.0
Gross margin (%)	26.5	25.9	24.0	21.1	20.7
Adjusted EBITDA*	1,104.6	902.7	475.3	231.1	219.7
Adjusted EBITDA-margin (%)	8.7	10.1	7.7	4.6	5.6
Adjusted EBIT*	812.7	700.8	330.1	202.7	197.0
Adjusted EBIT-margin (%)	6.4	7.8	5.3	4.1	5.0
Items affecting comparability	-23.4	-	-7.5	-77.9	-73.5
Operating income	710.6	657.8	282.0	87.2	91.5
Operating-margin (%)	5.6	7.3	4.5	1.8	2.3
Net profit/loss for the period	490.8	420.3	179.9	55.0	30.9
Cash flow from operations	-27.6	994.3	422.2	145.8	198.9
Visits (thousands)	411,296	302,133	183,999	116,120	91,670
Orders (thousands)	5,247	3,012	1,930	1,735	1,244
Conversion rate (%)	1.3	1.0	1.0	1.5	1.4
Average order value (SEK)	2,439	3,018	3,240	2,830	3,153

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

CEO's comments

2022 marks BHG's tenth anniversary! In 2012, our founders started Bygghemma with a vision to develop the business into the leading Nordic online player in Home Improvement, a market we now address through our DIY and Home Furnishing segments.

A lot has happened since then. Here are some of the milestones we've achieved:

- **Our market position:** A leading online position in the Nordic region has been achieved and work on establishing an equally strong position in continental Europe has commenced. According to our assessment, the Nordic overall Home Improvement market generates sales of about SEK 300 billion annually and the European overall market is 15-20 times larger. Online penetration has increased steadily over the past decade yet remains relatively low, at about 14%.
- **Our customers:** In 2021, we had more than four million active customers, who placed over five million orders which in turn generated sales of SEK 12.7 billion. We thus exceeded the growth target we set in connection with our IPO in 2018, to reach SEK 10 billion in net sales, and by a good margin at that. We have also been one of the most profitable e-retailers for some time, with adjusted operating income of SEK 812.7 million in 2021.
- **Our model:** The linchpin of our model has remained the same since our inception ten years ago, but we have honed our approach over the years. We combine organic growth initiatives with acquisitions and synergies that can be created between existing and newly acquired companies. Our organic initiatives revolve around four strategic cornerstones: 1) the broadest product range in the market; 2) economies of scale and proprietary brands; 3) the digital journey; and 4) matching infrastructure. Since 2012, we have made 36 acquisitions, six of which were carried out in 2021.
- **Our destinations, employees and culture:** Our operating units, with over 100 online destinations, are where we interact with our customers. Our strong corporate culture is characterised by entrepreneurship and a focus on earnings but is now just as much focused on the customer, sustainability and data. At BHG, the real heroes are our entrepreneurs and employees in the operating units - those people are closest to the customers. During the past year, we decided to further develop BHG in all its customer-facing areas: the offering, the online shopping experience, related services, logistics and, ultimately, customer satisfaction.
- **Sustainability at BHG:** A number of sustainability topics are a natural fit for our corporate culture, where we always endeavour to maximise efficiency and minimise waste, for example. In 2021, we strengthened the management team in the three closely related areas of organisation, sustainability and communication. The process of fully integrating ESG into our strategy and our Group-wide projects and activities continued during the year. We have now defined our short-term and long-term sustainability targets. These can be found in our Sustainability Report, which is part of this Annual Report.
- **Our shareholders:** At the beginning of 2021, we moved up to the Stockholm Stock Exchange's Large Cap list and our ownership base, which now exceeds 10,000 shareholders, expanded. The work of realising BHG's full potential and building value for our shareholders continues. Our investments are long-term and we are convinced that the strength of our model will be reflected in the BHG share in the future.

Although we have increased the size of the business sixfold since 2012 and tripled it since our IPO in March 2018, I firmly believe that our journey of growth has only just begun. We serve very large markets with healthy underlying growth. In addition, we have clear geographic expansion opportunities – particularly in continental Europe – and a long list of potential acquisitions.

ACQUISITIONS IN 2021

We had the pleasure of welcoming six new businesses to our family during the year.

The following businesses joined the Home Furnishing segment: **Nordic Nest**, our largest acquisition to date, through which we established a presence in the premium segment and significantly increased our customer base in continental Europe; **Svenssons i Lammhult**, one of the strongest furniture brands in Sweden, which is now part of our premium initiative along with Nordic Nest; and **AH-Trading**, our first acquisition in Germany and a leading online specialist in outdoor furniture.

The following businesses joined the DIY segment: **IP-Agency**, a rapidly growing specialist based on proprietary products; **Hafa Bathroom Group**, a business with a long history of developing strong brands in the bathroom segment; and **HYMA**, our second largest acquisition to date, a DIY platform with four strong destination brands.

We firmly believe that our acquisition journey will continue in 2022. We operate in a market that is still fragmented, and we are well equipped to take advantage of acquisition opportunities thanks to our position, history of acquisitions and strong transaction and integration teams.

THE ROAD AHEAD

Acquisitions will remain an important tool in the future, and assisted by our strengthened integration team, acquired companies can more quickly capitalise on our organic initiatives, which are based on the four strategic cornerstones with the ultimate aim of bringing us closer to fulfilling our mission: *We make living easy*.

Over the forthcoming period, special focus will be devoted to the assortment, deliveries and the opportunities presented by data/automation – particularly as a way of continuing to support our efforts to meet and surpass our customers' expectations.

- **Product assortment:** Our ecosystem of products and services continues to expand. In 2021, our product assortment grew by about 50% to 1.5 million products. At the same time, we continued the roll-out of installation services in the DIY segment. In the next few quarters, we will focus on further developing our automated system for exchanging product data between our units, and on further coordinating our organisation around proprietary brands in the DIY segment.
- **Delivery:** We deliver to our customers based on two main models: drop shipping directly from supplier to customer, and via our own warehouses. We have favourable prospects to develop these models further: in the first case through IT investments that will enable closer integration with suppliers, thereby increasing visibility and control over the product flow; and in the second case by creating synergies in the inventory infrastructure while continuing to expand our own deliveries in the Home Furnishing segment.
- **Data / automation:** Data and automation are consistent features of all of our initiatives. We completed our first warehouse automation (for the Danish DIY operation) in 2021 and will launch a large, automated warehouse (for Nordic Nest) in 2022. We are also on the point of launching our customer data platform and refining our proprietary product information engine, which will significantly improve our ability to target the most relevant offerings to our customers across all of BHG. With over 400 million visits to our webshops in 2021, we have more data than anyone else in our markets.

We will build BHG for the future through all of these initiatives.

I want to thank our customers and shareholders for their support on our journey. I'd also like to express my heartfelt thanks to our 3,000 outstanding employees for doing an excellent job during a multifaceted year that provided unique opportunities that could be taken advantage of and challenges to conquer.

2021 was the year that we first achieved and then surged past our target of reaching SEK 10 billion in sales. Therefore, we decided at the beginning of 2021 to update our financial targets, including once again doubling sales in the medium term, a milestone we are progressing towards rapidly. Our position is stronger than ever, and our model is clearer than ever. We are equipped to grow profitably in all market situations, which we had the opportunity to demonstrate during the more challenging second half of 2021.

Finally, as I write this, war is raging on EU's borders. Although we have very limited direct exposures to either Russia or Ukraine, it is at present difficult to assess the wider impact of the war on GDP growth, inflation, supply chains and, ultimately, consumer sentiment. Our thoughts first and foremost are with the suffering Ukrainian people. To contribute to the world community's response in providing emergency humanitarian aid to those worst affected, BHG recently decided to support UNHCR's aid efforts through a donation of SEK 1.5 million, roughly equivalent to 500 SEK per BHG team member.

Malmö, 30 March 2022

Adam Schatz
President and CEO, BHG Group

Business model

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

We combine organic growth initiatives with acquisitions and synergies that can be created between existing and newly acquired companies. Our organic initiatives revolve around four strategic cornerstones: 1) the broadest product range in the market; 2) economies of scale and proprietary brands; 3) the digital journey; and 4) matching infrastructure.

We strive to leverage data and automation to an even greater degree throughout our value chain, and significant investments have been made to ensure that we can maximise the breadth of our offering and use all of the data flowing through our systems in order to optimise our operations and further enhance the customer experience.

ORGANIC GROWTH INITIATIVES

The market's broadest product range

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

We already offer the broadest and most complete range in the market, having considerably increased the number of items to approximately 1,500,000 over the past year. These items are produced by a solid network of suppliers and sub-suppliers in the Nordic region, Eastern Europe and Asia.

Economies of scale and proprietary brands

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

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

Our size and economies of scale have also been a factor in our ability not only to establish our own brands but also to increase the share of our overall sales attributable to these proprietary brands. Our own brands add both positive effect on the margin and a unique range of products which we do not have to match prices against other players. Proprietary brands account for the majority of sales in the Home Furnishing segment and have significantly increased over the past year in the DIY segment, now accounting for nearly 30%, as a result of favourable organic growth for brands such as Bathlife in the bathroom segment as well as through strong growth in recently acquired businesses with a high share of proprietary brands.

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

The digital customer meeting

All our online destinations aim to meet the demands of customers who are searching for products in our areas, regardless of whether they are looking to buy from a general department store or a niched specialist. Internal expertise in web design, advanced algorithms, and organic and inorganic web traffic generation through search engine optimisation and search engine advertising (SEO/SEM) ensure our strong position in DIY and home furnishings in the Nordic region.

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

We have over 100 online destinations, including leading destinations in DIY and home furnishings such as Bygghemma.se, Trademax.se and Nordicnest.se as well as category and expert stores such as Golvpoolen.se, Badshop.se and Stonefactory.se.

Supporting infrastructure in the form of showrooms and services

Optimal deliveries

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

The drop shipping model, which remains our most important delivery channel in the segment, is capital efficient, and we have decided to take this model to the next level through IT investments in order to meet our customers' growing expectations regarding delivery options, times and precision.

The majority of deliveries of DIY products consist of "drop shipping", carried out by third-party distributors directly from the supplier, enabling low tied-up capital and limited inventory levels. Approximately 30% of the flow of goods in the segment is delivered via one of our warehouses, including the entire flow of our proprietary brands. To optimise these deliveries, we develop our delivery offering in close cooperation with our main partners. For example, we now offer consolidated deliveries from various suppliers as well as same-day and next-day deliveries for part of the product range. During the fourth quarter of 2021, we also completed our first inventory automation (in our Danish DIY business).

In the Home Furnishing segment, we are expanding our own last-mile deliveries to end customers. Our drivers currently deliver to customers in Eastern Europe as well as Stockholm, Gothenburg and Skåne County in Sweden, and Norway. The last-mile model, which also offers deliveries on evenings and weekends, is a highly appreciated and cost-efficient service that has resulted in improved customer satisfaction and results. We strive to leverage data and automation to an even greater degree in everything we do, and in 2022, Nordic Nest will carry out a warehouse expansion and install an automation solution that is scheduled to be commissioned ahead of the Black Week period in 2022.

Expanded offering of installation services
In 2021, we continued to expand our range of installation services. Installation services are now available for over 10,000 products – everything from shower screens, flooring, and windows to heat pumps and robotic lawn mowers. This investment has been well received by the market.

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

ACQUISITIONS AND SYNERGIES

Acquisitions will remain an important tool going forward. Assisted by our strengthened integration team, acquired companies can more quickly capitalise on our organic initiatives, which are based on the four strategic cornerstones, with the ultimate aim of bringing us closer to fulfilling our mission: *We make living easy!*.
Since 2012, we have made 36 acquisitions, six of which were carried out in 2021.

Our prerequisites for maintaining a high acquisition rate are in place, and the pipeline of relevant acquisition candidates – both in our Nordic home markets and in large nearby geographic regions – is strong.

When it comes to acquisitions, our focus is on the home improvement market, a market where the level of online penetration is still relatively low, but which is expected to grow significantly in the coming years. In this market, we are looking for:

- Acquisitions that accelerate our product range expansion and add customers in new geographies, including new platform acquisitions as well as category acquisitions that will be integrated with one of our main platforms over time.
- Acquisitions that facilitate synergies in the form of product assortment exchange, digital traffic generation, maximising the business insights obtained from the data flowing through our growing group of operations, and economies of scale.

Strategic goals

BHG's overall goal is to make life simpler for our customers, in line with our vision, "*We make living easy!*". Our organic initiatives revolve around four strategic cornerstones in order to create the very best online customer experience: 1) the broadest product range in the market; 2) economies of scale and proprietary brands; 3) the digital journey; and 4) matching infrastructure.

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

OUR STRATEGIC CORNERSTONES

1

Continued expansion of our already leading product range

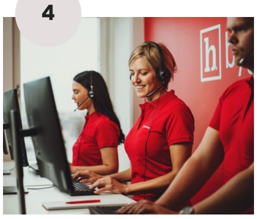
2

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

3

Creating the most appealing digital shopping experience

4



Offering the best professional guidance, service and support

The product offering as the base....

...with the Customer in the center

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

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

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

Offering the best digital customer experience
We endeavour to offer our customers the very best purchasing experience by being on the cutting edge when it comes to online expertise and technology. Computer monitors and mobile screens are limited in space and through using machine learning we can provide access to the market's broadest product range in a relevant way for the customer. Our product range, our digital expertise and our online destinations give us a strong position for generating traffic, with over 400 million digital visits in 2021.

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

Continued growth through successful acquisitions
We have extensive experience of successfully identifying and integrating acquisitions in the Nordic home furnishings market. We actively seek out additional companies to acquire in order to further accelerate our growth. Following an acquisition, we open up BHG's platform for the acquired company's product range and we achieve additional operational synergies through optimised terms of delivery and the implementation of best practices, particularly in terms of driving digital traffic and digital marketing.

The market

The overall Home Improvement market remains significantly larger than before the outbreak of the pandemic. However, our assessment is that the market contracted in both the third and fourth quarters of 2021 compared with the corresponding periods in 2020. The market already began to face a slowdown back in the second quarter of 2021. This was partly the result of the comparison with the high demand during the first year of the COVID-19 pandemic and partly the normalisation of the consumption of services, which during the latter part of the year normalised to pre-pandemic levels.

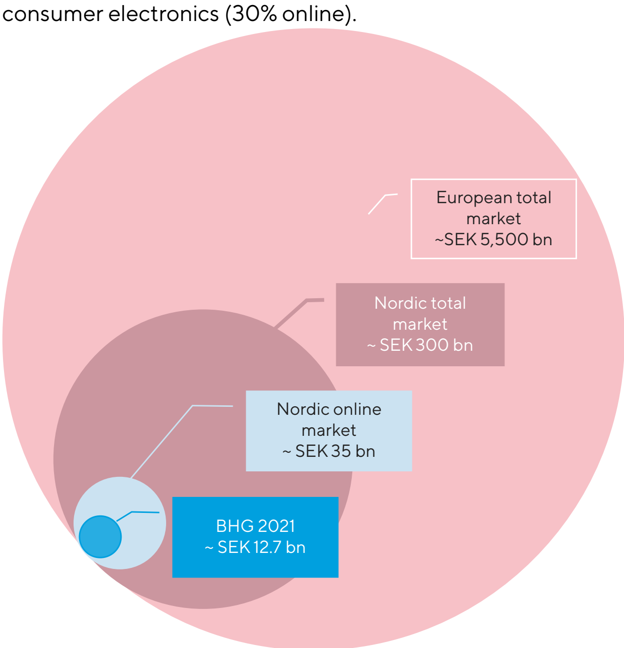
According to our assessment, the Nordic overall Home Improvement market, meaning the combination of DIY and home furnishing, generates sales of about SEK 300 billion annually and the European overall market is 15–20 times larger.

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

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

RAPID GROWTH IN THE ONLINE MARKET

According to the company's own estimates, online sales of Home Improvement products in the Nordic region currently represent approximately 14% of the total market. This is a substantially lower share in the Nordics than, for example, sales of books (just over 50% of which occur online) and consumer electronics (30% online).



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

The rapid growth of the online Home Improvement market is attributable to several factors, including:

An almost infinite selection

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

Competitive prices

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

Availability and convenience

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

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

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

Expanding the selection of services like product advice, logistics and installations is therefore considered a vital element for success in the online market and especially for many of the most important product categories for BHG. For products such as windows and flooring, customers may even consider the company's extensive professional expertise to be a prerequisite for making a purchase. BHG's customer service and product experts are readily available. We have also continued to expand our installation services to allow for a smooth purchasing process all the way from searching online and navigating the website to placing an order, delivery and installation. We have also established a broad network of physical showrooms throughout the Nordic region, and complemented the distribution of products from third-party suppliers with our own distribution network using our own cars and drivers, who offer related services upon delivery.

THE DIY MARKET IN THE NORDIC REGION

The overall DIY market showed strong growth during the first half of 2021 in the wake of the COVID-19 pandemic and shifts in customer behaviour. This growth levelled off during the second half of the year, partly due to the comparison with 2020 figures and partly because the COVID-19 pandemic gradually began to ease and customer demand for services increased. The online market is expected to have an average annual growth of approximately 15% over a business cycle, driven by a continuous increase in online penetration. BHG's assessment is that the online penetration is expected to increase to approximately 30% of the total market in the coming years and then flatten out.

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

Trends and drivers

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

Market structure and market competition

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

Online players

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

Traditional store chains

Players in this category include both retail chains and independent stores. Many players also offer "click and collect" at their physical stores. The customer base consists primarily of consumers, but also corporate customers. The offering often includes related services to help customers complete their projects, such as installation.

DIY chains

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

Niche players/OEMs

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

B2B distributors

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

THE DIY-MARKET IN THE REST OF EUROPE

Our assessment is that during 2021 the total DIY market in the rest of Europe in general developed in a similar way as in the Nordic region, meaning that the first half of the year showed stronger growth than the second half. Our assessment is that the total market is expected to grow at the same rate as GDP over a business cycle and that the online penetration overall is slightly lower in rest of Europe compared to the Nordic.

HOME FURNISHING MARKET IN THE NORDIC REGION

The total home furnishing market is expected to grow similarly to DIY. In other words, the market is expected to grow at the same rate as GDP over a business cycle. The online market is expected to have an average annual growth of approximately 15% over a business cycle, driven by a continuous increase in online penetration. BHG's assessment is that the online penetration is expected to increase to approximately 30% of the total market in the coming years and then flatten out

Trends and drivers

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

Market structure and market competition

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

Online players focused on home furnishings

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

Traditional store chains

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

Established online players in adjacent categories

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

IKEA

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

Niche players

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

HOME FURNISHING MARKET IN THE REST OF EUROPE

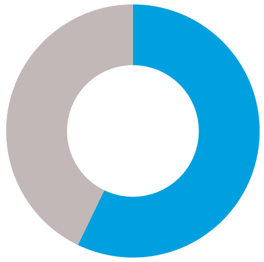
In similar with the Nordic region, the total market in the rest of Europe is expected to grow in line with GDP over a business cycle. Our assessment is that the online penetration is slightly lower in Europe compared to the Nordic countries.

DIY segment

DIY segment

- The segment's net sales rose 28.2%, of which organic growth accounted for 15.4%. Pro-forma organic growth was 14.6%
- The gross margin was 24.3% (23.4)
- Adjusted EBIT amounted to SEK 560.7 million (475.8), corresponding to an adjusted EBIT margin of 7.7% (8.4)
- The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs as well as IT, automation and organisation investments aimed at meeting and exceeding customer expectations.

Net sales per segment



	2021					2020				
(SEKm)	**Q1**	**Q2**	**Q3**	**Q4**	**Jan-Dec**	**Q1**	**Q2**	**Q3**	**Q4**	**Jan-Dec**
Net sales	1,389.4	2,185.1	1,862.0	1,823.0	7,259.6	941.4	1,818.7	1,463.8	1,439.2	5,663.1
Gross profit	355.3	555.6	433.6	419.9	1,764.3	213.1	411.9	337.5	360.3	1,322.8
Gross margin (%)	25.6	25.4	23.3	23.0	24.3	22.6	22.6	23.1	25.0	23.4
Adjusted gross profit*	355.3	555.6	433.6	419.9	1,764.3	213.1	411.9	337.5	360.3	1,322.8
Adjusted gross margin (%)	25.6	25.4	23.3	23.0	24.3	22.6	22.6	23.1	25.0	23.4
Adjusted EBITDA*	132.6	257.3	162.1	129.6	681.7	62.3	185.5	155.5	168.4	571.6
Adjusted EBITDA-margin (%)	9.5	11.8	8.7	7.1	9.4	6.6	10.2	10.6	11.7	10.1
Adjusted EBIT*	108.0	229.6	129.5	93.7	560.7	39.2	162.6	131.2	142.8	475.8
Adjusted EBIT-margin (%)	7.8	10.5	7.0	5.1	7.7	4.2	8.9	9.0	9.9	8.4
Operating income	100.0	221.2	116.7	78.8	516.6	31.2	154.6	123.2	134.9	444.0
Operating-margin (%)	7.2	10.1	6.3	4.3	7.1	3.3	8.5	8.4	9.4	7.8
Net profit/loss for the period	64.7	173.6	67.2	-89.1	216.4	19.4	93.6	92.8	-20.3	185.4
Cash flow from operations	180.7	352.0	-204.2	-258.6	69.8	90.3	458.4	-58.1	67.2	557.8
Visits (thousands)	37,936	50,349	41,309	36,389	165,984	24,634	47,004	36,398	31,894	139,931
Orders (thousands)	486	648	587	652	2,373	313	584	427	490	1,814
Conversion rate (%)	1.3	1.3	1.4	1.8	1.4	1.3	1.2	1.2	1.5	1.3
Average order value (SEK)	3,226	3,511	3,065	2,688	3,116	3,298	3,280	3,264	2,819	3,155

OPERATIONAL TRENDS

The DIY segment accounted for 57% of the Group's total net sales. Net sales increased 28.2% to SEK 7,259.6 million (5,663.1).

The segment's sales mix performed well during the year, with the strongest outcome in the Swedish operations, followed by Norway and Finland. Meanwhile, the targeted initiatives in the segment's new markets outside the Nordic region, based on our proprietary brands, continued to make good progress, albeit from a low starting point.

The challenges in the form of longer lead times and production bottlenecks that arose during the year are expected to continue for some time. Combined with the ongoing shift in the mix toward a higher share of proprietary brands, this resulted in an acceptance of somewhat higher inventory levels for the current time.

Adjusted EBIT amounted to SEK 560.7 million (475.8), with an adjusted EBIT margin of 7.7% (8.4). The lower adjusted EBIT margin compared with the previous year was mainly due to the following factors: 1) Exceptionally high profitability in the year-earlier period, 2) the negative impact of shipping, inventory and traffic generation costs, and 3) IT, automation and organisation investments aimed at enhancing customer satisfaction.

The segment's operating income amounted to SEK 516.6 million (444.0), corresponding to an operating margin of 7.1% (7.8).

Our acquisition strategy continued to help strengthen our position by creating a broader product portfolio and customer base, but also through the additions provided by the acquisitions in the form of strong management teams.

The process of integrating the businesses acquired during the year proceeded according to plan. For example, our proprietary bathroom, door and window brands were consolidated under Hafa Bathroom Group, and the Group's inventory of external garden brands (Husqvarna, Gardena, Landmann) were pooled together under HYMA. Gathering more in-house proprietary and external brands on these platforms will give us an opportunity to optimise our inventory and logistics infrastructure for the Group.

COMMENTS ON THE DIY SEGMENT, QUARTER BY QUARTER

The DIY segment developed strongly during the first half of 2021. Growth slowed down during the second half of the year, at the same time our assessment is that the segment strengthened its market leading Nordic position in a shrinking market.

- The DIY segment started the year in the same way it ended the preceding year: with strong growth and favourable profitability. In a growing total market, BHG captured further market share. A new bolt-on acquisition based on the proprietary brand profile IP Agency was consolidated into the Group's DIY segment from 1 February.
- For the second quarter, the DIY segment's results were compared for the first time with the period in the preceding year when consumer behaviour underwent a dramatic change in the wake of the pandemic. Continuing to display favourable growth despite these comparative figures while also delivering a record-breaking EBIT margin should be regarded as passing the test with distinction. Our assessment is that the segment further advanced its leading positions in the Nordic markets. The acquisition of Hafa Bathroom Group announced during the first quarter was consolidated into the DIY segment from 1 May.
- The DIY segment continued to perform well during the third quarter, despite high comparative figures and market complications in the form of disruptions to global supply chains in the wake of the pandemic and the lifting of COVID-19 restrictions, which meant that consumers began spending more on services again. Our assessment is that the segment further strengthened its market-leading position in the Nordic markets during the period. The share of sales of proprietary brands increased during the third quarter as a result of geographic expansion, mainly of our Swedish and Finnish brands in the rest of the Nordic region, but also in selected countries in continental Europe, such as Germany. The platform acquisition of HYMA announced during the second quarter, the second largest in our history, was consolidated into the DIY segment from 1 August.
- The DIY segment continued to consolidate its Nordic position and capture market share during the fourth and final quarter. The segment grew despite particularly high comparative figures and continued market complications related to delivery chains and generally weaker demand. Customer satisfaction also improved. We do not expect the total DIY market to be as favourable in the forthcoming period as it was during the first year of the pandemic. At the same time, we remain convinced that the higher online penetration achieved during the pandemic will persist and thus that a new base has been established from which we can continue to grow.

OUR CUSTOMER OFFERING

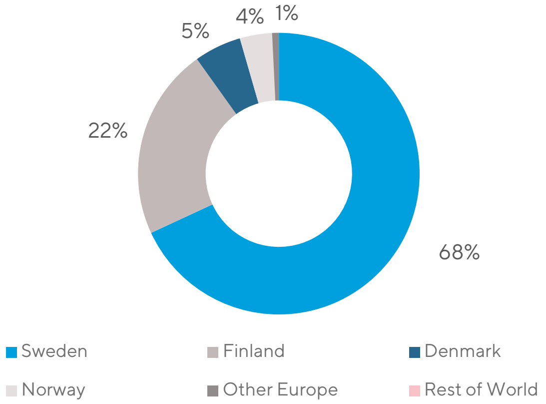
Our customer offering comprises a combination of the broadest portfolio of external brands along and a growing share of proprietary brands, at marketing-leading prices, complemented by the most attractive digital shopping experience and infrastructure in the form of showrooms and services. Our focus on strengthening the product assortment, delivery capacity and investments in data and automation helped improve customer satisfaction during the year:

- **Product assortment:** The continuously ongoing assortment expansion – focusing on external and proprietary brands as well as installation services – provides the foundation that allows us to remain the most relevant channel for our customers. Our proprietary system for the automated exchange of product information makes it possible to quickly and easily expose customers to more and more of the Group's joint product portfolio, in whichever channels they interact with us. The system was launched in the third quarter and was further developed and put into use by more Group companies during the fourth quarter.
- **Delivery:** The drop shipping model, which remains our most important delivery channel in the segment, is capital efficient, and we have decided to take this model to the next level through IT investments in order to meet our customers' growing expectations regarding delivery options, times and precision. Key steps in this work were

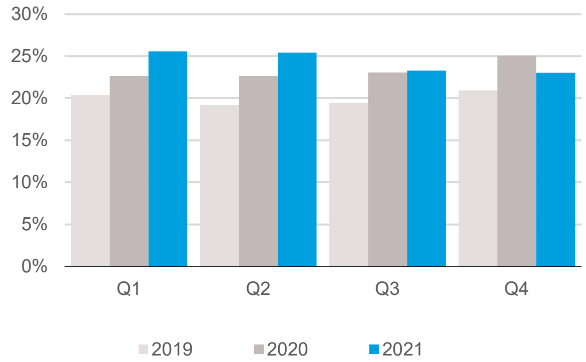
made during the year. For example, during the fourth quarter our Finnish DIY operations implemented a system based on machine learning to ensure more accurate delivery promises. The next step in the development is to implement an automated system for notifying customers of any deviations from the delivery promise in 2022. Furthermore, the installation offering continued to be expanded to include new categories, and the number of installations carried out reached the highest levels to date during the fourth quarter, up 25% year on year. The installation offering contributes to product sales and creates particularly satisfied customers.

- **Data and automation:** We strive to leverage data and automation to an even greater degree throughout our value chain, and significant investments have been made to ensure that we can maximise the breadth of our offering and use all of the data flowing through our systems in order to optimise our operations and further enhance the customer experience. The upgrade of our customer platform, which we initiated in the third quarter of 2021, proceeded according to plan, with launch scheduled for the first half of 2022. During the fourth quarter, just before the important Black Week period, we also completed our first inventory automation (in our Danish DIY business). Feedback has been very positive. Danish customers have exceptionally high expectations regarding rapid deliveries. With this investment, the order backlog for the Danish warehouse has disappeared completely due to dramatic efficiency enhancements to the pick and pack process, among other factors.

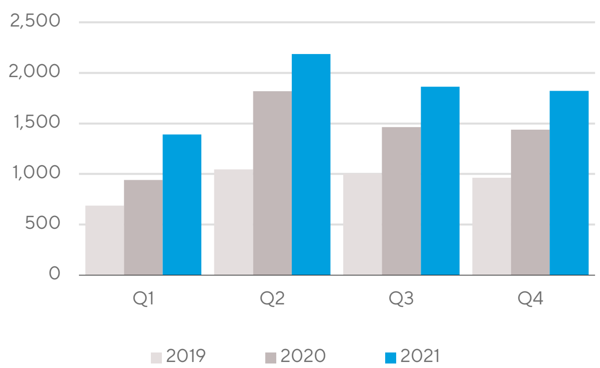
Distribution of net sales by country (%)



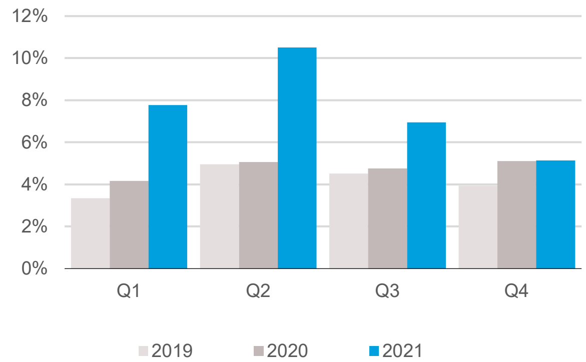
Adjusted gross margin (%)

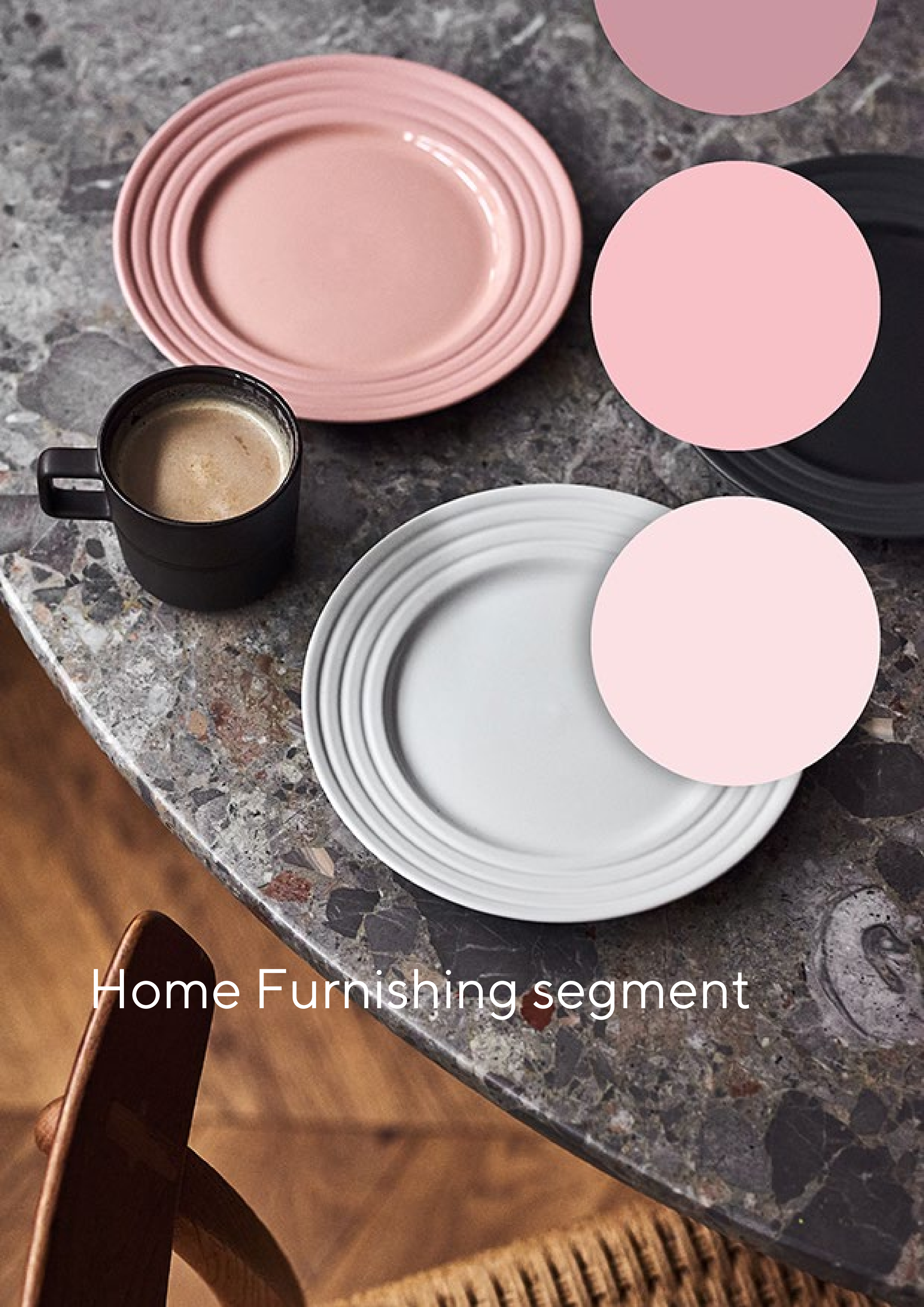


Net sales (SEKm)



Adjusted EBIT margin (%)



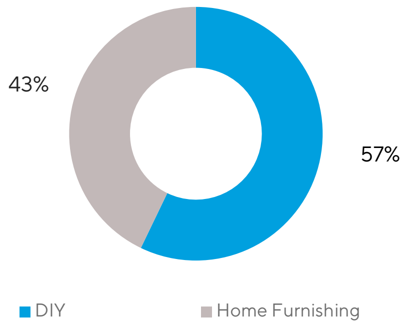


Home Furnishing segment

Home Furnishing segment

- Following the acquisitions of Nordic Nest, Svenssons i Lammhult and AH-Trading earlier in the year, the Home Furnishing segment increased considerably, with total growth of 63.1%. The newly acquired businesses performed well
- The segment's net sales rose 63.1%, of which organic growth accounted for 8.2%. Pro-forma organic growth, which includes the strong performance of Nordic Nest and Svenssons i Lammhult, amounted to 22.3%
- The gross margin was 29.4% (30.1)
- Adjusted EBIT amounted to SEK 324.0 million (276.2), corresponding to an adjusted EBIT margin of 6.0% (8.3)
- The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs as well as the date on which AH-Trading was acquired. AH-Trading's focus on outdoor furniture means that all of the profit for the operations is generated in the warmer months of the year.

Net sales by segment,



	2021					2020				
(SEKm)	**Q1**	**Q2**	**Q3**	**Q4**	**Jan-Dec**	**Q1**	**Q2**	**Q3**	**Q4**	**Jan-Dec**
Net sales	1,185.2	1,378.5	1,205.9	1,673.2	5,442.8	694.6	885.8	833.8	923.0	3,337.2
Gross profit	342.9	391.5	354.9	508.4	1,597.7	207.0	262.7	255.6	280.1	1,005.4
Gross margin (%)	28.9	28.4	29.4	30.4	29.4	29.8	29.7	30.7	30.3	30.1
Adjusted gross profit*	342.9	391.5	354.9	508.4	1,597.7	207.0	262.7	255.6	280.1	1,005.4
Adjusted gross margin (%)	28.9	28.4	29.4	30.4	29.4	29.8	29.7	30.7	30.3	30.1
Adjusted EBITDA*	123.2	118.7	92.7	159.5	494.0	76.5	103.0	109.3	93.4	382.1
Adjusted EBITDA-margin (%)	10.4	8.6	7.7	9.5	9.1	11.0	11.6	13.1	10.1	11.5
Adjusted EBIT*	89.2	79.9	48.5	106.4	324.0	44.6	85.1	82.9	63.6	276.2
Adjusted EBIT-margin (%)	7.5	5.8	4.0	6.4	6.0	6.4	9.6	9.9	6.9	8.3
Operating income	81.9	71.8	39.4	96.2	289.4	41.8	82.3	80.1	60.8	265.0
Operating-margin (%)	6.9	5.2	3.3	5.7	5.3	6.0	9.3	9.6	6.6	7.9
Net profit/loss for the period	56.8	46.0	17.2	62.8	182.9	29.2	66.8	59.7	-30.3	125.4
Cash flow from operations	26.4	3.7	15.5	27.3	73.0	64.3	154.4	91.0	125.6	435.3
Visits (thousands)	63,893	58,205	53,401	69,813	245,312	33,232	43,668	39,246	46,056	162,202
Orders (thousands)	659	627	595	992	2,874	230	305	288	375	1,198
Conversion rate (%)	1.0	1.1	1.1	1.4	1.2	0.7	0.7	0.7	0.8	0.7
Average order value (SEK)	1,820	2,082	2,032	1,702	1,880	2,875	3,027	2,806	2,601	2,811

OPERATIONAL TRENDS

Net sales in the Home Furnishing segment increased 63.1% to SEK 5,442.8 million (3,337.2) and accounted for 43% of the Group's total net sales.

The decline in AOV in the period was exclusively attributable to the incorporation of Nordic Nest – whose AOV is about one-third that of the Group's other home furnishing operations – and its robust growth.

As reported at the end of 2020, the operations continued to be impacted by bottlenecks in the product supply chain in 2021, not least from Asia. Along with higher raw material prices, these bottlenecks resulted in increased purchasing and logistics costs. Our assessment is that the problems will not deteriorate further and that we have seen the start of a gradual recovery to normality. The above assessment is notwithstanding Russia's invasion of Ukraine, the consequences of which are currently difficult to foresee

Significant price adjustments were made in the Nordic value-for-money operations during the fourth quarter, and several competitors have also either started to adjust prices or announced impending adjustments.

The cost for digital traffic generation (cost per click) increased in all markets during the year. This general trend impacted all market players and was a result of intense competition for customers as the consumption of services increased.

Adjusted EBIT amounted to SEK 324.0 million (276.2), with an adjusted EBIT margin of 6.0% (8.3). The adjusted EBIT margin was negatively affected by higher shipping, inventory and traffic generation costs.

The segment's operating income amounted to SEK 289.4 million (265.0), with an operating margin of 5.3% (7.9).

The Home Furnishing segment essentially strengthened during the year, with:

- Total growth in 2021 of more than 60%
- A newly established platform in the form of Nordic Nest Group, and
- An establishment in Germany through the acquisition of AH-Trading and Nordic Nest's sharp growth in the German market.

From having almost exclusively focused on the Nordic markets until 2018, the segment has since successfully established a rapidly growing presence in continental Europe. In the fourth quarter, customers from countries outside the Nordic region accounted for more than one-third of sales for the segment.

COMMENTS ON THE HOME FURNISHING SEGMENT QUARTER BY QUARTER

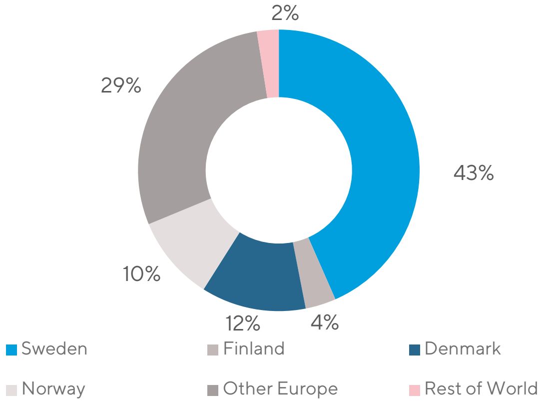
The segment developed strongly during the first half of the year. The second half of the year was characterised by a weaker demand and market-related challenges, however the development continued well in large parts of the segments.

- The Home Furnishing segment continued to perform strongly during the first quarter. The acquisition of Nordic Nest was consolidated into the segment from 1 January. The effects of the changed customer behaviours in the wake of the pandemic have generally been less apparent in the Home Furnishing segment than in the DIY segment. However, Nordic Nest, which operates in a number of markets in addition to those already served by BHG, benefited from the clearer effects of the pandemic that have been driving the home furnishing markets in continental Europe. One example of this is the very rapid growth in the German market, which resulted in Germany surpassing Norway as Nordic Nest's second largest market after Sweden during the first quarter.
- During the second quarter, the Home Furnishing segment continued to build critical mass by combining organic initiatives and acquisitions, with a focus on broadening the range and on geographic expansion. In the second quarter, the market was characterised by higher traffic generation costs and continued disruptions in the global supply and logistics chains, both of which were a reality for all players in the market. The acquisition of Svenssons i Lammhult announced during the first quarter was consolidated into the Home Furnishing segment from 1 May.
- The third quarter was characterised by weaker demand, continued higher traffic generation costs and disruptions in the global supply and logistics chains as in the second quarter. Despite this, most of the segment's operations performed well, led by Nordic Nest and Svenssons i Lammhult, closely followed by our two specialist businesses, Lampgallerian and Sleepo. Our Eastern European platform, Furniture1, had a weak start to the quarter, but thereafter accelerated significantly. However, the segment's sales performance and earnings were negatively impacted by continued challenges in our single-largest operation, our Nordic furniture platform focusing on value-for-money. This platform operates in a market characterised by a lag in customer price adjustments due to a high share of catalogue-based competitors and is also an operation with a particularly high exposure to the global logistics chains. Measures have been taken to ensure profitable growth, including adjustments to our pricing and margin structure. AH-Trading, which was acquired during the third quarter and consolidated from 1 September, has provided the segment with new growth opportunities, not least due to the opportunities created through a mutual product assortment exchange (see below under "Product assortment").
- The fourth quarter featured the same dynamics as in the third quarter: weaker demand, higher traffic generation costs and continued disruptions in the global supply and logistics chains. Despite this, the segment posted strong pro-forma organic growth and also turned around the negative organic growth from the preceding quarter. The segment's premium platform (Nordic Nest Group, including Svenssons i Lammhult) and the Eastern European operations reported the strongest performance. The segment's specialist businesses once again reported healthy growth. The single largest operation, our Nordic furniture platform focusing on value-for-money, also managed to significantly improve its profitability – these were key efforts that started in the second half of the year and that we prioritised ahead of growth during this period. There is still considerable uncertainty as to how demand in our important Swedish and Danish markets will develop in the short term, but we have entered the new year with a healthy foundation for the operations.

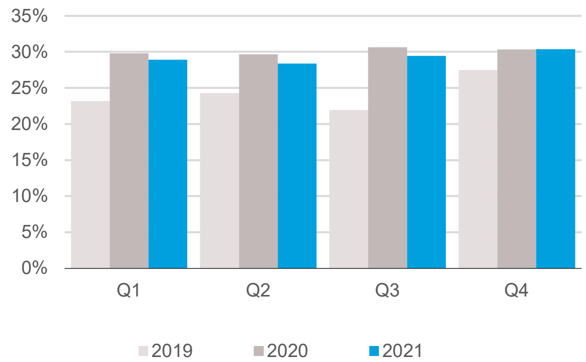
OUR CUSTOMER OFFERING
Our focus on strengthening the product assortment, delivery capacity and investments in data and automation helped improve customer satisfaction during the year and will continue to be the core of our initiatives for profitable growth:

- **Product assortment:** The Group-wide proprietary product assortment exchange system has been implemented in many of the segment's operations. The opportunities that have been generated for exchanging product assortments between the Nordic operations and AH-Trading's German customer base have started to be addressed, with highly positive initial results. To date, the exchange has involved shipments being sent from our Nordic central warehouse in Helsingborg, Sweden, to AH-Trading's warehouse in North Rhine-Westphalia. The plan is to exchange product assortments in both directions once the outdoor season starts. In late autumn, the Nordic operations could resume the broadening of the product range with renewed energy as supplier trade fairs could once again be held.
- **Delivery:** The first showroom in the Oslo region opened during the second quarter. During the third and fourth quarters, it reported promising initial results and, coupled with last-mile deliveries, comprises a key element in the segment's efforts to significantly expand its presence in the country. Growth in the Danish market also picked up during the fourth quarter, supported by the new warehouse infrastructure that enables the operations to deliver more quickly to customers in the important region of Zealand. Last but not least, the expansion of Nordic Nest's warehouses that was announced during the third quarter is progressing, which will enable continued international growth.
- **Data and automation:** We strive to leverage data and automation to an even greater degree in everything we do. An agreement was signed with an integration partner after we decided in the third quarter to automate Nordic Nest's warehouse. The ongoing warehouse expansion lays the foundation for our automation solution that is scheduled to be commissioned ahead of Black Week 2022. The automation of the warehouse will boost efficiency and enable fast, cost-efficient deliveries to the operation's rapidly growing customer base.

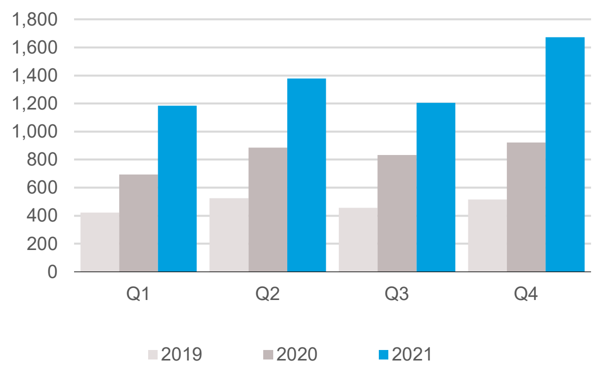
Distribution of net sales by country (%)



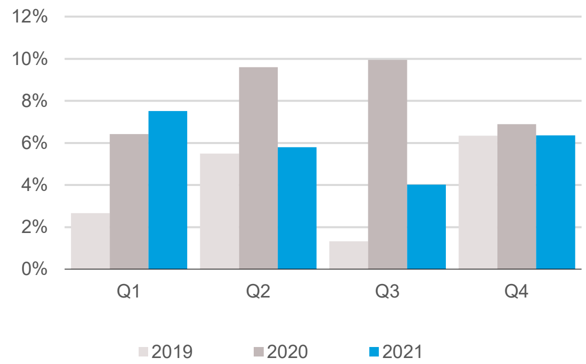
Adjusted gross margin (%)



Net sales (SEKm)



Adjusted EBIT margin (%)



Directors' Report

Directors' Report

GENERAL INFORMATION ABOUT THE OPERATIONS

BHG is the number 1 consumer e-commerce company in the Nordics. In addition to our Nordic operations, we also have a significant presence in the rest of Europe, as well as in selected markets outside of Europe. The Group includes over 100 online destinations – including sites like www.bygghemma.se, www.trademax.se, www.chilli.se, www.furniturebox.se, www.nordicnest.se, www.svenssons.se, www.hafa.se and www.gartenmoebel.de – and over 70 showrooms. BHG has continuously increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY and home furnishings.

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

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

BHG Group AB (publ) has been listed on Nasdaq Stockholm since 27 March 2018 and the share has been traded in the Stockholm Stock Exchange's Large Cap segment since 4 January 2021. For information about the company's owners, see the section "The share" below.

THE SHARE

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Large Cap under the ticker BHG with the ISIN code SE0010948588. The market capitalisation of BHG Group AB (publ) on Nasdaq Stockholm as of the last trading day of 2021 was SEK 11.8 billion.

	Holding*	Holding %	Votes %
EQT	21,432,688	17.7%	17.7%
Handelsbanken Fonder	11,074,876	8.9%	8.9%
Capital Group	9,905,000	8.0%	8.0%
Swedbank Robur Fonder	8,739,639	7.1%	7.1%
Lannebo Fonder	4,415,698	3.6%	3.6%
Fidelity Investments (FMR)	3,545,075	2.9%	2.9%
Tredje AP-fonden	3,360,340	2.7%	2.7%
Cliens Fonder	2,855,000	2.3%	2.3%
Vanguard	2,511,838	2.0%	2.0%
Vitruvian Partners	2,393,782	1.9%	1.9%
Spiltan Foner	2,359,401	1.9%	1.9%
Didner & Gerge Fonder	2,127,043	1.7%	1.7%
Danske Invest (Lux)	1,960,411	1.6%	1.6%
Folksam	1,864,373	1.5%	1.5%
All-on-green Fyra AB / Danica Pension	1,610,527	1.5%	1.5%
Total, 15 largest shareholders by holdings	**80,155,691**	**65.4%**	**65.4%**
Other shareholders	43,660,039	34.6%	34.6%
Total shares issued	**123,815,730**	**100.0%**	**100.0%**

* Data as of 31 December 2021 compiled by Monitor. Sources: Euroclear, Morningstar, the Swedish Financial Supervisory Authority, Nasdaq and Millistream.

Share capital

As of 31 December 2021, the number of shares issued was 123,815,730, all of which were ordinary shares. The Group's share capital amounted to SEK 3.7 million at the end of the year.

As of 31 December, there were 3,847,532 warrants outstanding attributable to the Group's incentive programme. The total potential dilution should all outstanding warrants be exercised amounts to 3.1%. For more information, refer to Note 7.

Change in number of shares

On 3 February 2021, BHG Group AB carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds for the Group of SEK 1,544.3 million after a deduction for transaction costs of SEK 21.4 million.

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

During the third quarter, in connection with the acquisition of Hyma Skog & Trädgård AB, BHG Group AB carried out an issue in kind, through which the number of shares and votes increased by 2,887,293.

After the directed issue and the exercise of warrants within the framework of the incentive programme 2018/2021 during the first quarter and the issue in kind carried out during the third quarter, the total number of shares outstanding in BHG Group AB amounts to 123,815,730 as of 31 December 2021.

Dividend

BHG Group AB paid no dividends in 2020, and the Board of Directors proposes that no dividend be paid for 2021.

Share trend

The share price at the beginning of the year was SEK 178.8. On the last day of trading in the period, the share price was SEK 95.5. The highest price paid, quoted in January, was SEK 192.0, and the lowest price paid, quoted in December, was SEK 83.9.

During the period, 134,155,315 BHG shares were traded, equivalent to a turnover rate of 108%.

EMPLOYEES

Our employees are our most important resource, and our progress depends on having talented, driven and capable employees. We strive to be an attractive employer, creating an environment where our employees thrive at work and always have room to learn and grow.

Attracting, retaining and developing people is necessary for the success of BHG as well as for meeting defined goals for growth and business development.

At year-end the number of employees in the Group, calculated as FTEs, was 3 270 (2 018), of whom 1 767 (1 134) were men and 1 502 (884) were women.

Information on the average number of employees and salary costs can be found in Notes 7 and 8. More information is available under the section "Our employees" in the Sustainability Report on page 41.

SIGNIFICANT EVENTS

Net sales

Net sales increased 41.2% to SEK 12,666.0 million (8,968.2). Organic growth was 12.8%. Pro-forma organic growth was 17.9%.

Net sales in the DIY segment increased 28.2% to SEK 7,259.6 million. Organic growth was 15.4%. Pro-forma organic growth was 14.6%.

Net sales in the Home Furnishing segment increased 63.1% to SEK 5,442.8 million. Organic growth was 8.2% for the full year. Pro-forma organic growth was 22.3%.

The Group's webstores had 411.3 million (302.1) visits during the year, generating 5,247 thousand (3,012) orders.

Gross margin and SG&A

The product margin totalled 39.1% (37.4). The reported gross margin (that is, the margin after deductions for direct selling expenses, such as logistics, fulfilment, etc.) amounted to 26.5% (25.9). This improvement in the product margin was driven by a positive shift in the mix toward a higher share of proprietary brands in the DIY segment and healthy growth in the Home Furnishing segment, which more than compensated for higher shipping and fulfilment costs.

Overall, the gross margin development was attributable to:

- A higher share of sales of proprietary brands in the DIY segment, which offset higher traffic generation costs, which are reported under SG&A. The latter were the result of the shift in the mix toward proprietary brands and normalised overall market conditions for traffic generation.
- Increases in the prices of raw materials and shipping, plus higher fulfilment costs.

The Group carefully monitors the development of AOV and focuses particularly on ensuring that the AOV for bulky products, which are sent on pallets, remains high. Essentially all of the operating units managed to maintain, or increase, their AOV during the quarter. The decline in AOV in the Home Furnishing segment was entirely attributable to the shift in the mix toward more parcel shipments following the consolidation of Nordic Nest from 1 January.

Selling, general and administrative expenses (SG&A, defined as the difference between adjusted gross profit and adjusted EBITDA) amounted to SEK 2,252.4 million (1,423.5), corresponding to 17.8% (15.9) of net sales. SG&A was primarily impacted by increased costs for online marketing as a result of higher traffic generation costs, driven by market price increases for the cost per click (CPC). A large share of this increase was attributable to the normalisation of the unusually low CPC levels in the first year of the pandemic.

The increase in SG&A in relation to net sales was also the result of the continued increase in the share of sales from proprietary brands. Our aim to increase the share of proprietary brands requires a more comprehensive organisation and increased online marketing. Finally, we are still in a phase in which we are building the organisation to enable the delivery of high growth with favourable customer satisfaction and increased customer loyalty in the long term. Customer satisfaction also improved considerably during the year.

We decided during the year to discontinue two advanced acquisition processes in new markets for us. In connection with this, we recognised transaction costs corresponding to SEK 3.6 million as items affecting comparability. Items affecting comparability totalled SEK 23.4 million (0.0). Since the third quarter of 2019, we only recognise exceptional transaction costs related to our acquisition agenda.

Earnings

The Group's adjusted EBIT amounted to SEK 812.7 million (700.8), corresponding to an adjusted EBIT margin of 6.4% (7.8).

The Group's operating income amounted to SEK 710.6 million (657.8), corresponding to an operating margin of 5.6% (7.3).

Amortisation of acquisition-related intangible assets amounted to SEK 78.7 million (43.0). Amortisation pertained to identified surplus values related to customer relationships and customer databases in acquired companies. No impairment of goodwill or other assets was identified during the year or the preceding year.

The Group's net financial items amounted to SEK -79.7 million (-107.5), which included reassessed earn-outs including interest giving a net of SEK -12.3 million. Interest expenses amounted to SEK -49.7 million, of which SEK -15.6 million related to lease liabilities in accordance with IFRS 16.

The Group's profit before tax was SEK 630.9 million (550.3).

Net income amounted to SEK 490.8 million (420.3). The effective tax rate was -22.2% (-23.6), corresponding to SEK -140.1 million (-130.0).

Cash flow

The Group's cash flow from operating activities was SEK -23.2 million (994.3). Cash flow from operating activities was mainly driven by a negative development in tied-up working capital, which was primarily the result of a build-up of inventories.

As a result of the disruptions in the global logistics chains, the Group has chosen to accept a slightly higher inventory level in order to ensure product availability and therefore be able to maintain growth. The Group's inventory levels were also impacted by a growing share of sales of proprietary brands in the DIY segment, which are largely shipped from Asia, and by a deliberate adjustment of the range to reduce seasonal dependency.

The Group's cash flow and working capital position follow a seasonal profile, with inventory build-ups primarily of outdoor furniture and leisure products during the first quarter prior to the peak season, followed by high sales and thus a high cash conversion during the seasonally strong second and third quarters, after which working capital and inventories typically increase in the fourth quarter.

In the past 24 months, the Group has significantly increased its share of sales of proprietary brands in the DIY segment, which has resulted in higher inventory levels and strengthened the Group's seasonal working capital profile. The acquisition of Nordic Nest, which has its peak season in the fourth quarter, and the growing importance of Black Week sales have partly changed the seasonal profile of the Group's working capital position in the opposite direction. Strong demand in the fourth quarter results in lower working capital due to high accounts payable, with an inverse effect in the first quarter based on an outflow of supplier payments. All in all, the impact of higher sales of proprietary brands on working capital exceeds the impact from the acquisition of Nordic Nest and Black Week.

In the fourth quarter, the acquisition of AH-Trading, with a distinct high season during the gardening season, had a negative effect on working capital due to a build-up of inventory.

Cash flow from operating activities amounted to SEK -23.2 million (994.3), corresponding to a cash conversion (in relation to adjusted EBITDA) of -10.4% (105.9).

The Group's cash flow to investing activities amounted to SEK -1,855.4 million (-2,042.6), and was mainly attributable to investments in operations, disbursements for contracted considerations and earn-outs related to acquisitions in previous periods as well as IT investments related to web platforms and logistics solutions.

Cash flow to financing activities amounted to SEK 1,847.3 million (1,105.1), and was mainly attributable to amortisation of loan amounted to SEK 2,263 million and new loans amounting to SEK 2,650 million were raised, primarily attributable to the refinancing carried out. Cash flow to financing activities was also attributed to the repayment of lease liabilities, interest paid and warrant premiums paid.

The Group's cash and cash equivalents at the end of the reporting period, compared with the beginning of the year, amounted to SEK 273.5 million (299.0).

Financial position

The Group's net debt, which is defined as the Group's current and non-current interest-bearing liabilities to credit institutions, less cash and cash equivalents and investments in securities, etc., amounted to SEK 2,251.3 million at the end of the period, compared with SEK 1,796.0 million at the beginning of the year, corresponding to net debt in relation to LTM adjusted EBITDA of 2.34x, which is within the range of the Group's medium-term capital structure target.

The Group's other current and non-current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 2,121.7 million at the end of the period, compared with SEK 1,023.3 million at the beginning of the year (also refer to "Relevant reconciliations of non-IFRS alternative performance measures (APMs)" for a more detailed description).

The Group's unutilised credit facilities amounted to SEK 800.0 million at the end of the period, compared with SEK 300.0 million at the beginning of the year.

The Group's total assets at the end of the reporting period, compared with the beginning of the year, amounted to SEK 13,528.9 million (8,629.7).

The Group's equity at the end of the reporting period, compared with the beginning of the year, amounted to SEK 5,256.2 million (2,823.0).

OUR JOURNEY OF GROWTH CONTINUED!

Our journey of growth began in 2021 through a combination of organic initiatives, M&A and synergies. Despite high comparative figures from the previous year, which was affected by the pandemic, we reported total growth of 41.2% and net sales of SEK 12.7 billion. Our journey towards our next milestone, to reach SEK 20 billion with an adjusted EBIT margin of at least 7%, continues. At our current pace, it will soon be time to map out our path towards new peaks.

MILESTONES, QUARTER BY QUARTER

Important milestones were reached this past year. Market circumstances were generally favourable, particularly during the first half of the year, while the demand situation and disruptions in the global supply chain during the second half of the year was more challenging. However, our uninterrupted growth continued during the year – and customer satisfaction improved materially – demonstrating the strength of our business model. In 2021 we also increased our investments in technology and talent, solidifying the foundation for future growth and customer centricity.

- We began 2021 with a roaring start: a first quarter characterised by strong profitability and impressive 57.7% growth. During that time, we also announced three acquisitions – IP Agency, Hafa Bathroom Group and Svenssons i Lammhult – while at the same time we began consolidating our largest acquisition so far, Nordic Nest, from 1 January. In addition, we carried out a directed issue through which we further strengthened our ownership base and secured new growth capital.
- Our excellent profitability and high rate of growth continued during the second quarter, and we announced the acquisition of HYMA, the second largest in our history. We also expanded our credit facilities, with the aim of supporting a continued high acquisition rate, and we launched a new incentive programme.
- The third quarter saw a general slowdown in demand in our markets as well as disruptions in global supply chains. As COVID-19 restrictions were essentially lifted, consumption of services that were not available during the pandemic increased while demand for products generally decreased in society. We continued to grow and strengthen our market position despite the more complex market situation and high comparative figures from the quarters that were more affected by the pandemic. We also announced our first acquisition in the German market: AH-Trading, which was incorporated into BHG.
- The general market scenario from the third quarter continued in the fourth. However, our focus on continuing to build our position and take advantage of the opportunities arising in a weaker market enabled continued growth. Nevertheless, we decided not to complete several potential acquisitions due to the sellers'

valuation expectations not adequately reflecting the prevailing market circumstances. Despite this, our M&A pipeline is well filled, and we firmly believe that our acquisition journey will continue in 2022.

ORGANIC INITIATIVES + M&A + SYNERGIES

Our organic initiatives revolve around four strategic cornerstones: 1) the broadest product range in the market; 2) economies of scale and proprietary brands; 3) the digital journey; and 4) matching infrastructure. Our efforts to make life at home as easy as possible for our customers are ultimately based on our motto: *We make living easy!*

Since it was founded ten years ago, BHG has consistently combined this organic approach with acquisitions. Today, we have a team dedicated to acquisition processes and another that leads the integration of the companies we acquire. We continued refining our synergy and integration playbook during the year. Through this systematic approach, we were able to maintain a high pace of acquisitions, while consistently creating added value from the growing group of online specialists that make up the BHG family.

THE POTENTIAL IN CONTINENTAL EUROPE

Our position as the largest consumer-oriented online retailer in the Nordic region was strengthened in 2021. We also took decisive steps to advance our position in the continental European market, which is 15–20 times larger, partly through significant organic growth and partly through the completion of our first acquisition in Germany. The process we have pursued to consolidate our home markets in the Nordic region is well advanced and, in addition, our sights are now set on continental Europe.

That said, growth opportunities in the Nordic markets remain favourable since online penetration in our categories is still relatively low.

OWNERSHIP BASE AND THE BHG SHARE

We have noted gradually rising interest in BHG, both from society at large and from the stock market, since our stock exchange listing in March 2018. We reached an important milestone in 2021 when the number of shareholders exceeded 10,000. Today, we have a broad ownership base made up of Nordic private individuals and institutions as well as a growing share of foreign institutions.

We are focused on building our base of satisfied customers and driving profitable growth. We have made some progress in realising our vision, but our journey of growth is still at an early stage. We are convinced that the strength of our model and our initiatives to further strengthen BHG will continue to create value for our shareholders in the future.

EXPECTED FUTURE DEVELOPMENT

According to our assessment, the Nordic overall Home Improvement market generates sales of about SEK 300 billion annually and the European overall market is 15–20 times larger. While the total market for Home Improvement products is relatively stable, it is characterised by a transition from offline towards online sales.

Online penetration has increased steadily over the past decade yet remains relatively low compared with many other consumer market categories such as books and consumer electronics. The trend of increasing online penetration has primarily been driven by changing consumer behaviour and technological improvements, which have benefited and are expected to continue benefiting online retailers such as BHG.

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

BHG expects online DIY and home furnishing sales in the Nordic region to be characterised by continuing strong growth, with an estimated compound average growth rate (CAGR) of 15% in 2022–2026. Market growth in the less mature Eastern European markets is expected to be significantly higher in this period. In the increasing number of international markets where BHG operates, for instance through its acquisition of Nordic Nest and AH-Trading, market growth is also expected to be strong while conditions are promising for a significant gain in market share.

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

Net sales growth

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

Profitability

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

Capital structure

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

Dividend policy

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

RISKS

There are several strategic, operational and financial risks and uncertainties that can affect the Group's financial results and position. Most risks can be managed through internal procedures, while others are largely driven by external factors.

There are risks and uncertainties related to IT and management systems, suppliers, and seasonal and weather variations, while other risks and uncertainties may also arise in the case of new competition, changed market conditions or changed consumer behaviour with respect to e-commerce. BHG is also exposed to different types of financial risks, such as financing and liquidity risk as well as interest-rate risk. The most material risks for BHG are described below.

Changes in customer behaviour as a result of the COVID-19 pandemic

During the COVID-19 pandemic, consumers in the Nordic region and other markets where BHG operates have chosen to spend a greater share of their disposable income on investments in their homes and to make their purchases to a greater extent online rather than in physical stores. Since BHG sells Home Improvement products online, this changed customer behaviour during the pandemic led to increased demand for BHG's products.

As societies open up, customers may choose more often to make investments in things that were not possible during the pandemic, such as travel and services, which could have a negative impact on demand for products that BHG offers which could in turn have a negative impact on BHG's sales and earnings.

Russia's invasion in Ukraine

Upon approval by the Board of Directors of this annual report war is raging on EU's borders. BHG have very limited direct exposures to either Russia, Belarus or Ukraine in terms of sales to customers in these countries from the Group's e-commerce platforms. Furthermore, BHG have no subsidiaries in the countries in question, nor any significant direct exposure with regard to suppliers in Russia, Belarus or Ukraine. It is at present difficult to assess the wider impact of the war on GDP growth, inflation, supply chains and, ultimately, consumer sentiment and demand for the Group's products. BHG can therefore at present not make any estimate of the financial effects for the Group of the ongoing conflict.

Risks related to global logistics chains, inventories and inflation

BHG's supply chain is highly dependent on global logistics chains. Disruptions to these chains, such as those that occurred in 2021, may affect BHG's ability to offer the right product to customers at the right time, which may in turn affect BHG's sales and earnings.

The quantity of products in inventory has increased as BHG increased sales of its proprietary brands. Higher inventory levels may entail a higher risk of damage to products for example (such as fire or water leaks) or a negative effect on working capital, cash flow and earnings if purchased products remain unsold.

Rising inflation and purchase prices may affect BHG's profitability since it operates in a competitive market and there is usually a delay from when suppliers raise prices to when prices to end consumers are adjusted.

IT and GDPR-related risks

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

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

Financial risks

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

- Financing and liquidity risk
- Interest-rate risk
- Credit risk
- Currency exchange risk

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The annual general meeting held on 5 may 2021 adopted the following guidelines for remuneration to senior executives.

General

The CEO and the two additional individuals in the company's executive management fall within the provisions of these guidelines. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2021 Annual General Meeting. These guidelines do not apply to any remuneration decided by the General Meeting of Shareholders.

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

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

For more information regarding the company's business strategy, please see the company website www.wearebhg.com.

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

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

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

Types of remuneration, etc.

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

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

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

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

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

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

Termination of employment

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

Criteria for awarding variable cash remuneration, etc.

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

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

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

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

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

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

THE BOARD OF DIRECTORS' PROPOSAL REGARDING GUIDELINES FOR THE DETERMINATION OF REMUNERATION TO SENIOR EXECUTIVES

General
The CEO and the additional individuals in the company's executive management fall within the provisions of these guidelines. The guidelines are forward-looking, meaning that they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2022 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

How the guidelines promote the company's business strategy, long-term interests and sustainability
In short, the company's business strategy is to leverage its leading position in the online Home Improvement market to continue benefiting from the market's underlying growth as a result of increasing online penetration and to couple organic expansion with further active consolidation measures, such as M&A.

For more information regarding the company's business strategy, please see the company website www.wearebhg.com.

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

Long-term share-related incentive plans have been implemented in the company. Such plans have been resolved by the general meeting and are therefore excluded from these guidelines. For more information regarding these incentive plans, please see www.wearebhg.com.

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

Types of remuneration, etc.
The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

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

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

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), is to be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium-defined pension are to amount to not more than 30 percent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium-defined unless the individual concerned is subject to defined benefit pension under mandatory collective agreement provisions. Variable cash remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions. The pension premiums for premium-defined pension may not amount to more than 30 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Premiums and other costs relating to such benefits may not amount to more than 30 percent of the fixed annual cash salary.

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

Termination of employment

Upon termination of an employment, the notice period may not exceed twelve months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years. When termination of employment is initiated by the executive, the notice period may not exceed nine months, without any right to severance pay.

Criteria for awarding variable cash remuneration, etc.

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

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

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

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

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

Derogation from the guidelines

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

Description of material changes to the guidelines and how the views of shareholders' have been taken into consideration

In the proposal for guidelines submitted to the 2022 Annual General Meeting, the highest level of variable cash remuneration has been lowered from 200 to 100 per cent, the highest level of pension premiums been lowered from 100 to 30 per cent and the highest level of other benefits been lowered from 100 to 30 per cent of the fixed annual cash salary. BHG Group AB (publ) has not received any views from shareholders to take into consideration in the preparation of this proposal.

PARENT COMPANY

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

The Parent Company's net sales amounted to SEK 2.6 million (1.6). The Parent Company posted an operating loss of SEK -91.1 million (-43.9). Outstanding incentive programmes were charged to Parent Company earnings with an amount of SEK -5.8 million (-14.2). Unlike previous programmes, costs for the Group's fourth incentive programme, rolled out in 2021, are not charged to the Parent Company's earnings. The Parent Company's cash and cash equivalents totalled SEK 0.0 million at the end of the reporting period, compared with SEK 58.8 million at the beginning of the year.

The Board of Director's proposal to the Annual General Meeting is that no dividend is to be paid for the 2021 financial year. The basis for this proposal is the high availability of investments in profitable growth, not least through continued acquisitions.

APPROPRIATION OF PROFITS

BHG Group AB

559077-0763

Appropriation of profits (SEK)	
At the disposal of the annual general meeting	
Retained earnings	144,470,366
Share premium reserve	4,790,613,856
Profit/loss for the year	-1,813,078
	4,933,271,144
The Board of Directors proposes	
to be carried forward	142,657,288
whereof share premium reserve	4,790,613,856
	4,933,271,144

Sustainability Report

- part of Directors' Report

COMMENTS FROM THE VICE PRESIDENT SUSTAINABILITY

In 2021, BHG continued its journey of transformation in the sustainability area, taking several important steps. We established a clearer framework for building a successful BHG, and we now stand upon a strong foundation for the future. Sustainability at BHG is based on UN Sustainability Goals 2030 (SDG), the UN Global Compact and our materiality pyramid, which was a result of our sustainability efforts in 2020. In 2021, we also developed a new policy package containing Code of Conduct for both employees and suppliers, updated environmental and CSR policies, and digitization of the whistleblower reporting system. The aforementioned measures are hygiene factors that must be in place to demonstrate our approach to our target groups, but they are also important for our success. In addition to having an updated framework, we are reporting for the first time in accordance with the EU Taxonomy – an area that will also evolve in years to come.

BHG operates through a decentralised structure, which creates both challenges and opportunities. We depend on local commitment by our companies if we are going to fulfil our ambitions – this is where our sustainability efforts actually have an impact. I am therefore extra proud that we have established our long-term future targets. In the years to come, we will continue working closely with all of our operations on sustainability in order to best put theory into practice. We will use our size and our experience from our various operations to establish best practices.

During the year, we refined our structure for collecting data so that our sustainability data for 2021 has been improved in comparison with data from previous years. As knowledge about sustainability grows at our companies, we see the quality of our collected data improving.

Of course this means that we see differences in annual results in areas such as emissions, which are driven by the improved quality of collected data as well as the fact that we acquired relatively large operations during the year. We will continue our journey of growth in accordance with our strategy to grow organically and through acquisitions, which we have taken into account as we designed our targets. This is most clearly reflected in our target to reduce our greenhouse gas (GHG) emissions, which has been stated as a percentage of our sales growth. Stating the target this way makes it possible to continue growing through a higher market share and acquisitions while providing an accurate view of our total climate impact. Our strength lies in our entrepreneurial culture and our ability to put initiatives into practice, which give us excellent prospects for committed sustainability efforts.

I'm proud of the strides made in the last year, and I look forward with anticipation to the development of our sustainability efforts in the years to come.

Maria Morin,
Group CHRO, Communications & ESG

THIS IS BHG

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

About BHG

BHG's business model is based on building blocks such as assortment width, price matching, a first-class online customer experience, the market's best professional service and support and cost efficiency. BHG is the largest online European pure-play within the Home Improvement space, which includes Do-It-Yourself (DIY) and home furnishings. DIY encompasses products for building, renovating and maintaining homes and gardens as well as Home Improvement products. The Home Furnishing segment includes furniture and home furnishings. We have more than 1.5 million products in our range. In addition to products, we offer services such as our own last-mile deliveries and installations. BHG has more than 70 showrooms and 100 online destinations, including leading destinations such as Bygghemma.se, Trademax.se and NordicNest.se, as well as category and expert stores such as Golvpoolen.se, Nordiskafönster.se and Stonefactory.se

A large share of our customers are located in the Swedish, Norwegian, Finnish and Danish markets. In 2021, BHG increased its local presence in the important German market with the acquisition of AH Trading in September. BHG furthermore has a significant presence in most of Eastern and Central Europe as well as growing online sales in other parts of the world. In total, BHG had operations in 24 countries in 2021. The company's growth strategy encompasses both organic growth and acquisitions.

BHG's head office is located in Malmö, together with certain Group-wide functions such as accounting, HR, sustainability, finance and , legal. All sales of goods and services to external customers are made through BHG's operating companies. The Group has no manufacturing plants of its own, and instead all products are purchased through business partners, agents or directly from suppliers.

SUSTAINABILITY FOR BHG

BHG's sustainability efforts, which are reported on the following pages, encompass the environment, social conditions and employees as well as human rights and anti-corruption work. The framework for BHG's sustainability efforts is based on the UN SDGs for 2030 as well as the company's materiality analysis. The materiality analysis conducted in 2020 resulted in BHG's materiality pyramid. The pyramid and the UN SDGs established the foundation and direction for BHG's sustainability targets. We are transparent in our sustainability efforts, and on the following pages you will also learn more about BHG's approach to reporting in accordance with the EU Taxonomy.
We continually evaluate our sustainability work in order to ensure its relevance in a changing world and depending on how BHG evolves. BHG continually acquires new companies as part of its strategy, which may affect aspects in areas such as the materiality pyramid in the future. Our review of the materiality pyramid in 2021 found that its composition remains relevant.

Impact analysis and BHG's materiality pyramid

In our report for 2020, we showed how we conducted BHG's impact analysis to gain insight into our impact on various sustainability aspects. The materiality analysis included an impact analysis that was based on a double materiality perspective, meaning impacts by and on BHG. The impact analysis identified both our negative and positive impacts in the areas of human rights, labour rights, the environment and anti-corruption across our value chain.

The analysis also included impacts from financial, operational and reputational perspectives. Stakeholder groups were identified based on impact and importance to BHG according to the AA1000 Stakeholder Engagement Standard. Dialogues were then carried out via interviews and questionnaires. Refer to the table below for the sustainability areas that were highlighted for each stakeholder group.

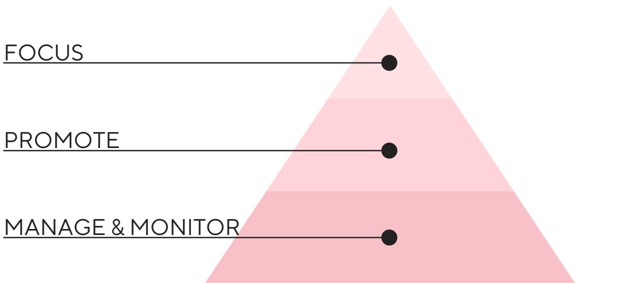
Stakeholder group	Method	Top three prioritised areas
Owners	Questionnaire and interview	Ensuring a high level of data protection and protecting customer privacy
		Eliminating child labour and forced labour
		Ensuring a healthy and safe work environment
Board of Directors	Questionnaire and interview	Minimising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

The BHG Group AB (publ) share is listed on Nasdaq Stockholm Large Cap.
Number of employees: 3,270
Net sales: SEK 12,666 million
Equity: SEK 5,256 million
Liabilities: SEK 8,356 million

BHG's sustainability strategy

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

Focus reflects BHG's priority areas and focuses on sustainability. **Promote** refers to topics that BHG continually emphasises and promotes. **Manage and monitor** remain important topics that BHG annually follows up through KPIs.



Focus	• Maintaining high levels of product safety and quality • Ensuring sustainable supply and distribution chains • Transparent sustainability communication • Minimising climate impact
Promote	• Minimising resource consumption • Ensuring a high level of data protection and protecting customer privacy • Promoting equality and diversity at workplaces • Attracting and retaining employees and developing their skills
Manage and monitor	• Working actively to eliminate corruption • Integrating the circular economy into our business model • Ensuring a healthy and safe work environment • Protecting biodiversity and ecosystems • Eliminating child labour and forced labour • Building business resiliency and adapting to climate change

BHG's sustainability targets

The process of designing clear sustainability targets for the Group began in the second half of 2021. BHG's targets for its continued sustainability work were established after the end of the operating year. By combining the UN SDGs with our materiality pyramid from 2020, we designed the following targets in relation to the SDGs that are most relevant for us. See below:

Connection to UN 2030 Agenda	The materiality pyramid	Target
13 Climate action 12 Responsible consumption and production	**Minimising climate impact** Minimising resource consumption Product safety – Innovation (Taxonomy)	**Reducing CO_2 emissions by 50% by 2030*** 1 a. Scope 1 & 2: Zero GHG emissions by 2025 1 b. Scope 3: 50% reduction in GHG emissions by 2030 2. Promoting a sustainable offering
5 Gender equality 8 Decent work and economic growth	**Ensuring sustainable supply and distribution chains** Maintaining high levels of product safety and quality Promoting equality and diversity Attracting, maintaining and developing employees	**An equitable workplace and sustainable supply chain** 3. 100% of our strategic suppliers* are to be evaluated and action plans are to be developed and implemented by 2025. 4. Our employees feel that BHG Group is a good and equitable workplace.
8 Decent work and economic growth 12 Responsible consumption and production	**Financial performance and economic growth** Transparent communication Data protection Customer privacy	**Corporate governance and economic growth** 6. 100% of BHG's fully integrated business units and destinations manage data protection according to the best available standard

* Percentage reduction in relation to sales growth
** 60% of BHG's total sales

GOVERNANCE AND RESPONSIBILITY FOR SUSTAINABILITY

BHG is a growing company with a decentralised business model. One of our strengths is the entrepreneurial spirit of our companies, which have a lot of freedom to decide over their operations themselves. However, this can pose a challenge when it comes to developing and implementing management of sustainability within the Group. The Board of Directors has the overall responsibility for sustainability, while the CEO is responsible for enacting the Board's decisions and strategies. The Group's Chief Human Resources Officer (CHRO), who is also the head of sustainability, is responsible for leading and coordinating the sustainability work. The CHRO reports directly to the CEO and informs the Board of Directors on outcomes once a year. The Group also holds monthly meetings with key individuals from each company. During these meetings, the companies receive up-to-date information about the Group's work and they can also bring up issues such as sustainability for discussion.

Policy documents

The central policies that BHG applies are our Code of Conduct, supplier policy, Environmental Policy, Employee Policy, Purchasing Policy, CSR Policy and Information Security Policy. The CEOs and management of our companies receive the Code of Conduct and the other policies, after which it is up to each company to implement the policies. Our Code of Conduct, Supplier Policy and CSR Policy, which all cover sustainability, were updated in 2021. The roll-out of the new policies will continue during the 2022 operating year. Compliance to policy's is part of the BHG internal control process.

BHG's Code of Conduct makes the company's position clear when it comes to issues concerning respect for human rights, labour conditions, the environment and anti-corruption, and is based on the Ten Principles of the UN Global Compact. It applies to all Board members and employees at BHG.

BHG employees receive the Code of Conduct when they are hired. Changes were made to the Code of Conduct in the second part of 2021, and all of BHG's employees signed agreements that they had read and understood the updated Code of Conduct when it was implemented. Deviations from the Code of Conduct can be reported anonymously through BHG's Group-wide whistleblower system. We are satisfied with our level of policy implementation, since we have had low levels of deviations reported.

Risk analysis

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

We continually develop our risk management process to strengthen and build up the company's long-term resiliency, based on the materiality pyramid. The overall control environment is the foundation of our risk management process. A sound control environment is based on an organisation with clear decision paths where responsibility and authority are clearly defined. In BHG's decentralised company model, our centrally defined internal control system with relevant parameters for defining risk and risk management is extremely important. The company's Audit Committee receives reports on risk and risk management on an ongoing basis during the year, while the Board of Directors is updated annually. You can read more about how we are addressing these material topics in the following sections of the Sustainability Report.

Business ethics

BHG takes a zero tolerance stance towards all forms of corruption. Our largest corruption risk is in connection with the purchase of products and in the close and long-term relationships we develop with our suppliers. Our requirements and expectations for our employees, business partners and suppliers when it comes to anti-corruption are stipulated in our Code of Conduct and Supplier Code of Code of Conduct. All BHG employees are obligated to follow our Code of Conduct, which provides them with information about guidelines and our preventative work regarding bribes and corruption. Any deviations from the Code of Conduct and the Group's business ethics guidelines can be reported anonymously to the Group's whistleblower system. During the year, one case of whistling was reported, which was investigated in accordance with current regulations. Zero cases of corruption were reported during the year.

SUSTAINABLE SUPPLY AND DISTRIBUTION CHAINS

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

Our supply chain

BHG has no manufacturing plants of its own. Instead, mainly all products are purchased directly from business partners, suppliers or through agents in the Nordic region, Eastern Europe and Asia. Our proprietary brands are continuously supplemented with strong brands from third-party suppliers.

Because BHG does not own its own manufacturing plants, our largest sustainability impact is in the production side of our supply chain. Areas affected by our suppliers' production include climate and environmental impacts, since the manufacturing of our products causes GHG emissions that contribute to climate change or deplete natural resources. We are aware that the material in our products, for example the wood used in furniture production or the sand used in glass and cement, can have a negative impact on biodiversity. Our ability to control this is limited, but through systematic efforts we can establish requirements for our suppliers. Working with the supply chain also means ensuring that our products are produced in environments that respect and uphold human rights, labour rights and good business ethics and are not associated with any form of child labour or forced labour. This becomes even more important when we purchase products produced in areas with a high risk of deviations.

Working for a sustainable supply chain
To support a sustainable supply chain, we established a Supplier Code of Conduct. This code is based on the Ten Principles of the UN Global Compact and lays out our requirements and expectations for our suppliers and business partners. Our suppliers and business partners must respect human rights and labour rights, minimise their negative environmental impact and maintain good business ethics. These requirements include zero tolerance for child labour or forced labour. BHG has no central purchasing function. Instead, the Supplier Policy is presented to the companies' management groups, who are responsible for implementation and compliance. Our companies are also responsible for evaluating new business partners, suppliers and agents according to the Supplier Code of Conduct. Our ambition is for the Supplier Code of Conduct to be included in all of BHG's agreements with new suppliers. Some of our companies have systematic processes in place for evaluating suppliers and conducting follow-ups in low-cost countries where the risk of deviations is assessed as being the greatest. Of the companies that have a systematic process in place, 100% of their new suppliers were evaluated based on human and labour rights criteria, while 69% of new suppliers were evaluated based on environmental criteria. BHG's target is to have all strategic suppliers evaluated by 2025 and will henceforth report the proportion of evaluated suppliers on an annual basis.

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

Working for a sustainable distribution chain
BHG constantly strives to streamline its operations and optimise its processes, which also applies to the distribution of goods. A large share of the products are delivered directly from suppliers to customers via third-party distributors. In addition, products are distributed through our own distribution network via third parties (such as DSV and PostNord) and through BHG's own last-mile deliveries using our own vehicles and drivers. Today, BHG has its own infrastructure for last-mile deliveries in Stockholm, Gothenburg and Skåne County. 100% of deliveries in the Home Furnishing segment's operations in Eastern Europe are distributed via our own storage warehouses through our last-mile deliveries.

We have the greatest possibility of affecting transportation and resource management in our own distribution network. When it comes to our last-mile deliveries, we engage in regular dialogues with our logistics partners about improving efficiency in the flow of goods between suppliers, warehouses and end customers. We aim to have a higher fill factor and improve loading, which indirectly leads to reduced emissions from customer deliveries. The emissions generated from our own transportation are included in our CO_2e reporting in the section "Environmental impact of BHG's own operations" on the next page. It is also important to minimise the return rate, since this helps to avoid unnecessary shipments and thereby emissions. However, the share of returns for BHG is low, well under 5%. In addition, our companies engage in dialogues with our logistics partners regarding smarter packaging and use of packing material. The goal is to minimise resource consumption when shipping and delivering our products to customers. BHG acquired more companies during the year, and this in combination with the higher quality of the collected data led to large increases in GHG emissions in comparison with the previous year.

PRODUCT SAFETY AND QUALITY
BHG has a broad range that allows people to maintain their homes and gardens. Since our products are in people's homes, it is important that they are safe, high quality and do not contain any hazardous substances.

Our work related to product safety and quality
BHG's range consists of external brands, mainly well-known brands such as Bosch, Husqvarna and Ifö, as well as proprietary brands. When it comes to external brands, the manufacturers are responsible for product safety. We supplement the external brands offered with a portfolio of proprietary brands that meet or exceed customer expectations. Product safety and quality play an important role in this structure. Our proprietary brands are primarily manufactured in Eastern Europe and Asia. In Asia, product safety standards can be lower than the EU regulations for product safety and quality.

In order to live up to our customers' expectations, it is important that we ensure that all of our suppliers meet the requirements for product safety set by the EU. Every company in BHG is responsible for the design and quality-assurance of its own products. Three incidents related to inadequate product safety were reported at BHG during the year. Internal investigations of each product have been conducted and the products have been removed from the range. We continually address product safety within our respective operating companies, and our ambition is to clarify our risk assessment in order to better identify high-risk products in our range in future years.

ENVIRONMENTAL IMPACT OF BHG'S OWN OPERATIONS

We strive to use energy and materials efficiently and to reduce our GHG emissions and the waste generated by our operations. Since a significant portion of our climate and environmental impact occurs in the supply chain, where our products are manufactured, this is an important area that we will focus more on in the coming year. Management of environmental aspects is regulated in BHG's environmental policy and in the Code of conduct, both for suppliers and our own companies. In order to ensure a responsible production at our suppliers, high demands are stated in BHG's above mentioned policies to carry out assessments within environmental risk and to implement measures to prevent, mitigate and control the effects of their operations. The compliance of BHG's companies is monitored through BHG's function for internal control. The long term goals with a horizon until 2030 are particularly to focus on how BHG will reduce its climate footprint in order to achieve its targets. Further, BHG is investigating how we can increase the circular flows in our companies. To minimize the amount of generated waste, the supplier is encouraged to reduce, reuse and recycle products and material, prioritized in that order. BHG's environmental policy and Code of conduct also address the central aspects of biodiversity, which includes that products provided by BHG's companies have to meet the requirements to ensure biodiversity.

Currently, a number of products are made by recycled materials. The proportion is relatively small, although BHG sees an opportunity to develop the range in the future. Reuse and recycling of, for example, packaging are other important aspects for circular sustainability. The section below focuses on the environmental impact of BHG's own operations.

Minimising environmental impact

BHG applies the precautionary principle, and our Environmental Policy establishes our overall expectations for our operations and our companies when it comes to environmental and climate issues. Our energy consumption is connected to our offices, warehouses, showrooms, logistics, transportation and the data servers we use to conduct our operations. Energy-saving measures are implemented regularly at our warehouses, showrooms and offices. Our operations generate waste in the form of paper, plastic, cardboard and packaging. We sort paper, plastic and other consumables at our offices. Our companies work with well-established third parties in the recycling industry.
For better insight and to find more efficient ways to reduce our negative impact on the environment, we also collected data from our operations and our companies in 2021. The results are presented in the table "Energy use and emissions" below. The data collected represents 82% of the Group in terms of sales, which means that BHG's total emissions are actually higher than the data would suggest. To estimate BHG's total emissions, we used the reported carbon dioxide emissions (82% of sales generated 19,830 tonnes of CO_2e) and calculated an estimate for the remaining companies (18% of sales). Based on this calculation, we generated an estimated 24,293 tonnes of CO_2e in 2021. However, we are aware that this figure could be higher since we have yet to receive complete data from all of our companies and our Scope 3 data includes business trips, transportation, logistics and leased vehicles. The quality of the data was further improved in 2021, and we use insights from the previous year's analysis to review how we can reduce our climate impact, both in our own operations and in the production of the products we provide.

Energy consumption in the organisation (MWh)

Energy source	2021	2020
Fuel (diesel and natural gas)	2,575	1,696
Electricity	13,564	4,389
Heat	13,307	2,617
Cooling	55	8
Total	**29,502**	**8,710**

Includes data from our offices, stores and warehouses. For more information about which companies are covered in this report, see "About this report".

Total emissions, tonnes CO_2e*

	2021	2020
Scope 1*	316	416
Scope 2**	1,833	499
Scope 3***	17,681	2,722
Total	**19,830**	**3,638**

* Wood chips, natural gas, company-owned cars. Emission factors from DFRA 2021.
** We hope to collect guarantees of origin in the future in order to report emissions figures according to the market-based method. Emission factors from IEA 2018.
*** Logistics, business trips and leased vehicles. Emission factors from DFRA 2021.

Energy consumption and total emissions

In comparison to the reported data in 2020, the level of emission increased in 2021. The reasons behind the increased level in 2021 are mainly linked to an increased and improved quality of data collection as well as the fact that BHG has throughout the year grown through acquisition of relatively large units. Together, this led to an increase in reported emissions compared to the reported levels of 2020. After the end of the financial year, BHG formulated clear objectives within carbon dioxide emissions within Scope 1-2 and Scope 3, linked to reduced emissions in relation to sales growth. Find more about BHG's sustainability goals on page 36 in this report.

In the years to come, we will continue working closely with all of our operations on sustainability in order to best put theory into practice. We will use our size and our experience from our various operations to establish best practices.

OUR EMPLOYEES

Our employees are our most important resource, and our success depends on having talented, driven and capable employees. We want to offer a safe, stimulating and broadening workplace with opportunities to contribute to the company's continued growth through skills development and involvement. This makes us an attractive employer where our employees thrive. Compliance with our Code of Conduct, which is based on UN human rights recommendations, serves as the framework and lays the foundation for a healthy workplace. With our Code of Conduct as a foundation, we want to ensure that all of our employees are treated fairly and without prejudice or discrimination, regardless of gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age.

In accordance with our Code of Conduct, we reject all forms of discrimination in recruitment, wage-setting, skills development, promotions, termination or in our daily interactions with one another. Recruitment, employee development opportunities and promotions shall be based on qualifications.

A responsible employer

Our fundamental philosophy is that BHG thrives when our employees thrive. BHG's decentralised corporate structure is characterised by competence, entrepreneurship, management by objectives and rapid decision paths. Our Code of Conduct and Employee Policy form the framework and clarify our requirements for our employees and workplaces, including equality and diversity, work environment, occupational health and safety, recruitment and development and training. 55% of our employees are part of a collective bargaining agreement.

The entrepreneurial spirit is a major part of BHG's corporate culture, where we encourage individual initiative and commitment which can be used as a base to grow into new roles and career paths. We want all of our employees to have individual development plans with goals and feedback concerning their performance as well as annual performance reviews, where we also follow up on how our employees perceive us as an employer. To see the share of BHG's employees who participated in these reviews over the year, refer to the table "Performance reviews" on the next pages.

An equal and inclusive workplace

BHG strives to be a diverse and inclusive workplace characterised by diversity and inclusiveness, see tables on p.42. We do not allow any form of discrimination, harassment or bullying. Our presence in many different countries and our broad customer group means that supporting gender, age and ethnic diversity is part of our DNA. We work continuously to provide a workplace where everyone feels welcome and where differences are appreciated and utilised. These expectations are stipulated in our Employee Policy and our Code of Conduct, which are distributed to each company in the Group. Zero confirmed cases of discrimination were reported during the year.

BHG strives for gender parity within the Group and aims for men and women to each represent 50% of the total number of employees as well as among management. In 2021, the number of women with permanent employment was 1,363, out of a total of 3,270 employees. Our employees are often young and come from different backgrounds. The diversity challenges we see in our operations largely concern people in upper management who are often the same age and gender and from similar backgrounds. This is partially a result of acquiring several companies where the founders and entrepreneurs had similar backgrounds. The company still has an unequal gender distribution on the Board of Directors and in management. There is a risk that the company will not be perceived as an equitable and attractive employer, which could lead to difficulty in attracting qualified employees. Because of this uneven distribution, BHG has stated clear diversity goals in order to ensure progress in the right direction.

Since acquisitions are a natural part of BHG's strategy for continued growth, the number of employees fluctuates in relation to companies that are acquired, in addition to recruitment for new positions and to replace departing employees.

Total numbers of employees, distributed by employment contract and type and gender

Employment contract	Women	Men	Non-binary	Total
Permanent employment	1,358	1,643	0	**3,000**
Temporary employment	139	129	1	**269**
Total	**1,497**	**1,772**	**1**	**3,270**
Full-time	1,082	1,507	0	**2,589**
Part-time	415	265	1	**680**
Total	**1,497**	**1,772**	**1**	**3,270***

* The total of 3,270 employees includes one consultant in a management role, who has a full-time employment

Data includes employees from all of the companies in the BHG Group.

Total numbers of employees, distributed by employment contract and region

Region	Total	Permanent employment	Temporary employment
Nordic region	2,622	2,407	215
Other countries in Europe	636	586	50
Other countries outside Europe	11	7	4
Total	**3,270***	**3,000**	**270**

* The total of 3,270 employees includes one consultant in a management role, who has a full-time employment.

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

	New employees (%)	Employee turnover (%)
Total	**1,526 (47%)**	**1,144 (35%)**
Women	770 (24%)	577 (18%)
Men	755 (23%)	567 (17%)
Non-binary	1 (0%)	0 (0%)
<30 years	1,104 (34%)	795 (24%)
30–50 years	371 (11%)	297 (9%)
>50	51 (2%)	52 (2%)
Nordic region	1,519 (47%)	1,144 (35%)
Other countries in Europe	2 (0%)	0 (0%)
Outside Europe	5 (0%)	0 (0%)

Share (%) is based on the total number of employees in the companies delimited to this report, which corresponds to a total of 2,455 employees.

BHG management and employees, gender and age (%)

Employment category	Women	Men	<30 years	30–50 years	>50 years
Board of Directors	33%	67%	0%	50%	50%
Management group	25%	75%	0%	75%	25%
Managers	13%	87%	13%	87%	0%
Other employees	18%	82%	24%	59%	17%

Share (%) is based on the total number of employees at the BHG head office, which corresponds to 29 employees.

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

Employment category	Women	Men	<30 years	30–50 years	>50 years
Management group	23%	77%	5%	78%	17%
Managers	44%	56%	20%	71%	9%
Other employees	51%	49%	57%	36%	7%

Share (%) is based on the total number of employees in the companies included in this report (2,455). For information about the scope of this report, refer to "About this report" on page 43.

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

Employment category	Women	Men	Total
Management group	90%	62%	**68%**
Managers	47%	39%	**43%**
Other employees	41%	49%	**45%**

Share (%) is based on the total number of employees in the companies included in this report. The employment categories include both the BHG Group (head office) and other companies.

A healthy and supportive workplace

BHG's companies follow the laws and regulations concerning work environment and health in the respective countries where they operate. Safety is included in both the Employee Policy and the Environmental Policy. Since we are a quickly growing company with many new acquisitions in several countries, our approach to health and safety varies across the Group. For our companies in Sweden, health and safety work includes the establishment of health and safety teams, health and safety policies and local safety officers. Responsibility and information related to health and safety are delegated locally, and incidents and near misses are reported to the immediate supervisor. Systematic health and safety work is organised to continually review risks, suggest actions and promote improvement of the physical and psychosocial work environment. BHG's companies have a connected occupational health care for support in the preventive work. During the year, 22 minor work-related injuries were reported, such as injuries caused when using a forklift. This is equivalent to a rate of 0.8 injuries per 200,000 hours worked. All accidents are investigated according to applicable regulations, and preventive measures are taken to avoid similar accidents in the future. There were also six registered cases of stress-related ill health.

BHG's decentralised structure means that our companies have made varying amounts of progress in their systematic health and safety work. We continually work to improve the work environment, and our health and safety policies apply to all of the companies in the Group. Work environment and safety are core parts of these policies, including guidelines for physical and psychosocial health. Our companies have management systems and established processes for detecting and addressing risk areas that could entail ill health for our employees.

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

2021, a year marked by COVID-19

The pandemic continued to have a major impact in 2021, and BHG's operating companies continued the work established in 2021 to minimise the spread of infection in their operations. For example, this meant that some of our showrooms and stores were forced to remain completely or partially closed for a couple of months depending on country-specific restrictions. The share of virtual meetings remained high, and there was a shift towards working from home for operations where the work allowed this. All of the measures implemented produced the intended effect of protecting our employees, and BHG's ability to adapt quickly has increased company resilience.

DATA PROTECTION AND PROCESSING OF PERSONAL DATA

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

BHG has steering documents and processes in place to ensure a high level of data protection and appropriate processing of personal data. In our Information Security Policy and CSR Policy, we undertake to ensure that personal data from our customers and employees is processed in a secure manner. Our GDPR handbook is also distributed to our companies, which are responsible for implementing and following up on the requirements in their own operations. As a result, the companies develop data security policies, train employees, strive to minimise the storage of personal data and conduct internal audits. The companies also regulate who has access to data and cooperate with their suppliers to provide guidance and information about data processing. BHG's work is followed up through annual IT audits and internal audits. The responsibility for GDPR, regulatory compliance and process is handled by BHG's legal function. In 2021, we had zero confirmed cases of a customer privacy breach. Processes and procedures have been adapted to prevent similar events from reoccurring. We had zero confirmed cases of identified leaks, theft or loss of customer data during the year.

REPORTING IN ACCORDANCE WITH THE EU TAXONOMY

In 2021, BHG expanded its Sustainability Report to also include reporting according to the EU Taxonomy, which will be part of the Sustainability Report going forward. The EU Taxonomy can be briefly described as a classification system developed by the European Commission for environmentally sustainable businesses regulated under the Taxonomy Regulation.

For a particular economic activity to be classified as environmentally sustainable, it must make a substantial contribution to one or more of six established environmental objectives, not significantly harm the other objectives and fulfil certain minimum sustainability requirements. For 2021, large public interest companies with more than 500 employees must report how the Taxonomy applies to their economic activities according to the two environmental objectives of climate change mitigation and climate change adaptation. For 2022, these businesses must also report how aligned they are with the Taxonomy.

Reporting in accordance with the Taxonomy Regulation

Based on the Taxonomy Regulation and its delegated acts, BHG set up a working group during the year containing both internal and external expertise. The group analysed the company's economic activities and linked them to the Taxonomy Regulation. The analysis also linked investments made during the year to the Taxonomy Regulation. Only a limited part of BHG's activities are eligible under the Taxonomy. This will be described in detail below. According to BHG's interpretation of a manufacturing company based on the Taxonomy Regulation and its associated NACE codes, a manufacturing company is a company that owns the input products for the products that they manufacture. Based on this interpretation, BHG is not defined as a manufacturing company and thus a major part of BHG's economic activities are not eligible under the Taxonomy Regulation.

Examples of products that are eligible under the Taxonomy Regulation that BHG's operating companies sell are heat pumps and solar cells, but since we only sell these according to the interpretation above, this economic activity is not something that BHG must report based on the Taxonomy Regulation.

In addition, some of BHG's operating companies provide shipping services for transports of goods. BHG's operating companies also provide installation services in Sweden, Norway, Finland and Denmark that fall within the Taxonomy. These installation services represent less than 1% of the company's sales for the 2021 operating year.

Installation services comprise installations of products including heat pumps and solar cells. During the year, BHG made investments, both capital expenditures and operating expenditures, that fall within the Taxonomy, specifically investments to improve the energy efficiency of properties. These investments accounted for less than 1% of the company's capital expenditures and operating expenditures in 2021.

ABOUT THIS REPORT

This is BHG's annual Sustainability Report. The report has been prepared in accordance with Chapter 6, Sections 10–12 of the Swedish Annual Accounts Act and applies to the 1 January 2021 to 31 December 2021 financial year unless otherwise stated. It has also been prepared in accordance with the GRI Standards: Core option. The goal of this report is to transparently describe BHG's sustainability strategy, targets and results.

Scope

This report covers the following companies: BHG Group AB (publ), Bygghemma Group Nordic AB, Bygghemma Sverige AB, Home Furnishing Nordic AB, Netrauta Finland Oy, Taloon Yhtiöt Oy, M & M Visions Oy, Edututor Oy, IP Agency Oy, Handelmark OÜ, Golvpoolen Arredo AB, Arc E-commerce AB, Domino Møbler ApS, My Home 2 A/S, My Home 3 A/S, My Home 4 A/S, My Home 7 A/S, My Home 8 A/S, Hemfint Kristianstad AB, Nordic Nest Group AB, Hafa Bathroom Group AB, HYMA Skog & Trädgård AB, Nordiska Fönster i Ängelholm AB and Lindström & Sondén AB, which represent 82% of the Group's sales. The remaining companies have been excluded this year for reporting and size reasons, but we aim to include the majority of our companies in the coming years. For a complete picture of the BHG Group, please refer to Note 15.

Employee data is calculated per employee (head count) and collected via the HR systems at our subsidiaries. Data pertaining to energy consumption and CO_2e emissions is primarily collected from invoices and suppliers and has been calculated according to the GHG Protocol with emission factors from DFRA 2021 and IEA 2018. When invoices or comprehensive information is not available, energy consumption has been calculated based on the previous year's consumption for the same period and/or through calculations based on total consumption and space used. In some cases, we excluded individual premises since we did not have access to their data, which means that we were unable to calculate estimates for these premises. This report has not been reviewed by any third party, but a statement about the report has been prepared pursuant to the Swedish Annual Accounts Act

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GRI INDEX

General Disclosures

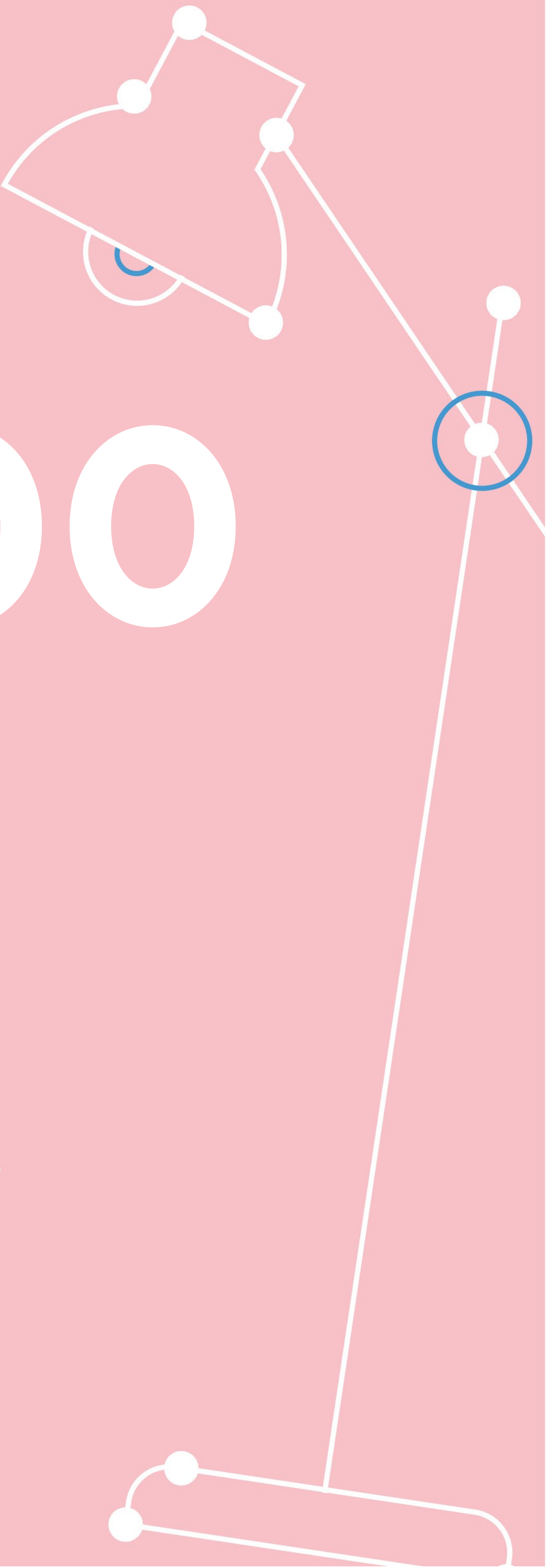
GRI Standard	Disclosure	Page	Comments
GRI 102: General Disclosures 2016			
Organisational profile			
	102-1 Name of the organisation	35	
	102-2 Activities, brands, products, and services	35	
	102-3 Location of headquarters	35	
	102-4 Location of operations	35	
	102-5 Ownership and legal form	35	
	102-6 Markets served	35	
	102-7 Scale of the organisation	35	
	102-8 Information on employees and other workers	41	
	102-9 Supply chain	37	
	102-10 Significant changes to the organisation and its supply chain	Note 5	Description of BHG's acquisition in 2021
	102-11 Precautionary Principle or approach	39	
	102-12 External initiatives		BHG Group has not joined any external initiatives.
	102-13 Membership of associations	/	BHG Group has no such partnerships.
Strategy			
	102-14 Statement from senior decision-maker	7-8/34	
Ethics and integrity			
	102-16 Values, principles, standards, and norms of behaviour	37	
Governance			
	102-18 Governance structure	37	
Stakeholder engagement			
	102-40 List of stakeholder groups	35	
	102-41 Collective bargaining agreements	41	
	102-42 Identifying and selecting stakeholders	35	
	102-43 Approach to stakeholder engagement	35	
	102-44 Key topics and concerns raised	35	
Reporting practice			
	102-45 Entities included in the consolidated financial statements	43	
	102-46 Defining report content and topic Boundaries	35-36	
	102-47 List of material topics	36	
	102-48 Restatements of information		We have not made any revisions of previous years.
	102-49 Changes in reporting		No significant changes.
Reporting profile			
	102-50 Reporting period	42	
	102-51 Date of most recent report		2021.04.07
	102-52 Reporting cycle	43	Annual
	102-53 Contact point for questions regarding the report	43	
	102-54 Claims of reporting in accordance with the GRI Standards	43	This report has been prepared in accordance with GRI Standards: Core Option.
	102-55 GRI content index	44-46	
	102-56 External assurance	43	

Specific General Disclosures

GRI Standard	Title	Page	Comments
Topic: Working actively to eliminate corruption			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	37	
	103-2 The management approach and its components	37	
	103-3 Evaluation of the management approach	37	
GRI 205: Anti-corruption 2016	205-3 Confirmed cases of corruption and measures taken	37	
Topic: Minimising climate impact			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	37--39	
	103-2 The management approach and its components	37-39	
	103-3 Evaluation of the management approach	37-39	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	39	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	39	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	39	
GRI 305: Emissions 2016	305-3 Other indirect (Scope 3) GHG emissions	39	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	38	
Topic: Reducing resource consumption			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	38-39	
	103-2 The management approach and its components	39	
	103-3 Evaluation of the management approach	39	
Topic: Integrating the circular economy into our business model			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	39	
	103-2 The management approach and its components	39	
	103-3 Evaluation of the management approach	39	
Topic: Protecting biodiversity and ecosystems			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	39	
	103-2 The management approach and its components	39	
	103-3 Evaluation of the management approach		Due to a decentralized business model, the follow-up of aspects is not sufficiently developed to report on this year. It will be developed in the coming years.
Topic: Ensuring a healthy and safe work environment			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	41	
	103-2 The management approach and its components	41	
	103-3 Evaluation of the management approach	41	
GRI 403: Health and safety 2018	403-1 Occupational health and safety management system	42	
	403-2 Hazard identification, risk assessment, and incident investigation	43	
	403-3 Occupational health services		
	403-4 Worker participation, consultation, and communication on occupational health and safety	43	

GRI Standard	Title	Page	Comments
	403-5 Worker training on occupational health and safety	43	
	403-6 Promotion of worker health		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38	
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	42	
GRI 403: Occupational Health and Safety 2018	403-10 Work-related ill health	42	
Topic: Attracting and retaining employees and developing their skills			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	41	
	103-2 The management approach and its components	41-42	
	103-3 Evaluation of the management approach	41-42	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	41-42	
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	42	
Topic: Promoting equality and diversity at workplaces			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	41	
	103-2 The management approach and its components	41	
	103-3 Evaluation of the management approach	41	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	41	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	41	
Topic: Ensuring sustainable supply and distribution chains			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	38	
	103-2 The management approach and its components	38	
	103-3 Evaluation of the management approach	38	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	38	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	38	
Topic: Eliminating child labour and forced labour			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	38	
	103-2 The management approach and its components	38	
	103-3 Evaluation of the management approach	38	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	38	
Topic: Maintaining high levels of product safety and quality			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	38	
	103-2 The management approach and its components	38	
	103-3 Evaluation of the management approach	38	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	38	
Topic: Ensuring a high level of data protection and protecting customer privacy			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	42	
	103-2 The management approach and its components	42	
	103-3 Evaluation of the management approach	42	

GRI Standard	Title	Page	Comments
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	42	
Topic: Building business resiliency and adapting to climate change			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	36-37	
	103-2 The management approach and its components	36	
	103-3 Evaluation of the management approach	36-37	
Own KPI: Annual risk analysis			
Topic: Transparent sustainability communication			
GRI 103: Governance 2016	103-1 Explanation of the material topic and its Boundary	/	The entire report covers BHG's management and efforts to systematically and transparently report sustainability information
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
Own KPI: Sustainability Report		/	Own KPI: Published Sustainability Report



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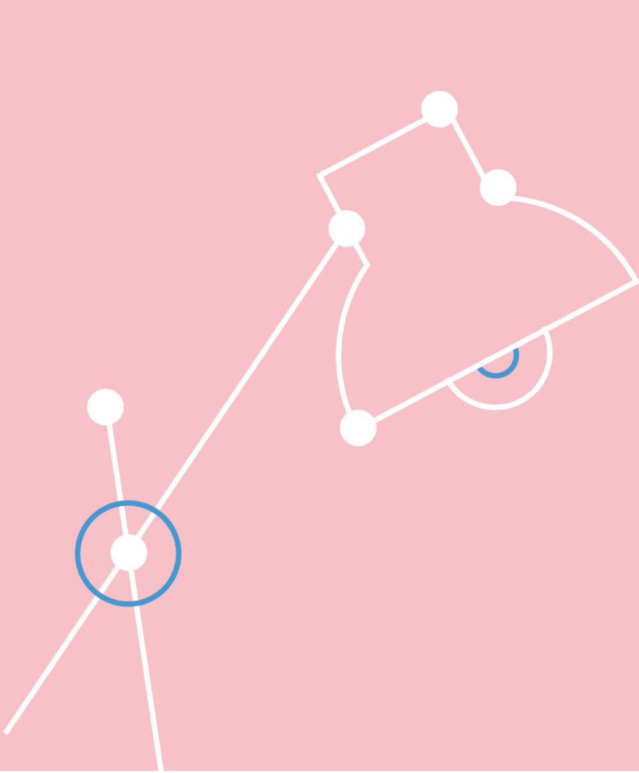
million digital visits



Corporate governance report

- part of Directors' Report

CORPORATE GOVERNANCE REPORT

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

BHG does not deviate from the Code in any regard.

More information about the Code is available at www.bolagsstyrning.se. BHG's Articles of Association and Code of Conduct are available at www.wearebhg.com.

Shares and shareholders

At the end of 2021, the total number of shares in BHG consisted of 123,815,730 ordinary shares with one vote each, distributed between approximately 10,900 shareholders. The company's largest shareholder, EQT, represented 17.7% of the shares. There were no limitations on how many votes each shareholder could cast at the General Meeting of Shareholders.

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

General Meeting of Shareholders

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

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

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

Shareholders who wish to have a matter addressed at the General Meeting must submit a written request to the Board. Normally, the request must have reached the Board not later than seven weeks prior to the General Meeting.

The General Meeting may be held in Malmö or Stockholm.

General Meetings 2021

At the Annual General Meeting on 5 May 2021:

- the income statement and balance sheet as well as the consolidated income statement and balance sheet were adopted and it was resolved that profit would be appropriated in accordance with the proposal of the Board in the Annual Report, and that the Board and CEO would be discharged from liability;
- it was resolved that the Board is to consist of six Board members and no deputy Board members;
- it was resolved that remuneration is to be paid to the Board members and committee members as follows: SEK 500,000 to the Chairman of the Board, SEK 250,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee;
- Christian Bubenheim, Gustaf Öhrn, Johan Giléus and Niklas Ringby were re-elected as Board members, and Camilla Giesecke and Mariette Kristenson were elected as new Board members. Gustaf Öhrn was elected as Chairman of the Board;
- Öhrlings PricewaterhouseCoopers AB was re-elected as auditor up until the end of the 2022 Annual General Meeting;
- the Board's proposal concerning principles for the establishment of a Nomination Committee was adopted;
- the Board's proposal concerning guidelines for remuneration to senior executives was adopted;
- an incentive programme through the issuance of warrants to senior executives, employees and other key individuals in the Group (LTIP 2021/2024) was implemented; and
- the Board was authorised to decide on the issuance of new shares corresponding to a maximum of 20% of the shares outstanding after this mandate is exercised.

Nomination Committee

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

At the Annual General Meeting on 5 May 2021, it was resolved that the Nomination Committee prior to the 2022 Annual General Meeting is to comprise four members, one of whom should be the Chairman of the Board. Other members are to be appointed by the three largest shareholders in terms of votes – based on the share register maintained by Euroclear as of 31 August 2021 – with the shareholders offered the possibility to appoint one member each. The Chairman of the Nomination Committee is to be the committee member representing the largest shareholder in terms of votes, unless the members agree to appoint another Chairman.

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

If there is a significant change in the company's ownership structure after 31 August 2021, the Nomination Committee has the right to independently decide to remove and/or appoint additional members so that the composition of the Nomination Committee will reflect the company's ownership structure.

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

Shareholders are entitled to submit proposals to the Nomination Committee regarding nominations to the Board. Ahead of the 2022 Annual General Meeting, the names of the members of the Nomination Committee are:

- Karl Johan Sundin (Chairman), appointed by EQT,
- Bo Lundgren, appointed by Swedbank Robur Fonder,
- Sussi Kvart, appointed by Handelsbanken Fonder, and
- Gustaf Öhrn, in his capacity as Chairman of the Board.

In its work, the Nomination Committee applies rule 4.1 of the Code as its diversity policy. Additional information is available in the Nomination Committee's reasoned opinion regarding the Nomination Committee's proposal to the 2022 Annual General Meeting.

Board of Directors

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

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

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

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

The Board's work is evaluated annually through established procedures whereby all Board members answer questions about the results of the work of the Board and the committees. The Chairman of the Nomination Committee is responsible for the evaluation and, together with the Chairman of the Board, ensures that the results are presented and discussed in the Board and the Nomination Committee. The evaluation of the Board's work during the financial year was presented and discussed at the Board meeting on 10 December 2021.

During the financial year, the Board held 21 meetings.

The Board members' independence and attendance are shown in the table on page 52.

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

The Board is presented in more detail on pages 55–56.

Audit Committee

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

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

During the year, the Audit Committee held 7 meetings.

Remuneration Committee

The Remuneration Committee comprises three members: Gustaf Öhrn (Chairman), Christian Bubenheim and Mariette

Kristenson. The Remuneration Committee is mainly a preparatory body and prepares proposals for the Board. The Remuneration Committee works according to rules of procedure adopted by the Board.
The main duties of the Remuneration Committee are to:

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

During the year, the Remuneration Committee held two meetings.

Board members' independence and attendance 1 January 2021–31 December 2021

			Independent in relation to		Attendance		
Name	**Position**	**Member since**	**The company and its management**	**Major shareholders**	**Board meetings**	**Audit Committee**	**Remuneration Committee**
Gustaf Öhrn	Chairman	2020	Yes	Yes	21/21	7/7	2/2
Camilla Giesecke	Member	2021	Yes	Yes	12/13	3/3	-
Christian Bubenheim	Member	2020	Yes	Yes	21/21	-	2/2
Johan Giléus	Member	2019	Yes	Yes	21/21	7/7	-
Mariette Kristenson		2021	Yes	Yes	13/13	-	0/0
Niklas Ringby	Member	2019	Yes	No	21/21	-	-

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

The CEO and other senior executives are presented on pages 57-58.

Auditors
The auditor is to review the company's Annual Report and accounting as well as the management of the Board and the CEO. Following each financial year, the auditor is to submit an audit report and a consolidated audit report to the Annual General Meeting.
In accordance with the Articles of Association, the company is to have one auditor or registered audit firm. The company's auditor is Öhrlings PricewaterhouseCoopers AB, with Authorised Public Accountant Eva Carlsvi as auditor in charge.

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

The auditor participated in all of the Audit Committee's meetings and in one Board meeting. In connection with the Board meeting on 28 January 2021, the auditor met with the Board without the attendance of any employees of the Group (including senior executives).
Information on full remuneration to the auditors is presented in Note 6.

Remuneration to Board members
Fees and other remuneration to Board members, including the Chairman, are decided at the Annual General Meeting. The Annual General Meeting on 5 May 2021 resolved that the following remuneration is to be paid for the period until the next Annual General Meeting: SEK 500,000 to the Chairman of the Board, SEK 250,000 to the other Board members, SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to the Chairman of the Remuneration Committee.

Remuneration to the CEO and other senior executives
The Annual General Meeting on 5 May 2021 adopted guidelines for remuneration to senior executives. The guidelines stipulate that total remuneration is to be based on conditions that are market competitive and well balanced. In addition, the remuneration should promote the company's business strategy, long-term interests and sustainability. Remuneration to the senior executives is to consist of fixed and variable cash salary, pension benefits and other benefits. In addition, the General Meeting can resolve on share-based and share price-based remuneration.

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

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

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

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

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

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

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

Control environment

The Board has overall responsibility for the internal control in relation to financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies, guidelines and steering documents governing financial reporting.

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

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

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

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

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

Risk assessment and control activities

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

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

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

Information and communication

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

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

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

The Board and the Audit Committee examine the Annual Report and interim reports and conduct financial evaluations in accordance with an established plan and model. The Audit Committee monitors the financial reporting and other related matters and regularly discusses these matters with the auditors.
During the monitoring of the compliance and effectiveness of the internal control activities, the Board has found that these are, in all material respects, properly applied in the Group and determined that an internal control function, considering the format of the risk assessment and control activities, is the most effective method for monitoring the internal control. The Board has therefore decided not to establish a separate internal audit function.

BOARD OF DIRECTORS

GUSTAF ÖHRN
CHAIRMAN OF THE BOARD

Born 1967.
Nationality: Swedish

Gustaf Öhrn was elected Chairman of BHG in 2020. He is presently the CEO and Board member of G. Öhrn Consulting AB and Gö nn Invest AB. Chairman of the Board and Board member of Best of Brands Scandinavia AB, Best of Brands Europe AB and Camprade Scandinavia AB. Board member of BabyBjörn AB, Eton AB, Eton Group AB, Earl Holding I AB, Earl Holding III AB and Brav Norway AS.

Gustaf Öhrn has studied at Uppsala University and Stockholm University reaching an equivalent to a bachelor's degree in economics. Over the last five years, Gustaf Öhrn has held positions as external CEO of Åhléns AB and Chairman of the Board and Board member of DesignTorget AB, Åhléns Outlet AB and Beauty Bargain Sverige.

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

CHRISTIAN BUBENHEIM
BOARD MEMBER

Born 1965.
Nationality: American and German

Christian Bubenheim was elected a Board member of BHG in 2020. He is also Chairman of KfzTeile24. Board member of Dunlop Protective Footwear and BioGaia. Advisor and Board member of ProSenio/Schülke. Founder and CEO of bubenheim.net GmbH. Founder of broadcast.org GmbH.

Christian Bubenheim holds an MSc in economics and engineering from the Munich University of Applied Sciences.

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

CAMILLA GIESECKE
BOARD MEMBER

Born 1980.
Nationality: Swedish

Camilla Giesecke was elected a Board member of BHG in 2021. She is also Chief Expansion Officer of Klarna Bank AB and has external board assignments for Nordic Corporate Bank ASA and Jar of Candy Sweden AB. Over the last five years, Camilla Giesecke has served as the Chairman of Jar of Candy Sweden AB.

Camilla Giesecke holds an MSc in economics and business administration from the Stockholm School of Economics, specialising in finance, analysis and M&A.

Camilla Giesecke owns no shares or warrants in the company.

JOHAN GILÉUS
BOARD MEMBER

Born 1965.
Nationality: Swedish

Johan Giléus was elected a Board member of BHG in 2019. He currently serves as a Board member of Giléus Consulting AB, InDex Diagnostics AB, InDex Pharmaceuticals AB and Giléus Invest AB. External authorised signatory of InDex Pharmaceuticals Holding AB.

Johan Giléus studied business administration at Stockholm University. Over the last five years, Johan Giléus has served as a Board member of Haldex Aktiebolag.

Johan Giléus owns no shares or warrants in the company.

MARIETTE KRISTENSSON
BOARD MEMBER

Born 1977.
Nationality: Swedish

Mariette Kristensson was elected a Board member of BHG in 2021. She is also the CEO and Chairman of Reitan Convenience AS and its subsidiaries. Chairman of Reitan Convenience Sweden AB. Board member of ARC Arise TopCo AB and Mariettes Arc AB. Member of the management team of Reitan Handel AS.

Mariette Kristensson holds an MSc in business administration and economics from Lund University and an MBA from the Stockholm School of Economics. Over the last five years, Mariette Kristensson has served as the CEO of Reitan Convenience Sweden AB. Board member of TSR Noisiver 7 AB and Oriola Oyj.

Mariette Kristensson owns no shares or warrants in the company.

NIKLAS RINGBY
BOARD MEMBER

Born 1980.
Nationality: Swedish

Niklas Ringby was elected a Board member of BHG in 2019. He is also a Board member of BioGaia AB, Nickleby Capital AB, Landport Fastigheter AB and Portsea Fastigheter AB.

Niklas Ringby holds an MSc in economics and business administration from the Stockholm School of Economics, including studies in the Carlson School of Management MBA programme at the University of Minnesota. Niklas also holds an MSc in industrial engineering and management from the Royal Swedish Institute of Technology, including studies at ETH in Zurich. Over the last five years, Niklas Ringby has served as a Board member of Evidensia Djursjukvård AB, Evidensia Djursjukvård Holding AB, Evidensia Acquisition AB, Evidensia Holding AB, Browne Sweden AB and Browne Invest AB.

Niklas Ringby owns no shares or warrants in the company.

MANAGEMENT

ADAM SCHATZ
GROUP CEO

Born 1974. Employed since 2019. Nationality: Swedish

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

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

Board assignments:
Deputy Board member of Schatz Consulting AB, Stravus AB and Bostadsrättsföreningen Bispen 4.

Own and related party holdings:
Adam Schatz owns 16,050 shares and 187,030 warrants in the company.

JESPER FLEMME
GROUP CFO

Born 1979. Employed since 2016. Nationality: Swedish

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

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

Board assignments:
Chairman of the Board and Board member of Heisenberg Invest AB. Board member of J. Flemme Invest AB.

Own and related party holdings:
Jesper Flemme owns, indirectly through companies, 20,000 shares and 141,015 warrants in the company.

MIKAEL HAGMAN
GROUP COO

Born 1968. Employed since 2017. Nationality: Swedish

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

Education:
IHM Business School.

Board assignments:
Board member of Mikael Hagman AB and Greasy Lake AB.

Own and related party holdings:
Mikael Hagman owns 12,000 shares and 72,000 warrants in the company.

MARIA MORIN
GROUP CHRO,
COMMUNICATIONS & ESG

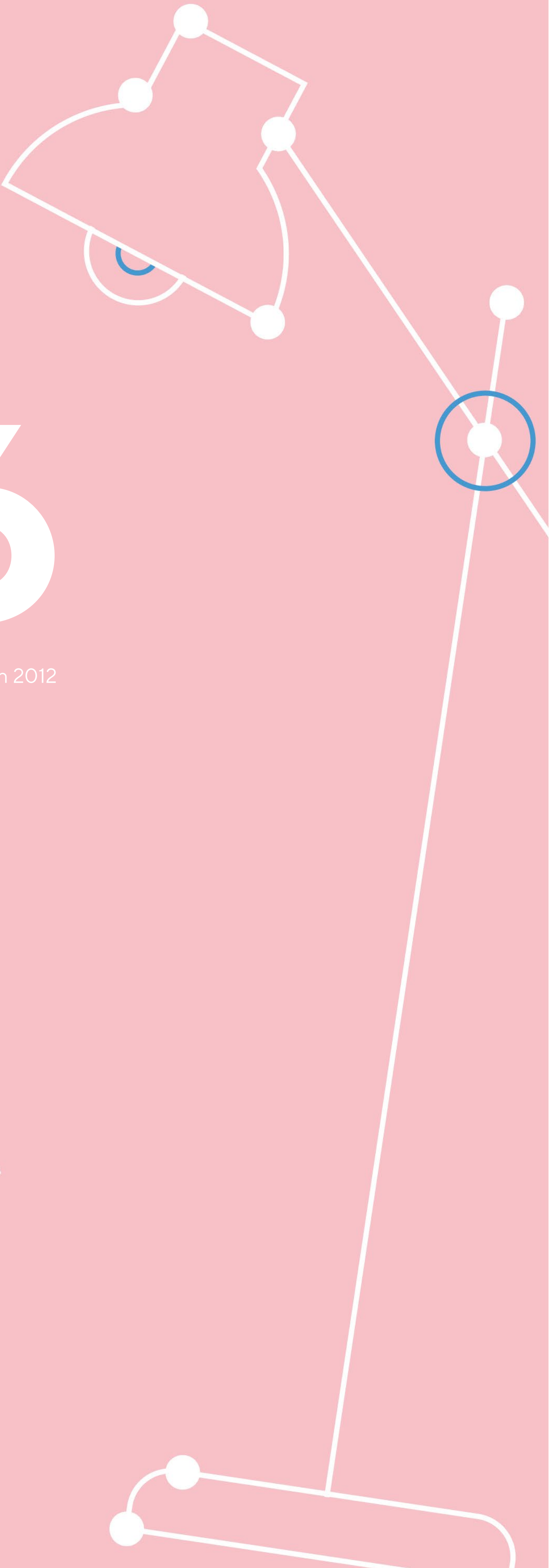
Born 1974. Employed since 2021. Nationality: Swedish

Previous experience:
Maria Morin has a long-standing background of senior positions within human resources development and communication. Her most recent position was with CellaVision AB, where she led the HR and corporate communication functions.

Education:
B.Sc. in economics and BA from Lund University.

Board assignments:
-

Own and related party holdings:
Maria Morin owns 342 shares and 45,000 warrants in the company.



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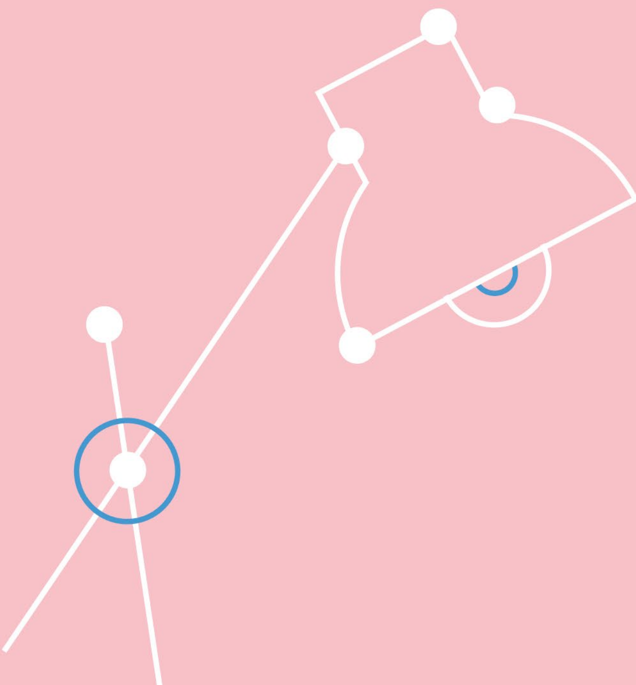
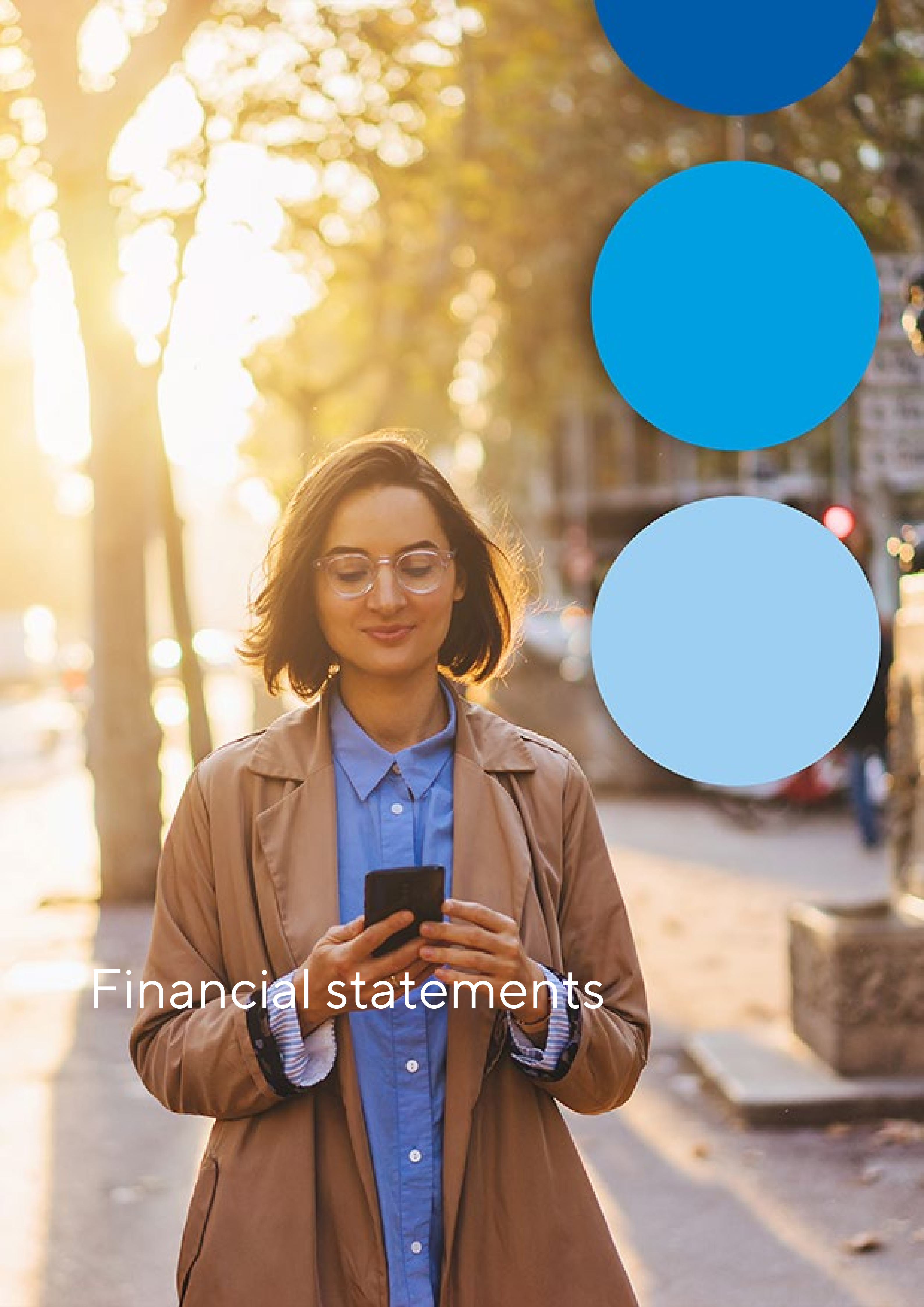
acquisitions since the start in 2012





Financial statements

Consolidated income statement

(SEKm)	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Operating income			
Net sales	4	12,666.0	8,968.2
Other operating income	9	15.6	5.6
		12,681.6	**8,973.8**
Operating expenses			
Cost of goods sold		-9,308.9	-6,637.4
Personnel costs	7, 8	-981.7	-657.2
Other external costs and operating expenses	6, 27	-1,304.0	-775.0
Other operating expenses	9	-5.0	-1.5
Depreciation and amortization of tangible and intangible fixed assets	13, 14	-371.5	-245.0
		-11,971.0	**-8,316.0**
Operating income		**710.6**	**657.8**
Financial items			
Financial income	10	20.7	3.4
Financial expenses	10, 21	-100.4	-110.9
		-79.7	**-107.5**
Profit/loss before tax		**630.9**	**550.3**
Tax			
Income tax	11	-140.1	-130.0
PROFIT/LOSS FOR THE YEAR		**490.8**	**420.3**
Attributable to:			
Equity holders of the parent		480.9	415.1
Non-controlling interest		9.9	5.1
PROFIT/LOSS FOR THE YEAR		**490.8**	**420.3**
Earingings per share before dilution, (SEK)	12	3.97	3.87
Earingings per share after dilution, (SEK)	12	3.94	3.80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEKm)	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Profit/loss for the year		490.8	420.3
Other comprehensive income			
Items that subsequently could be reclassified to profit or loss			
Translation differences for the year		18.3	-11.0
	12, 19	**18.3**	**-11.0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**509.1**	**409.3**
Attributable to:			
Parent company shareholders		498.5	405.7
Non-controlling interest		10.6	3.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**509.1**	**409.3**

Consolidated statement of financial position

(SEKm)	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Intangible fixed assets	13		
Development expenses		240.2	169.6
Trademarks		1,849.8	1,175.7
Customer relationships		775.8	454.2
Goodwill		6,318.7	4,395.1
Other intangible fixed assets		27.6	4.9
		9,212.1	**6,199.5**
Tangible fixed assets	14		
Equipment		78.5	44.5
Leased fixed assets		893.3	601.9
Buildings and land		21.9	10.0
Leasehold improvements		57.7	19.5
		1,051.4	**675.9**
Financial fixed assets			
Other financial fixed assets		13.1	9.4
		13.1	**9.4**
Deferred tax asset	11	26.4	19.1
Total fixed assets		**10,302.9**	**6,904.0**
Current assets			
Inventories	16		
Finished goods andmerchandise		2,259.3	871.4
Advances to suppliers		172.1	120.9
		2,431.5	**992.3**
Short term receivables			
Accounts receivable	17	195.3	116.6
Other current receivables,non-interest-bearing		119.1	130.3
Prepaid expenses andaccrued income	18	290.1	187.6
		604.4	**434.5**
Cash and cash equivalents	26	273.5	299.0
		273.5	**299.0**
Total current assets		**3,309.4**	**1,725.7**
TOTAL ASSETS		**13,612.3**	**8,629.7**

(SEKm)	Note	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
Equity	19		
Equity attributable to owners of the parent			
Share capital		3.7	3.2
Other capital contributions		4,790.6	2,667.4
Reserves		22.9	5.3
Retained earnings incl. profit for the year		394.7	111.3
		5,211.9	**2,787.2**
Non-controlling interest			
Non-controlling interest		44.4	35.8
Total equity		**5,256.3**	**2,823.0**
Non-current liabilities	26		
Interest-bearing			
Liabilities to credit institutions	21	2,517.2	2,042.6
Non-current lease liabilities	27	622.0	449.8
Acquistion related interest-bearing liabilities	23, 26	1,883.5	948.0
		5,022.7	**3,440.4**
Non-interest-bearing			
Deferred tax liability	11	636.7	375.0
Other provisions	22	43.2	22.7
		679.9	**397.7**
Long term liabilities		**5,702.6**	**3,838.1**
Current liabilities	26		
Interest-bearing			
Liabilities to credit institutions	21	-	46.4
Current lease liabilities	27	256.7	149.8
Acquistion related interest-bearing liabilities	23, 26	238.1	75.3
		494.8	**271.4**
Non-interest-bearing			
Advance from customers		182.9	181.2
Accounts payable		1,028.3	776.8
Tax liabilities		162.1	93.5
Acquistion related interest-bearing liabilities		395.4	369.6
Accrued expenses and prepaid income	24	389.9	276.0
		2,158.6	**1,697.2**
Total current liabilities		**2,653.4**	**1,968.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**13,612.3**	**8,629.7**

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

Consolidated statement of changes in equity

(SEKm)	Note	Share capital	Other capital contributions	Translations reserve	Retained earnings incl. Profit/loss for the year	Total	Non-controlling interest	Total equity
		Equity attributable to the parent company´s shareholders						
Opening balance, 1 January 2020		**3.2**	**2,667.4**	**14.7**	**204.3**	**2,889.7**	**35.4**	**2,925.1**
Comprehensive income for the year								
Profit/loss for the year					415.1	415.1	5.1	420.3
Other comprehensive income				-9.5		-9.5	-1.5	-11.0
		-	**-**	**-9.5**	**415.1**	**405.7**	**3.6**	**409.3**
Transactions with owners								
Warrants	7				7.5	7.5		7.5
Remeasurement of liabilities to non-controlling interest	23				-501.5	-501.5		-501.5
Changes in ownership in subsidiaries					-10.2	-10.2	-1.6	-11.9
Dividends to non-controlling interests					-4.0	-4.0	-1.6	-5.5
		-	**-**	**-**	**-508.2**	**-508.2**	**-3.2**	**-511.4**
Closing balance, 31 December 2020		**3.2**	**2,667.4**	**5.3**	**111.3**	**2,787.2**	**35.8**	**2,823.0**
Comprehensive income for the year								
Profit/loss for the year					480.9	480.9	9.9	490.8
Other comprehensive income				17.6		17.6	0.7	18.3
		-	**-**	**17.6**	**480.9**	**498.5**	**10.6**	**509.1**
Transactions with owners								
New share issue *		0.5	2,123.2			2,123.7		2,123.7
Warrants	7				17.5	17.5		17.5
Remeasurement of liabilities to non-controlling interest	23				-211.9	-211.9		-211.9
Dividends to non-controlling interests **					-3.0	-3.0	-2.0	-5.1
		0.5	**2,123.2**	**-**	**-197.5**	**1,926.2**	**-2.0**	**1,924.2**
Closing balance, 31 December 2021		**3.7**	**4,790.6**	**22.9**	**394.7**	**5,211.9**	**44.4**	**5,256.3**

* The proceeds for the period from the new issue are recognised net after a deduction for transaction costs of SEK 21.4 million and a tax effect of SEK 4.4 million.

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

Consolidated statement of cash flows

(SEKm)	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Operating operations			
Profit before tax		630.9	550.3
Reversal of financial net		61.1	30.7
Adjustments for non-cash items	28	391.7	307.5
Income tax paid		-105.6	-56.0
		978.1	**832.5**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		-877.3	-92.3
Increase (-)/decrease (+) in other current receivables		-43.5	-75.7
Increase (+)/decrease (-) in accounts payable		-32.3	86.0
Increase (+)/decrease (-) in other current liabilities		-52.5	243.9
		-1,005.7	**161.8**
Cash flow from operating activities		**-27.6**	**994.3**
Investing activities			
Investment in operations	5	-1,610.9	-1,859.1
Redemption of loan to seller upon acquisition of operations	5	-65.0	-91.8
Divestment of operations		-0.0	0.4
Investments in tangible fixed assets	14	-78.4	-25.1
Divestment of tangible fixed assets	14	11.7	0.4
Investments in intangible fixed assets	13	-114.9	-69.4
Divestment of intangible fixed assets	13	0.7	0.1
Investments in financial fixed assets		-0.5	-
Divestment of financial fixed assets		-	0.4
Received interest		1.8	3.2
Cash flow from/ to investing activities		**-1,855.4**	**-2,040.9**
Financing activities			
New share issue		1,719.4	-
Issue of warrants		21.6	12.9
Dividend to non-controlling interest		-5.0	-5.5
Loans raised	26, 29	2,650.1	1,277.1
Amortization of loans	26, 27, 29	-2,263.6	-
Amortization of lease liabilities		-216.0	-147.3
Interest paid		-54.8	-33.9
Cash flow to/from financing activities		**1,851.7**	**1,103.4**
Cash flow		**-31.2**	**56.8**
Cash and cash equivalents at the beginning of the year		**299.0**	**270.3**
Translation differences in cash and cash equivalents		5.8	-28.1
Cash and cash equivalents at the end of the year	**29**	**273.5**	**299.0**

Parent Company income statement

(SEKm)	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Operating income			
Net sales	4	2.6	1.6
		2.6	**1.6**
Operating expenses			
Personnel costs	7, 8	-63.1	-34.2
Other external costs and operating expenses	6, 27	-30.3	-11.2
Other operating expenses		-0.1	-0.0
Depreciation and amortization of tangible and intangible fixed assets	14, 15	-0.2	-0.2
		-93.7	**-45.6**
Operating income		**-91.1**	**-43.9**
Financial items			
Financial income	10	45.2	0.7
Financial expenses	10, 21	-27.2	-3.0
		18.0	**-2.4**
Profit/loss after financial items		**-73.1**	**-46.3**
Appropriations			
Changes in tax allocation reserve	20	-	-28.6
Group contributions received		76.0	222.5
Group contributions paid		-	-61.6
		76.0	**132.3**
Profit/loss before tax		**2.9**	**86.0**
Tax			
Income tax	11	-4.7	-18.4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-1.8**	**67.6**

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

Parent Company balance sheet

(SEKm)	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Intangible fixed assets	13		
Development expenses		0.7	0.7
Other intangible fixed assets		0.1	0.1
		0.8	**0.8**
Financial fixed assets			
Participations in Group companies	15	3,678.3	2,691.6
Receivables in Group companies		3,690.0	1,000.0
		7,368.3	**3,691.6**
Total fixed assets		**7,369.1**	**3,692.4**
Current assets			
Short term receivables			
Receivables in Group companies		124.2	223.2
Other receivables		2.5	0.9
Prepaid expenses and accrued income	18	4.6	4.7
		131.3	**228.8**
Cash and cash equivalents	26		
Cash and cash equivalents		-	58.8
		-	**58.8**
Total current assets		**131.3**	**287.6**
TOTAL ASSETS		**7,500.4**	**3,979.9**

(SEKm)	Note	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
Equity	19		
Restricted equtiy			
Share capital		3.7	3.2
		3.7	**3.2**
Unrestricted equtiy			
Share premium reserve		4,790.6	2,667.4
Retained earnings		144.5	73.7
Profit/loss for the year		-1.8	67.6
		4,933.3	**2,808.7**
Total equity		**4,937.0**	**2,811.9**
Untaxed reserves	20		
Tax allocation reserve		28.6	28.6
Total untaxed reserves		**28.6**	**28.6**
Non-current liabilities	21		
Liabilities to credit institutions		2,492.3	996.9
Total non-current liabilities		**2,492.3**	**996.9**
Current liabilities			
Accounts payable		0.9	1.4
Liabilities to Group companies		0.0	61.6
Tax liabilities		18.2	18.4
Other liabilties		2.8	44.0
Accrued expenses and prepaid income	24	20.5	17.1
Total current liabilities		**42.5**	**142.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITY		**7,500.4**	**3,979.9**

Parent Company statement of changes in equity

(SEKm)	Not e	Share capital	premium reserve	Retained earnings	Profit/loss for the year	Total equity
Opening balance, 1 January 2020		**3.2**	**2,667.4**	**58.6**	**7.5**	**2,736.8**
Comprehensive income for the year						
Appropriation of profits according to decision on annual general meeting				7.5	-7.5	-
Profit/loss for the year					67.6	67.6
		-	**-**	**7.5**	**60.1**	**67.6**
Transactions with owners						
Contributions from and value transfers from Group owners						
Warrants	7			7.5		7.5
		-	**-**	**7.5**	**-**	**7.5**
Closing balance, 31 December 2020		**3.2**	**2,667.4**	**73.7**	**67.6**	**2,811.9**
Comprehensive income for the year						
Appropriation of profits according to decision on annual general meeting				67.6	-67.6	-
Profit/loss for the year					-1.8	-1.8
		-	**-**	**67.6**	**-69.4**	**-1.8**
Transactions with owners						
New share issue		0.5	2,123.2			2,123.7
Contributions from and value transfers from Group owners						
Warrants	7			3.2		3.2
		0.5	**2,123.2**	**3.2**	**-**	**2,126.9**
Closing balance, 31 December 2021		**3.7**	**4,790.6**	**144.5**	**-1.8**	**4,937.0**

Parent Company statement of cash flows

(SEKm)	Note	01/01/2021 31/12/2021	01/01/2020 31/12/2020
Operating operations			
Profit before tax		2.9	86.0
Reversal of financial net		-17.1	1.1
Adjustments for non-cash items	28	-76.4	-130.8
Income tax paid		-4.9	-0.1
		-95.6	**-43.9**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		-45.8	-3.9
Increase (+)/decrease (-) in accounts payable		-0.5	1.2
Increase (+)/decrease (-) in other current liabilities		-37.0	43.8
		-83.3	**41.1**
Cash flow from operating activities		**-178.8**	**-2.8**
Investing activities			
Investment in operations		-582.5	-
Investments in intangible fixed assets	13	-0.2	-0.5
Loans to group companies		-2,690.0	-1,000.0
Reimburse of loans group companies		-	-
Received interest		45.1	0.7
Cash flow from/ to investing activities		**-3,227.6**	**-999.8**
Financing activities			
New share issue		1,719.4	-
Issue of warrants		-	12.9
Loans raised	26, 29	2,490.1	1,000.0
Amortization of loans		-1,000.0	-
Group contributions received		222.5	33.0
Group contributions paid		-61.6	-
Interest paid		-22.9	-1.7
Cash flow to/from financing activities		**3,347.6**	**1,044.2**
Cash flow		**-58.8**	**41.6**
Cash and cash equivalents at the beginning of the year		**58.8**	**17.2**
Cash and cash equivalents at the end of the year		**-**	**58.8**

Notes

Notes

NOTE 1 GENERAL INFORMATION

BHG is the number 1 consumer e-commerce company in the Nordics. In addition to our Nordic operations, we also have a significant presence in the rest of Europe, as well as in selected markets outside of Europe. The Group includes over 100 online destinations – including sites like www.bygghemma.se, www.trademax.se, www.chilli.se, www.furniturebox.se, www.nordicnest.se, www.svenssons.se, www.hafa.se and www.gartenmoebel.de – and over 70 showrooms. BHG has continuously increased and broadened its product portfolio and geographical reach and is today a leading online player within DIY and home furnishings.

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

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

BHG Group AB (publ) has been listed on Nasdaq Stockholm since 27 March 2018 and the share has been traded in the Stockholm Stock Exchange's Large Cap segment since 4 January 2021. For information about the company's owners, see the section "The share" below.

This annual report was approved for publication by the Board of Directors and the CEO on 30 March 2022. The consolidated income statement, statement of comprehensive income and statement of financial position and the Parent Company income statement and balance sheet will be submitted for adoption by the Annual General Meeting on 5 May 2022.

NOTE 2 ACCOUNTING AND MEASUREMENT POLICIES

2.1 Compliance with standards and legislation

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

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

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

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

2.1.1 Disclosures concerning IFRS and interpretations that became effective in 2021

No amendments to IFRS or IFRIC interpretations that came into effect in 2021 had a material impact on the Group's financial statements.

In April 2021, the IFRIC published an agenda decision concerning the recognition of configuration and customisation costs in cloud computing arrangements (Software as a Service), in particular the possibility to capitalise such costs as intangible assets or to recognise them as prepaid expenses. The Group has evaluated the effects of the decision and has not identified any material items that will be affected by the decision insofar as it relates to the Group's cloud computing arrangements.

2.1.2 New IFRS that have not yet been applied

The new or amended IFRS or IFRIC interpretations that will come into effect in the coming financial year were not applied in advance when preparing the financial statements. The Group does not plan to apply introductions or changes with future application in advance.

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* concerning which disclosures concerning accounting policies are to be made in annual reports. The amendments will come into effect on 1 January 2023, but have not yet been adopted by the EU. The amendments to IAS 1 are expected to entail that the presentation of accounting policies in the Group's annual report for 2023 and onward will be significantly shorter than the current presentation since the amendments to IAS 1 stipulate that disclosures are only to be made about accounting policies that are of material importance and not about significant accounting policies according to the current wording of the standard.

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

2.1.3 Measurement basis applied to the preparation of the financial statements

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

2.2 Classification

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

2.3 Operating segment reporting

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

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

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

2.4 Consolidation policies and business combinations

2.4.1 Subsidiaries

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

2.4.2 Acquisitions

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

In business combinations where the transferred remuneration, any non-controlling interests and the fair value of previously held participations (step acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are to be recognised separately, the difference is recognised as goodwill. If the difference is negative, known as a bargain acquisition, it is recognised directly in profit or loss.

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

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

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

2.4.3 Acquisitions of non-controlling interests

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

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

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

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

2.4.5 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, revenue or expenses, and unrealised gains or losses arising in intra-Group transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

2.5 Foreign currency

2.5.1 Transactions in foreign currency

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

2.5.2 Financial statements for foreign operations

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

2.6 Revenue

2.6.1 Sale of goods

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

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

2.7 Leases

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

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

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

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

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

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

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

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

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

2.8 Financial income and expenses

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

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

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

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

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

2.9 Taxes

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

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

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

Furthermore, temporary differences related to participations in subsidiaries that are not expected to be transferred within a foreseeable future are not taken into account. The measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules resolved, or in practice resolved, as of the balance-sheet date. Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are recognised only to the extent that it is probable that it will be possible to utilise them. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

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

2.10 Financial instruments

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

2.10.1 Recognition in and derecognition from the statement of financial position

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

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

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

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

2.10.2 Classification and measurement of financial assets

The Group measures participations in unlisted companies and derivatives that comprise assets at fair value. Other financial assets are measured at amortised cost since they are then held within the framework of a business model wherein the aim is to collect the contractual cash flows, while the cash flows from the assets only comprise payments of the principal and interest.

Participations in unlisted companies are measured at fair value through profit or loss. However, the Group has concluded that the cost of participations in unlisted companies is a fair approximation of their fair value. For recognition of derivatives, see 2.10.4 below.

2.10.3 Subsequent classification and measurement of financial liabilities

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

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

2.10.4 Derivatives

The Group has derivatives in the form of currency forwards that are used to hedge currency exposure in the Hafa Bathroom Group sub-Group. Since the Group does not apply hedge accounting for currency forwards, the changes in value are recognised in profit or loss in "Other operating revenue" and "Other operating expenses," respectively.

2.11 Tangible fixed assets

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

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

2.11.1 Depreciation policies for tangible fixed assets

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

The estimated useful lives are:

Buildings	20 years
Equipment	5 years
Leasehold improvements	5 years

2.12 Intangible assets

2.12.1 Intangible assets with an indefinite useful life

2.12.1.1 Goodwill

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

2.12.1.2 Trademarks

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

2.12.2 Intangible assets with a definite useful life

2.12.2.1 Development expenditure

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

2.12.2.2 Customer relationships

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

2.12.2.3 Other intangible assets

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

2.12.3 Amortisation policies for intangible assets

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

The estimated useful lives are:

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

2.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out principle (FIFO). Net realisable value is the estimated selling price in the operating activities less the estimated cost of completion and sale. Inventory cost is based on cost and includes costs arising in connection with acquisition of goods and bringing the goods to their condition and location. Reserves for obsolescence are included in the cost of goods sold.

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

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

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

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

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

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

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

A need for impairment of accounts receivable is established using historical experience of customer bad debts for similar claims. The credit losses are measured as the present value of all deficits in the cash flows (meaning the difference between the contractual cash flows and the cash flow the Group expects to receive). Accounts receivable are normally 100% impaired 90 days after the repayment date since, according to the Group's assessment, this corresponds to the expected credit loss at this point in time.

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

2.15 Dividends to owners

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

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

2.16 Employee benefits

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

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

2.16.2 Long-term employee benefits

Incentive programme 2018
In 2018, the Group introduced an incentive programme for key employees in the Group. Within the framework of the programme, participants were offered an opportunity to acquire warrants at a price corresponding to the fair value of the warrants on the subscription date. Since the warrants are acquired at fair value, no cost for the programme arose that must be allocated to a particular period under IFRS 2 Share-based Payment. The programme was terminated in 2021 since all outstanding warrants in the programme had been exercised.

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

Incentive programme 2020
In 2020, the Group introduced a warrant programme that allows employees to acquire shares in the company. Programme participants are offered an opportunity to acquire warrants at a price corresponding to the fair value of the warrants on the subscription date. Participants receive a salary subsidy from the Group reflecting 50% of the warrants' fair value at the subscription date after a deduction for withholding tax. An amount corresponding to the subsidy

(net after the deduction of withholding tax) is therefore recognised as share-based remuneration according to IFRS 2. Social security contributions arising in connection with the salary subsidy have been recognised as an expense in the period when the employee received the subsidy. The value of the subsidy is recognised as an employee benefit expense over the vesting period, with an equivalent increase of equity. The warrant premium received has been recognised in equity.

Incentive programme 2021

In 2021, the Group introduced a new warrant programme that allows employees to acquire shares in the company. The terms of the programme correspond to the terms for Incentive programme 2020. Accordingly, Incentive programme 2021 has been recognised in the same manner as stated above for Incentive programme 2020.

Incentive programme in Nordic Nest

In 2021, an incentive programme was introduced for employees in the Nordic Nest sub-Group. Participants in the programme hold synthetic options that are settled in cash depending on the value of the shares in Nordic Nest Group AB. Accordingly, the programme is classified as cash-settled share-based remuneration. Cash-settled options give rise to an obligation to the employees, which is initially measured at fair value on each balance-sheet date and when the obligation is settled. The liability accumulates over the vesting period, and for each period a personnel cost is recognised in net profit in an amount corresponding to the increase in the liability in over the same period.

2.16.3 Defined-contribution pension plans

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

2.16.4 Termination benefits

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

2.16.5 Government assistance received for personnel costs

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

2.17 Provisions

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

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

2.18 Contingent liabilities

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

2.19 Parent Company accounting policies

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

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

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

2.19.1.1 Changed accounting policies

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

2.19.1.2 Classification and presentation formats

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

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

2.19.1.3 Subsidiaries

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

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

2.19.1.4 Group and shareholder contributions for legal entities

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

2.19.1.5 Financial instruments

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

NOTE 3 IMPORTANT ESTIMATES AND ASSUMPTIONS

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

3.1 Significant sources of estimation uncertainty

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

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

3.1.1 Measurement of earn-outs and liabilities to non-controlling interests

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

3.2 Significant judgements in applying the group's accounting policies

3.2.1 Length of lease term

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

NOTE 4 OPERATING SEGMENTS AND REVENUE

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

- The DIY segment mainly comprises brands active in sales of building materials and garden and leisure products, including Bygghemma, Taloon, Golvpoolen, Nordiska Fönster, Outlet1, Hafa and Hylte Jakt & Trädgård.
- The Home Furnishing segment mainly comprises brands active in sales of furniture and home furnishings, including Trademax, Chilli, Nordic Nest, Sleepo, Furniturebox, Svenssons and Gartenmöbel.

Other

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

(SEKm)	2021 DIY	Home Furnishing	Subtotal	Other	Eliminations	Group
Net sales	7,259.6	5,442.8	12,702.4	24.9	-61.3	12,666.0
Net sales to other segments	9.8	26.6	36.4	24.9	-61.3	-
Depreciation, amortization and impairment	-166.1	-204.4	-370.5	-1.0	-	-371.5
Operating income	516.6	289.4	806.0	-95.4		710.6
Financial income						20.7
Financial expenses						-100.4
Profit/loss before tax						**630.9**

(SEKm)	2020 DIY	Home Furnishing	Subtotal	Other	Eliminations	Group
Net sales	5,663.1	3,337.2	9,000.3	18.0	-50.1	8,968.2
Net sales to other segments	13.6	18.7	32.3	17.9	-50.1	-
Depreciation, amortization and impairment	-127.8	-117.0	-244.8	-0.2	-	-245.0
Operating income	444.0	265.0	709.0	-51.2	-	657.8
Financial income						3.4
Financial expenses						-110.9
Profit/loss before tax						**550.3**

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

The Group's segments operate mainly in the Nordic region. Net sales and non-current assets are recognised below per geographic area. Sales are recognised in those countries where the sales occur.

(SEKm)	2021 DIY	Home Furnishing	Subtotal	Other	Eliminations	Group
Sweden	4,943.1	2,363.2	7,306.2	24.9	-51.8	7,279.3
Finland	1,599.3	191.5	1,790.8	-	-3.5	1,787.4
Denmark	392.8	655.4	1,048.2	-	-	1,048.2
Norway	268.9	532.4	801.3	-	-	801.3
Rest of Europe	55.6	1,563.6	1,619.2	-	-6.1	1,613.1
Rest of World	-	136.7	136.7	-	-	136.7
Net sales	**7,259.6**	**5,442.8**	**12,702.4**	**24.9**	**-61.3**	**12,666.0**

(SEKm)	2020 DIY	Home Furnishing	Subtotal	Other	Eliminations	Group
Sweden	3,659.5	1,575.2	5,234.8	18.0	-42.7	5,210.1
Finland	1,330.1	141.6	1,471.6	-	-2.6	1,469.0
Denmark	380.8	612.1	992.9	-	-	992.9
Norway	252.0	264.1	516.1	-	-	516.1
Rest of Europe	40.7	744.2	784.9	-	-4.9	780.1
Net sales	**5,663.1**	**3,337.2**	**9,000.3**	**18.0**	**-50.1**	**8,968.2**

(SEKm)	Fixed assets 2021	2020
Sweden	8,552.5	6,315.5
Finland	449.1	91.6
Denmark	307.3	240.6
Norway	76.3	72.1
Other Europe	917.7	184.2
	10,302.9	**6,904.0**

(SEKm)	Contract balances 2021	2020
Assets		
Refund asset	15.9	11.7
Account receivables	195.3	116.6
Accrued income	11.5	7.8
	222.7	**136.1**
Liabilities		
Advance from customers	-182.9	-181.2
Refund liability	-25.7	-19.7
Other prepaid income	-6.8	-1.2
	-215.4	**-202.1**
Contract balances	**7.3**	**-66.1**

All contract liabilities recognised at the beginning of the year were recognised as revenue in 2021. No information is presented regarding transaction price allocated to the remaining performance obligations since there were no such obligations with an original expected term of more than one year as of 31 December 2021.

NOTE 5 BUSINESS COMBINATIONS

Subsidiaries are companies that are under BHG Group AB's (publ) controlling influence. Controlling influence entails a direct or indirect right to shape a company's financial and operational strategies in order to obtain financial benefits. To assess whether a controlling influence exists, potential voting shares that can be immediately utilised or converted are taken into account.

Summary acquisition (SEKm)	Group 2021	2020
Acquistion of shares		
Net identifiable assets and liabilities	1,162.1	393.5
Goodwill	1,905.6	1,463.9
Purchase price	**3,067.7**	**1,857.4**
Cash and cash equivalents	190.3	104.0
Issued shares in BHG Group AB	404.2	-
Contingent/ deferred purchase price, vendor loans	1,078.8	110.0
	-1,394.4	**-1,643.4**
Acquisition of non-controlling interests	-129.5	-182.4
Contingent consideration	-87.0	-45.0
Net cash flow	**-1,610.8**	**-1,870.9**

Acquisitions in 2021

- In 2021, the Group acquired 51.0% of the shares in IP Agency Finland Oy. The acquisition is recognised in the DIY segment.
- In 2021, the Group acquired 100.0% of the shares in E. Svenssons i Lammhult AB. The acquisition is recognised in the Home Furnishing segment.
- In 2021, the Group acquired 94.3 percent of the shares of Hafa Bathroom Group AB. The acquisition is recognised in the DIY segment.
- In 2021, the Group acquired 92.2% of the shares in Hyma Skog & Trädgård AB. The acquisition is recognised in the DIY segment.
- In 2021, the Group acquired 80.0% of the shares in AH-Trading GmbH. The acquisition is recognised in the Home Furnishing segment.

(SEKm)	Net identifiable assets and liabilities	Goodwill	Purchase price	Likvida medel	Issued shares in BHG Group AB	Contingent/ deferred purchase price, vendor loans	Net cash flow
	2021						
Business combinations during 2021							
Acqusition of shares in IP Agency Oy	87.9	279.7	**367.6**	46.0	-	140.8	**-180.8**
Acqusition of shares in Hafa Bathroom Group AB	97.2	97.8	**195.0**	4.5	-	15.7	**-174.8**
Acqusition of shares in E.Svenssons i Lammhult AB	96.0	133.2	**229.2**	16.1	-	30.0	**-183.1**
Acqusition of shares in Hyma Skog & Trädgård AB	630.5	981.3	**1,611.7**	56.0	404.2	625.1	**-526.4**
Acqusition of shares in AH-Trading GmbH	250.6	413.6	**664.2**	67.7	-	267.2	**-329.3**
Acquisition of non-controlling interests							
Acquisition of shares in Inredhemma Danmark ApS	-	-	**-**	-	-	-	**-6.8**
Acquisition of shares in Hemfint i Kristianstad AB	-	-	**-**	-	-	-	**-65.1**
Acquisition of shares in Vitvaruexperten.com Nordic AB	-	-	**-**	-	-	-	**-13.3**
Acquisition of shares in Polarpumpen AB	-	-	**-**	-	-	-	**-41.7**
Compulsory redemption, Sleepo AB	-	-	**-**	-	-	-	**-2.5**
Contingent consideration							
Additional purchase price, Arc E-commerce AB	-	-	**-**	-	-	-	**-20.8**
Additional purchase price, Arredo Holding AB	-	-	**-**	-	-	-	**-0.9**
Additional purchase price, Edututor Oy	-	-	**-**	-	-	-	**-5.0**
Additional purchase price, Lindström & Sondén AB	-	-	**-**	-	-	-	**-10.1**
Additional purchase price, Vitvarubolaget i Sundbyberg AB	-	-	**-**	-	-	-	**-0.7**
Additional purchase price, Designkupp AS	-	-	**-**	-	-	-	**-12.4**
Additional purchase price, Stonefactory Scandinavia AB	-	-	**-**	-	-	-	**-4.5**
Additional purchase price, Nordiska Fönster i Ängelholm AB	-	-	**-**	-	-	-	**-29.2**
Additional purchase price, LampGallerian Växjö AB	-	-	**-**	-	-	-	**-3.4**
	1,162.1	**1,905.6**	**3,067.7**	**190.3**	**404.2**	**1,078.8**	**-1,610.8**

Revenue and earnings
Since the acquisition date, the acquisitions have contributed SEK 1,072.7 million to the Group's revenue and SEK 40.6 million to the Group's profit/loss after tax. If the acquisitions had been consolidated from the beginning of the financial year, they would have contributed SEK 2,405.2 million to the Group's revenue and SEK 98.5 million to the Group's profit/loss after tax.

Transaction costs
Transaction costs for the acquisitions amounted to SEK 33.6 million, of which SEK 19.8 million are recognised as items affecting comparability. The remaining SEK 13.8 million are recognised as other external costs in profit or loss and the statement of other comprehensive income.

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

Acquisition of shares in IP Agency Finland Oy
On 5 February 2021, the Group acquired 51% of the shares in IP Agency Finland Oy (IP Agency), a leading online company in the sports and leisure category. The products are made up of proprietary brands that are sold primarily in Finland, Sweden, Belgium, the DACH region and the US. IP Agency's annual sales growth for the past three years has exceeded 120%. IP Agency's sales in 2020 amounted to SEK 195 million

and its EBITA to SEK 52 million. The acquisition is recognised in the DIY segment from 1 February.

Revenue and earnings
Since the acquisition date, IP Agency has contributed SEK 174.5 million to the Group's revenue and SEK 12.9 million to the Group's profit/loss after tax. If IP Agency had been consolidated from the beginning of the financial year, the company would have contributed SEK 186.2 million to the Group's revenue and SEK 8.9 million to the Group's profit/loss after tax.

Acquired net assets - IP Agency Oy (SEKm)	Booked value
Trademarks	30.8
Customer relationships	1.1
Tangible fixed assets	0.3
Inventory	42.1
Accounts receivable	5.9
Other receivables	1.2
Cash and cash equivalents	46.0
Deferred tax liability	-6.6
Accounts payable	-4.3
Other liabilities	-20.6
Net identifiable assets and liabilities	**87.9**
Goodwill	279.7
Total purchase consideration	**367.6**
Consideration transferred, cash flow and impact on cash and cash equivalents	
Consideration transferred	-367.6
Less:	
Liability to non-controlling interest	140.8
Cash flow - paid purchase price	**-226.8**
Cash and cash equivalents in the acquired business	46.0
Effect on cash and cash equivalents	**-180.8**

Goodwill
Goodwill includes synergies, supplier relationships and personnel. In particular, significant synergies are deemed to exist with respect to purchasing of EMV products in Asia, which strengthens the Group's total offering in the Nordic market.

Transaction costs
Transaction costs for the acquisition of IP Agency amounted to SEK 4.0 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests
The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 49.0% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 49.0% of the shares in IP Agency. For the carrying amount as of 31 December 2021, refer to Note 23.

Acquisition of shares in Hafa Bathroom Group AB
On 6 April, the Group announced that an agreement had been entered into to acquire 94% of the shares in Hafa Bathroom Group AB, Sweden's largest privately owned bathroom company with a market-leading online platform and three strong brands: Hafa, NORO and Westerbergs. BHG has thereby further strengthened its share of proprietary brands in the bathroom segment, with favourable opportunities for growth in the Nordic region. Hafa Bathroom Group's sales in 2020 amounted to SEK 269 million. Excluding sales through BHG channels, its sales amounted to approximately SEK 200 million. EBITA amounted to SEK 22 million. The acquisition is recognised in the DIY segment from 1 May.

Revenue and earnings
Since the acquisition date, Hafa has contributed SEK 141.4 million to the Group's revenue and SEK 5.7 million to the Group's profit/loss after tax. If Hafa had been consolidated from the beginning of the financial year, the company would have contributed SEK 223.3 million to the Group's revenue and SEK 12.1 million to the Group's profit/loss after tax.

Acquired net assets - Hafa Bathroom Group AB (SEKm)	Booked value
Trademarks	33.5
Customer relationships	25.8
Intangible fixed assets	1.0
Leased fixed assets	29.7
Tangible fixed assets	1.3
Deferred tax asset	0.1
Inventory	50.8
Accounts receivable	40.4
Other receivables	4.9
Cash and cash equivalents	4.5
Deferred tax liability	-13.0
Provisions	-2.8
Non-current leasing liabilities	-29.7
Accounts payable	-18.4
Other liabilities	-31.0
Net identifiable assets and liabilities	**97.2**
Goodwill	97.8
Total purchase consideration	**195.0**
Consideration transferred, cash flow and impact on cash and cash equivalents	
Consideration transferred	-195.0
Less:	
Liability to non-controlling interest	15.7
Cash flow - paid purchase price	**-179.3**
Cash and cash equivalents in the acquired business	4.5
Effect on cash and cash equivalents	**-174.8**

Goodwill
Goodwill includes synergies, market position, supplier relationships and personnel. In particular, the acquisition has enabled BHG to strengthen its brand portfolio with well-established products in Scandinavian design and to add competent employees with extensive experience of working with industry-leading brands. In particular, significant synergies are deemed to exist with respect to product development, purchasing and brand building between the Group's existing proprietary brand Bathlife and the Hafa Group's three brands: Hafa, NORO and Westerbergs.

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

Liabilities to non-controlling interests
The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 5.3% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 5.3% of the shares in Hafa. For the carrying amount as of 31 December 2021, refer to Note 23.

Acquisition of shares in E. Svenssons i Lammhult AB
On 19 March 2021, the Group announced that an agreement had been entered into to acquire 100% of the shares in E. Svenssons i Lammhult AB (Svenssons i Lammhult), a leading Swedish retail chain offering furniture and home furnishings from more than 170 well-known quality brands and over 25,000 products. These brands primarily comprise design classics and a carefully selected home furnishings range. Svenssons i Lammhult's sales in 2020 amounted to SEK 263 million and its EBITA to SEK -13 million. The acquisition is recognised in the Home Furnishing segment from 1 May.

Revenue and earnings
Since the acquisition date, Svenssons i Lammhult has contributed SEK 285.1 million to the Group's revenue and SEK 14.8 million to the Group's profit/loss after tax. If Svenssons i Lammhult had been consolidated from the beginning of the financial year, the company would have contributed SEK 390.3 million to the Group's revenue and SEK 12.0 million to the Group's profit/loss after tax.

Acquired net assets - E.Svenssons i Lammhult AB (SEKm)	Booked value
Trademarks	73.0
Customer relationships	48.8
Intangible fixed assets	2.9
Leased fixed assets	19.0
Tangible fixed assets	2.3
Financial fixed assets	0.0
Deferred tax asset	5.0
Inventory	49.5
Accounts receivable	6.9
Other receivables	8.3
Cash and cash equivalents	16.1
Deferred tax liability	-25.1
Non-current leasing liabilities	-19.0
Accounts payable	-48.8
Other liabilities	-43.0
Net identifiable assets and liabilities	**96.0**
Goodwill	133.2
Total purchase consideration	**229.2**
Consideration transferred, cash flow and impact on cash and cash equivalents	
Consideration transferred	-229.2
Less:	
Contingent consideration	30.0
Cash flow - paid purchase price	**-199.2**
Cash and cash equivalents in the acquired business	16.1
Effect on cash and cash equivalents	**-183.1**

Goodwill
Goodwill includes synergies, market position, supplier relationships and personnel. In particular, significant synergies are deemed to exist with respect to digital traffic generation and purchasing, mainly between Nordic Nest and Svenssons i Lammhult.

Transaction costs
Transaction costs for the acquisition of Svenssons i Lammhult amounted to SEK 2.3 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Contingent earn-out
The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on profitability targets in 2021. The contingent earn-out is capped at SEK 30.0 million. For the carrying amount as of 31 December 2021, refer to Note 23.

Acquisition of shares in HYMA Skog & Trädgård AB

On 9 June, the Group announced that an agreement had been entered into to acquire 92.2% of the shares in HYMA Skog & Trädgård AB (HYMA). HYMA holds a leading market position in a number of BHG's core categories, such as garden, tools and leisure, with a broad portfolio of external and proprietary brands. HYMA has a long history of strong and profitable organic growth supplemented by strategic acquisitions. HYMA's sales in 2020 amounted to SEK 797 million and its EBITA to SEK 57 million.

Revenue and earnings

Since the acquisition date, HYMA has contributed SEK 404.0 million to the Group's revenue and SEK 14.3 million to the Group's profit/loss after tax. If HYMA had been consolidated from the beginning of the financial year, it would have contributed SEK 943.4 million to the Group's revenue and SEK 25.5 million to the Group's profit/loss after tax.

Acquired net assets - Hyma Skog & Trädgård AB (SEKm)	**Booked value**
Trademarks	355.4
Customer relationships	252.6
Intangible fixed assets	16.7
Buildings and land	22.0
Leased fixed assets	9.8
Tangible fixed assets	5.6
Financial fixed assets	0.6
Deferred tax asset	2.8
Inventory	272.9
Accounts receivable	11.9
Other receivables	13.6
Cash and cash equivalents	56.0
Deferred tax liability	-134.1
Provisions	-0.1
Non-current liabilities	-66.2
Non-current leasing liabilities	-6.6
Accounts payable	-138.9
Current leasing liabilities	-3.2
Other liabilities	-40.3
Net identifiable assets and liabilities	**630.5**
Goodwill	981.3
Total purchase consideration	**1,611.7**
Consideration transferred, cash flow and impact on cash and cash equivalents	
Consideration transferred	-1,611.7
Less:	
Issued shares (2,887,293 ordinary shares)	404.2
Liability to non-controlling interest	163.4
Contingent consideration	461.7
Cash flow - paid purchase price	**-582.4**
Cash and cash equivalents in the acquired business	56.0
Effect on cash and cash equivalents	**-526.4**

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. In particular, the acquisition has enabled BHG to strengthen its breadth and depth in key DIY categories, creating favourable opportunities for continued growth in BHG's online platforms in the Nordic region. In particular, significant synergies are deemed to exist with respect to purchasing and logistics.

Transaction costs

Transaction costs for the acquisition of HYMA amounted to SEK 19.8 million and are recognised as items affecting comparability.

Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 7.8% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 7.8% of the shares in HYMA. For the carrying amount as of 31 December 2021, refer to Note 23.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on profitability targets in 2022. The contingent earn-out is capped at SEK 500.0 million. For the carrying amount as of 31 December 2021, refer to Note 23.

Acquisition of shares in AH-Trading GmbH

On 2 September, the Group acquired 80% of the shares in AH-Trading GmbH (AH-Trading), one of Germany's leading e-commerce companies in garden furniture in the mid and premium segments. All of the company's approximately 10,000 products are sold online, about half of which are proprietary brands. AH-Trading's sales in 2020 amounted to SEK 469 million and its EBITA to SEK 34 million.

Revenue and earnings

Since the acquisition date, AH-Trading has contributed SEK 67.7 million to the Group's revenue and SEK -7.1 million to Group's profit/loss after tax. If AH-Trading had been consolidated from the beginning of the financial year, it would have contributed SEK 661.9 million to the Group's revenue and SEK 40.1 million to the Group's profit/loss after tax.

Acquired net assets - AH-Trading GmbH (SEKm)	**Booked value**
Trademarks	178.3
Customer relationships	71.3
Intangible fixed assets	19.5
Leased fixed assets	40.8
Tangible fixed assets	10.8
Financial fixed assets	0.1
Inventory	134.4
Accounts receivable	18.4
Other receivables	7.3
Cash and cash equivalents	67.7
Deferred tax liability	-74.9
Provisions	-0.4
Non-current liabilities	-33.4
Non-current leasing liabilities	-28.4
Accounts payable	-88.8
Current leasing liabilities	-12.4
Other liabilities	-59.8
Net identifiable assets and liabilities	**250.6**
Goodwill	413.6
Total purchase consideration	**664.2**
Consideration transferred, cash flow and impact on cash and cash equivalents	
Consideration transferred	-664.2
Less:	
Liability to non-controlling interest	157.9
Contingent consideration	109.4
Cash flow - paid purchase price	**-397.0**
Cash and cash equivalents in the acquired business	67.7
Effect on cash and cash equivalents	**-329.3**

Goodwill

Goodwill includes synergies, market position, supplier relationships and personnel. The acquisition of AH-Trading was of particular strategic importance for BHG, not least because BHG already has a customer base in Germany, which will now be complemented with a local organisation and presence and give us the opportunity to take the next step in the European market. In particular, significant synergies are deemed to exist with respect to purchasing.

Transaction costs

Transaction costs for the acquisition of AH-Trading amounted to SEK 3.8 million and are recognised as other external costs in profit or loss and the statement of other comprehensive income.

Liabilities to non-controlling interests

The acquisition agreement includes a put option giving the seller the right to require the Group to purchase the remaining 20.0% of shares. Given the seller's option, the Group recognises a liability corresponding to the present value of the redemption price for an additional 20.0% of the shares in AH-Trading. For the carrying amount as of 31 December 2021, refer to Note 23.

Contingent earn-out

The acquisition agreement states that a contingent earn-out is to be paid to the former owner based on sales and profitability targets in 2021–2022. The contingent earn-out is capped at EUR 12.0 million. For the carrying amount as of 31 December 2021, refer to Note 23.

Acquisitions in 2020

- In 2020, the Group acquired 51.0% of the shares in Hemfint Kristianstad AB. The acquisition is recognised in the DIY segment.
- In 2020, the Group acquired 95.6% of the shares in Sleepo AB. The acquisition is recognised in the Home Furnishing segment.
- In 2020, the Group acquired 97.5% of the shares in Nordic Nest Group AB. The acquisition is recognised in the Home Furnishing segment.

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

NOTE 6 FEES AND REMUNERATION TO AUDITORS

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
PwC				
Audit engagements	-7.6	-4.1	-1.2	-0.8
Audit-related services	-0.4	-0.2	-0.3	-0.2
Tax consulting	-0.3	-0.1	-0.1	-0.1
Other services	-0.2	-0.3	-0.0	-0.3
	-8.4	**-4.7**	**-1.6**	**-1.4**
Other audit firms				
Audit engagements	-0.3	-0.6	-	-
Audit-related services	-0.1	-0.1	-	-
Tax consulting	-0.0	-0.0	-	-
Other services	-0.0	-0.0	-	-
	-0.5	**-0.7**	**-**	**-**
Total all audit firms	**-8.9**	**-5.4**	**-1.6**	**-1.4**

Of the above fees to PwC, SEK 5.4 million (3.1) pertains to the Group's fee to Öhrlings PricewaterhouseCoopers AB. For the Parent Company, the entire fee pertains to Öhrlings PricewaterhouseCoopers AB.

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

NOTE 7 PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

	Group		Parent company	
(SEKm)	**2021**	**2020**	**2021**	**2020**
Salaries	-661.0	-475.4	-25.5	-10.4
Received governmental aid	9.9	4.1	-	-
contributions	-181.4	-109.2	-13.7	-8.8
Share-based remuneration	-15.6	-6.0	-12.6	-6.0
Pension expenses, defined contribution plans	-69.3	-38.8	-2.2	-1.2
	-917.3	**-625.3**	**-53.9**	**-26.4**

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

	Group		Parent company	
(SEKm)	**2021**	**2020**	**2021**	**2020**
Senior executives (4 persons)	-9.4	-7.4	-9.4	-6.9
of which variable salary	*-4.8*	*-4.4*	*-4.8*	*-4.0*
Other employees	-651.6	-468.0	-16.1	-3.5
	-661.0	**-475.4**	**-25.5**	**-10.4**

	2021					
Remuneration and other benefits (SEKm)	**Basic salary/ Board remuneration**	**Variable remuneration**	**Other benefits**	**Pension expenses**	**Share based remuneration**	**Total**
Board of Directors						
Gustaf Öhrn	-0.5	-	-	-	-	-0.5
Niklas Ringby	-0.2	-	-	-	-	-0.2
Johan Giléus	-0.3	-	-	-	-	-0.3
Christian Bubenheim	-0.2	-	-	-	-	-0.2
Camilla Giesecke	-0.2	-	-	-	-	-0.2
Mariette Kristensson	-0.2	-	-	-	-	-0.2
Ingrid Jonasson Blank	-0.1	-	-	-	-	-0.1
Bert Larsson	-0.1	-	-	-	-	-0.1
CEO (remuneration from the parent company)						
Adam Schatz	-1.8	-1.6	-	-0.2	-1.0	-4.5
Other senior executives (3 persons)						
Remuneration from parent company	-2.7	-3.3	-	-0.5	-2.3	-8.8
	-6.3	**-4.8**	**-**	**-0.7**	**-3.2**	**-15.1**

Accrued variable remuneration to be paid to the CEO and other senior executives after year-end amounts to SEK 1.6 million (2.0) and SEK 3.3 million (2.3), respectively.

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

Remuneration and other benefits (SEKm)	2020 Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Share based remuneration	Total
Board of Directors						
Gustaf Öhrn	-0.3	-	-	-	-	-0.3
Christian Bubenheim	-0.1	-	-	-	-	-0.1
Johan Giléus	-0.3	-	-	-	-	-0.3
Ingrid Jonasson Blank	-0.2	-	-	-	-	-0.2
Bert Larsson	-0.2	-	-	-	-	-0.2
Niklas Ringby	-0.1	-	-	-	-	-0.1
Niclas Thiel	-0.1	-	-	-	-	-0.1
Henrik Theilbjørn	-0.2	-	-	-	-	-0.2
Peter Möller	-	-	-	-	-	-
Tom Tang	-0.1	-	-	-	-	-0.1
Christophe Le Houédec	-0.1	-	-	-	-	-0.1
CEO (remuneration from the parent company)						
Adam Schatz (10 months)	-0.9	-1.7	-	-0.2	-0.6	-3.4
Martin Edblad (2 months)	-0.2	-0.3	-	-0.0	-	-0.6
Other senior executives (2 persons)						
Remuneration from parent company	-1.9	-2.3	-	-0.4	-0.5	-5.2
	-4.6	**-4.4**	**-**	**-0.6**	**-1.1**	**-10.7**

Share-based remuneration settled through shares in BHG Group AB (LTIP)

The General Meetings on 5 May 2021, 5 May 2020, 15 May 2019 and 26 March 2018 resolved to introduce incentive programmes for key employees in the Group. Accordingly, four incentive programmes have run in parallel in the form of LTIP 2018, LTIP 2019, LTIP 2020 and LTIP 2021. However, LTIP 2018 ended in 2021.

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

Subscription prices

- The subscription price for LTIP 2018 amounted to 130% of the company's listing price on 27 March 2018, corresponding to SEK 61.75 per share.
- The subscription price for warrants in LTIP 2019 amounts to 130% of the volume-weighted average price quoted during the five trading days up to and including 31 May 2019, corresponding to SEK 48.20 per share.
- The subscription price for warrants in LTIP 2020 amounts to 130% of the volume-weighted average price quoted during the five trading days up to and including 28 August 2020, corresponding to SEK 145.00 per share.
- The subscription price for LTIP 2021 amounted to 130% of the volume-weighted average price prior to the General Meeting on 5 May 2021, corresponding to a subscription price of SEK 216.90 per share.

Subscription periods for new shares

All outstanding warrants under LTIP 2018 were exercised in 2021. Through the exercise of warrants, 2,760,016 shares were issued for a subscription price of SEK 61.75 per share, generating proceeds of SEK 170.4 million. The warrants were exercised from 8 January 2021 to 5 February 2021. The average share price during this period was SEK 165.78.

For LTIP 2019, shares can be subscribed for during the period from 1 June 2022 until 31 August 2022. For LTIP 2020, shares can be subscribed for during the period from 1 June 2023 until 31 August 2023, while the subscription period for LTIP 2021 is from 1 August 2024 until 30 September 2024.

Cost effects

Participants in all four programmes received a subsidy from BHG Group AB reflecting 50% of the warrants' fair value at the subscription date. In 2021, the Group expensed an amount totalling SEK -26.6 million (-13.5) for share-based remuneration in accordance with IFRS 2.

Dilution

Holders of warrants under LTIP 2019 can subscribe for a maximum of 1,610,526 shares in BHG Group AB, while holders of warrants under LTIP 2020 can subscribe for a maximum of 1,037,000 shares and holders of outstanding warrants under LTIP 2021 can subscribe for a maximum of 1,200,006 shares.

If all of the outstanding warrants in the three programmes had been exercised as of 31 December 2021, the number of shares issued by the company would have increased by 3,847,532 ordinary shares, corresponding to a dilution of 3.1% of the capital and votes at year-end 2020.

	Parent company			
Granted warrants	**President and CEO**	**Senior executives**	**Other key-employees**	**Total**
Long-term incentive program, 2021	45,000	135,000	1,020,006	1,200,006
Long-term incentive program, 2020	50,000	77,000	910,000	1,037,000
Long-term incentive program, 2019	92,030	46,015	1,472,481	1,610,526
Total outstanding as of 31 December 2021	**187,030**	**258,015**	**3,402,487**	**3,847,532**

	Parent company			
Outstanding warrants	**2021**	**d redempti on price**	**2020**	**d redempti on price**
Outstanding as of 1 January	5,407,542	73.68	4,370,542	56.76
Granted during the period	1,200,006	216.90	1,037,000	145.00
Redeemed during the year	-2,760,016	61.75	-	-
Outstanding as of 31 December	**3,847,532**	**126.91**	**5,407,542**	**73.68**

	Parent company		
Fair value and assumptions regarding warrants	**LTIP 2021**	**LTIP 2020**	**LTIP 2019**
Share price	160.70	111.60	36.70
Redemption price	216.90	145.00	48.20
Expected volatility (%)	30.00	30.00	28.00
Expected maturity (years)	3.34	3.00	3.25
Risk-free interest (%)	-0.21	-0.31	-0.47
Fair value	**18.13**	**12.48**	**3.72**

The table above shows the assumptions used on the allotment date for each incentive programme. The expected volatility is based on historical volatility, adjusted for any expected changes in future volatility as a result of officially available information.

	Parent company			
Specification of warrants	**Number of options**	**Value at distributio n**	**Redemp tion time**	**Redemt ion price**
Long-term incentive program, 2021	1,200,006	18.13	2024	216.90
Long-term incentive program, 2020	1,037,000	12.48	2023	145.00
Long-term incentive program, 2019	1,610,526	3.72	2022	48.20

Cash-settled share-based remuneration (synthetic options)

In 2021, an incentive programme was introduced for employees in the Nordic Nest sub-Group. Participants in the programme hold synthetic options that are settled in cash depending on the value of the shares in Nordic Nest Group AB. Accordingly, the programme is classified as cash-settled share-based remuneration under IFRS 2. Unlike the Group's outstanding LTIP programmes (see above), synthetic options do not entitle the holders to subscribe for shares in BHG Group AB. Nor do synthetic options give rise to dilution.

Subscription price

The subscription price is calculated as 250% of the price per share in Nordic Nest Group AB that was paid when Nordic Nest was acquired, corresponding to a subscription price for the synthetic options of SEK 14,538 per share in Nordic Nest Group AB. The programme commenced on 1 July 2021 and extends for five years from that date.

Cost effects and recognised liability

The group recognises a liability for synthetic options accumulated over the vesting period. As of 31 December 2021, the carrying amount of the liability was SEK 0.7 million

(-). In 2021, the Group expensed an amount totalling SEK -0.7 million (-) for synthetic options.

Holding
The programme is targeted at key individuals in the Nordic Nest sub-Group. A total of 63 employees in the Nordic Nest sub-Group are participating in the programme. The table below shows the number of synthetic options outstanding. Each option entitles the holder to a cash payment based on the value of one share in Nordic Nest Group AB.

	Group			
Outstanding warrants	**2021**	**Weighted redemption price**	**2020**	**Weighted redemption price**
Outstanding as of 1 January	-	-	-	-
Granted during the period	3,131	14,538	-	-
Outstanding as of 31 December	**3,131**	**14,538**	**-**	**-**

Valuation
A valuation of the synthetic options was performed on the allotment date and on 31 December 2021 using the Black-Scholes pricing model. The expected volatility is based on historical volatility for a group of comparable listed companies. The table below shows the assumptions used for the valuation of the synthetic options.

	Group	
Fair value and assumptions regarding synthetic options	**2021**	**At the time of allocation**
Share price	7,374	5,815
Redemption price	14,538	14,538
Expected volatility (%)	32.50	32.50
Expected maturity (years)	4.50	5.00
Risk-free interest (%)	0.07	-0.08
Fair value	**594**	**313**

NOTE 8 AVERAGE NUMBER OF EMPLOYEES

	2021		2020	
Group	**Men**	**Women**	**Men**	**Women**
Sweden	860	761	504	434
Denmark	152	83	140	66
Finland	103	145	74	106
Norway	14	13	10	5
Germany	108	30	20	7
Bulgaria	23	12	20	7
Estonia	22	18	19	14
Greece	38	16	13	5
Croatia	36	14	31	10
Hong Kong	2	1	2	-
Hungary	42	14	49	10
Lithuania	98	112	64	42
Latvia	22	9	7	11
Romania	69	16	56	14
Slovenia	19	8	17	7
Total	**1,608**	**1,252**	**1,026**	**738**
Total average no. of employees		**2,860**		**1,764**

	2021		2020	
Parent company	**Men**	**Women**	**Men**	**Women**
Sweden	9	3	5	1
Total	9	3	5	1
Total average no. of employees		**12**		**6**

Gender balance among senior executives

	2021		2020	
Group	**Men %**	**Women %**	**Men %**	**Women %**
Board of Directors	98	2	96	4
CEO and other executives	81	19	91	9
Total	**93**	**7**	**95**	**5**

	2021		2020	
Parent company	**Men %**	**Women %**	**Men %**	**Women %**
Board of Directors	67	33	83	17
CEO and other executives	75	25	100	-
Total	**70**	**30**	**90**	**10**

NOTE 9 OTHER OPERATING REVENUE AND OPERATING EXPENSES

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Other operating income				
Gain from sale of fixed assets	2.0	0.1	-	-
Gain from sale of operation	0.4	0.3	-	-
Exchange gains on operating receivables/ liabilities	-	5.2	-	-
Change in fair value of FX forwards	1.5	-	-	-
Insurance compensation	11.7	-	-	-
	15.6	**5.6**	**-**	**-**
Other operating expenses				
Loss from sale of fixed assets	-1.2	-0.1	-	-
Exchange losses on operating receivables/ liablities	-3.8	-1.4	-0.1	-0.0
	-5.0	**-1.5**	**-0.1**	**-0.0**
	10.6	**4.1**	**-0.1**	**-0.0**

NOTE 10 FINANCIAL ITEMS

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Financial income				
Interest income	1.4	0.9		-
Interest income, Group		-	45.1	0.7
Revalued contingent purchase price	19.2	0.8		-
Net exchange differences		-	0.0	-
Other financial income	0.1	1.7		-
	20.7	**3.4**	**45.2**	**0.7**
Financial expenses				
Interest expense, credit institutions	-29.4	-19.0	-20.0	-2.8
Interest expense, leased assets	-15.6	-11.7		-
Interest expense, other	-3.5	-5.1	-0.0	-
Revalued contingent purchase price	-16.3	-66.5		-
Interest contingent purchase price	-15.2	-4.6		-
Net exchange differences	-7.9	-1.5		-
Other financial expenses	-12.3	-2.6	-7.2	-0.2
	-100.4	**-110.9**	**-27.2**	**-3.0**
	-79.7	**-107.5**	**18.0**	**-2.4**

NOTE 11 TAXES

Tax recognised in profit or loss

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Current tax expense				
Current tax expense	-131.0	-114.9	-4.7	-18.4
Adjustment of prior year income tax	-1.4	-2.6	-	0.0
	-132.4	**-117.4**	**-4.7**	**-18.4**
Deferred tax				
Deferred tax on temporary differences	-5.7	-13.0	-	-
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	0.5	0.6	-	-
Deferred tax expense in loss carry-forwards used during the year	-3.3	-2.1	-	-
Revalued loss carry-forwards	0.8	1.6	-	-
Effects of changes in tax rate	-	0.3	-	-
	-7.7	**-12.6**	**-**	**-**
	-140.1	**-130.0**	**-4.7**	**-18.4**

(SEKm)	Group 2021	%	2020	%
Profit before tax	630.9		550.3	
Tax as per applicable tax rate for parent company	-129.5	-20.5	-118.4	-21.5
Effect of other tax rates for foreign subsidiaries	0.8	0.1	5.6	1.0
Non-taxable income	10.1	1.6	4.6	0.8
Taxable income not included in profit before tax	-0.4	-0.1	-	-
Non-deductible expenses	-18.8	-3.0	-21.8	-4.0
Loss carry-forwards not capitalised	-1.3	-0.2	1.3	0.2
Utilisation of previously uncapitalised loss carry-forwards	-	-	-0.9	-0.2
Revalued loss carry-forwards	0.4	0.1	1.3	0.2
Adjustment of prior year income tax	-1.4	-0.2	-2.6	-0.5
Effects of changes in tax rate	-0.0	-0.0	0.7	0.1
Effective tax/tax rate	**-140.1**	**-22.2**	**-130.0**	**-23.6**

(SEKm)	Parent company 2021	%	2020	%
Profit before tax	2.9		86.0	
Tax as per applicable tax rate for parent company	-0.6	-20.6	-18.4	-21.4
Non-deductible expenses	-4.1	-141.4	-0.0	-0.0
Adjustment of prior year income tax	-	-	0.0	0.0
Effective tax/tax rate	**-4.7**	**-163.0**	**-18.4**	**-21.4**

Tax recognised in equity

	Group		Parent company	
(SEKm)	2021	2020	2021	2020
Tax on transaction cost for new share issue	4.4	-	4.4	-
Total	**4.4**	**-**	**4.4**	**-**

Deferred tax asset/liability

	Group		Parent company	
(SEKm)	2021	2020	2021	2020
Deferred tax asset				
Loss carry-forwards	11.5	9.2	-	-
Temporary differences	14.9	9.9	-	-
Other	0.0	0.0	-	-
	26.4	**19.1**	**-**	**-**
Deferred tax liability				
Equipment, tools and installations	1.0	0.0	-	-
rights	563.7	334.5	-	-
Untaxed reserves	72.1	40.5	-	-
	636.7	**375.0**	**-**	**-**
Deferred tax, net	**-610.3**	**-355.9**	**-**	**-**

The Group has loss carryforwards of SEK 11.2 million (5.9), for which no deferred tax assets were recognised. Of this amount, SEK 6.1 million falls due in 2025 and SEK 5.2 million falls due in 2026. Other loss carryforwards for which no deferred tax assets were recognised have no expiry date.

NOTE 12 EARNINGS PER SHARE

	Before dilution		After dilution	
(SEKm)	2021	2020	2021	2020
Earnings per share (SEK)	3.97	3.87	3.94	3.80
The amounts used in numerators and denominators are shown below:				
attributable to parent company shareholders	480.9	415.1	480.9	415.1
Profit for the year attributable to parent company shareholders of ordinary shares	**480.9**	**415.1**	**480.9**	**415.1**
Average number of shares before dilution	121.0	107.4	121.0	107.4
Number of dilutive shares	-	-	1.2	1.8
Average number of shares after dilution	**121.0**	**107.4**	**122.1**	**109.1**
Earnings per share (SEK)	**3.97**	**3.87**	**3.94**	**3.80**

Outstanding warrants under the framework of the company's incentive programmes (see Note 7) gave rise to a dilution effect in 2021 since the average share price during the year was higher than the exercise price for LTIP 2018 and LTIP 2019 (plus the amount still to be expensed in accordance with IFRS 2).

NOTE 13 INTANGIBLE FIXED ASSETS

Internally developed intangible assets

Capitalized expenditures for development (SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**303.1**	**216.1**	**0.8**	**0.4**
Investments through acqusitions	28.5	25.7	-	-
Investments	111.4	66.2	0.2	0.4
Reclassifications	1.6	5.3	-	-
Divestments	-0.1	-6.8	-	-
Translation difference	1.9	-3.5	-	-
Closing accumulated cost	**446.3**	**303.1**	**1.0**	**0.8**
Opening accumulated amortization	**-132.7**	**-89.5**	**-0.1**	**-0.0**
Amortization through acqusitions	-14.0	-12.6	-	-
Amortization for the year	-57.8	-39.0	-0.2	-0.1
Divestments	0.1	6.8	-	-
Translation difference	-0.9	1.7	-	-
Closing accumulated amortization	**-205.4**	**-132.7**	**-0.3**	**-0.1**
Opening impairment losses	**-0.7**	**-0.7**	**-**	**-**
Closing impairment losses	**-0.7**	**-0.7**	**-**	**-**
Carrying amounts	**240.2**	**169.6**	**0.7**	**0.7**

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

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

Acquired intangible assets

Trademarks (SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**1,175.7**	**855.4**	**-**	**-**
Investments through acqusition	670.3	324.0	-	-
Translation difference	3.8	-3.7	-	-
Closing accumulated cost	**1,849.8**	**1,175.7**	**-**	**-**
Carrying amounts	**1,849.8**	**1,175.7**	**-**	**-**

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

Customer relationships (SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**613.1**	**420.8**	**-**	**-**
Investments through acqusitions	399.3	194.3	-	-
Translation difference	1.8	-2.1	-	-
Closing accumulated cost	**1,014.2**	**613.1**	**-**	**-**
Opening accumulated amortization	**-158.9**	**-116.0**	**-**	**-**
Amortization for the year	-79.1	-43.5	-	-
Translation difference	-0.4	0.5	-	-
Closing accumulated amortization	**-238.4**	**-158.9**	**-**	**-**
Carrying amounts	**775.8**	**454.2**	**-**	**-**

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

Goodwill (SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**4,395.1**	**2,896.7**	**-**	**-**
Investments through acqusitions	1,909.8	1,512.4	-	-
Translation difference	13.8	-13.9	-	-
Closing accumulated cost	**6,318.7**	**4,395.1**	**-**	**-**
Carrying amounts	**6,318.7**	**4,395.1**	**-**	**-**

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

Other intangible non-current assets (SEKm)	Group		Parent company	
	2021	2020	2021	2020
Opening accumulated cost	**13.2**	**12.5**	**0.2**	**0.2**
Investments through acquisitions	33.4	3.4	-	-
Investments	3.5	3.3	-	0.1
Reclassification	-2.2	-5.6	-	-
Divestments	-3.2	-0.3	-	-
Translation difference	0.2	-0.0	-	-
Closing accumulated cost	**45.0**	**13.2**	**0.2**	**0.2**
Opening accumulated amortization	**-8.3**	**-5.1**	**-0.1**	**-0.0**
Amortization through acquisitions	-7.8	-2.5	-	-
Amortization for the year	-4.1	-0.8	-0.0	-0.0
Divestments	2.8	0.2	-	-
Translation difference	-0.1	0.0	-	-
Closing accumulated amortization	**-17.4**	**-8.3**	**-0.1**	**-0.1**
Carrying amounts	**27.6**	**4.9**	**0.1**	**0.1**

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

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

Goodwill and trademark per cash-generating unit (SEKm)	Goodwill		Trademark	
	2021	2020	2021	2020
DIY	3,040.4	1,674.4	893.9	473.2
Home Furnishing	3,278.4	2,720.8	955.9	702.5
	6,318.7	**4,395.1**	**1,849.8**	**1,175.7**

Impairment testing for cash generating units containing goodwill
Impairment testing of goodwill is conducted annually, and at any time indications of a value decline are identified. When testing, the assets are grouped in cash generating units. The Group's cash generating units match the defined operating segments (DIY and Home Furnishing). When testing, carrying amounts of cash generating units are compared with recoverable amounts. The recoverable amount of the respective cash generating units is determined by discounting future cash flows in order to determine the value in use. Calculations of future cash flows are based on the strategic plans adopted by executive management for the coming five years (detailed plans). The carrying amount of the cash generating unit includes goodwill, brands with an indefinite useful life and assets with a definite useful life, such as non-current assets, brands and working capital. The value of assets that are amortised is tested for impairment whenever there are indications that the carrying amount may possibly not be recoverable.

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

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

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

Growth assumptions
The growth assumptions in the forecast period comply with the Group's target of growing in line with the market organically. The market is defined as the online market in the Nordic region for furniture and building materials which, according to available market data, is expected to grow by 15% (15) annually over the next five years. For years six to ten, a growth rate of 10% is used, which is reduced to 2.5% in year ten. Expected sustainable future cash flow for the period beyond ten years is extrapolated with assumed sustainable growth of 2.5% (2.5) (which is established on the basis of assumed nominal GDP growth in the relevant markets).

Sensitivity
The impairment tests that have been conducted show that there is no need for impairment. The impairment tests generally have a margin that entails that any negative

changes in individual parameters would reasonably not result in the recoverable amount declining to less than the carrying amount. However, forecast cash flows are uncertain and can also be affected by factors beyond the company's control. Even if the estimated growth rate that was applied after the forecast five-year period had been 1.5% instead of management's assessment of 2.5–10% for year six to ten and 2.5% after year ten, no need for impairment of goodwill would have arisen. Even if the estimated operating margin that was applied for the forecast five-year period had been 2% lower, no need for impairment of goodwill would have arisen. Even if the estimated discount interest rate before tax that was applied for discounted cash flows had been 11.0% instead of management's assessment of 9.6%, no need for impairment of goodwill would have arisen. Management also assesses that no reasonable changes in other important assumptions would result in the recoverable amount declining to less than the carrying amount.

Summary of material parameters	**2021**	**2020**
CAGR years 1-5	10-15 %	10-15 %
CAGR years 6-10	2.5-10%	2.5-10%
CAGR after year 10	2.5%	2.5%
Discount interest rate before tax	9.6%	9.6%
Average operating margin	6-7 %	6-7 %

Impairment testing for cash generating units containing brands

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

Indefinite useful lives

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

NOTE 14 TANGIBLE FIXED ASSETS

	Group		**Parent company**	
Equipment	**2021**	**2020**	**2021**	**2020**
Opening accumulated cost	**74.0**	**38.8**	**-**	**-**
Investments through acquisitions	28.5	21.0	-	-
Investments	38.2	17.1	-	-
Reclassification	0.3	0.4	-	-
Divestments	-2.4	-1.7	-	-
Translation difference	0.7	-1.6	-	-
Closing accumulated cost	**139.3**	**74.0**	**-**	**-**
Opening accumulated depreciation	**-29.6**	**-17.2**	**-**	**-**
Depreciation through acquisitions	-15.7	-5.4	-	-
Depreciation for the year	-16.9	-8.6	-	-
Reclassification	0.2	-0.1	-	-
Divestments	1.5	1.2	-	-
Translation difference	-0.2	0.5	-	-
Closing accumulated depreciation	**-60.8**	**-29.6**	**-**	**-**
Carrying amounts	**78.5**	**44.5**	**-**	**-**

Buildings and land	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**12.3**	**12.7**	**-**	**-**
Investments through acquisitions	25.2	-	-	-
Investments	0.3	-	-	-
Divestments	-12.5	-	-	-
Translation difference	0.1	-0.4	-	-
Closing accumulated cost	**25.4**	**12.3**	**-**	**-**
Opening accumulated depreciation	**-2.3**	**-2.0**	**-**	**-**
Depreciation through acquisitions	-3.2	-	-	-
Depreciation for the year	-0.6	-0.3	-	-
Divestments	2.6	-	-	-
Translation difference	-0.0	0.1	-	-
Closing accumulated depreciation	**-3.6**	**-2.3**	**-**	**-**
Carrying amounts	**21.9**	**10.0**	**-**	**-**

Leasehold improvements	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Opening accumulated cost	**50.0**	**42.5**	**-**	**-**
Investments through acquisitions	11.8	1.0	-	-
Investments	40.1	8.0	-	-
Reclassification	0.3	-0.1	-	-
Divestments	-1.7	-0.9	-	-
Translation difference	0.4	-0.5	-	-
Closing accumulated cost	**100.9**	**50.0**	**-**	**-**
Opening accumulated depreciation	**-30.4**	**-24.3**	**-**	**-**
Depreciation through acquisitions	-4.2	-0.6	-	-
Depreciation for the year	-9.4	-6.8	-	-
Reclassification	-0.2	0.1	-	-
Divestments	1.2	0.8	-	-
Translation difference	-0.2	0.4	-	-
Closing accumulated depreciation	**-43.2**	**-30.4**	**-**	**-**
Carrying amounts	**57.7**	**19.5**	**-**	**-**

IFRS 16 Properties	Group 2021	Group 2020
Opening accumulated cost	**795.5**	**551.4**
Investments through acquisitions	75.5	56.2
New leasing contract	415.8	237.9
End of contract	-27.8	-43.1
Translation difference	4.4	-7.0
Closing accumulated cost	**1,263.4**	**795.5**
Opening accumulated depreciation	**-196.9**	**-95.8**
Depreciation for the year	-201.5	-144.1
End of contract	26.3	41.3
Translation difference	-1.3	1.8
Closing accumulated depreciation	**-373.4**	**-196.9**
Carrying amounts	**890.0**	**598.6**

IFRS 16 Vehicles	Group 2021	Group 2020
Opening accumulated cost	**2.1**	**1.3**
Investments through acquisitions	0.4	-
New leasing contract	1.9	1.0
End of contract	-0.7	-0.2
Translation difference	0.0	-0.0
Closing accumulated cost	**3.7**	**2.1**
Opening accumulated depreciation	**-0.9**	**-0.4**
Depreciation for the year	-1.2	-0.7
End of contract	0.4	0.2
Translation difference	-0.0	0.0
Closing accumulated depreciation	**-1.7**	**-0.9**
Carrying amounts	**2.0**	**1.2**

IFRS 16 Other	Group 2021	Group 2020
Opening accumulated cost	**2.9**	**2.8**
New leasing contract	-	0.3
End of contract	-	-0.2
Translation difference	-	-0.0
Closing accumulated cost	**2.9**	**2.9**
Opening accumulated depreciation	**-0.8**	**-0.1**
Depreciation for the year	-0.8	-0.8
End of contract	-	0.1
Translation difference		0.0
Closing accumulated depreciation	**-1.6**	**-0.8**
Carrying amounts	**1.3**	**2.1**

NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	Corporate ID number	red office	No. of shares	Share capital (%)	Voting rights (%)	amount Dec 31, 2021	amount Dec 31, 2020
BHG Group LTIP AB	559309-6836	Malmö	25,000	100.0	100.0	0.0	-
Bygghemma Second Holding AB	559077-0771	Malmö	50,000	100.0	100.0	3,678.2	2,691.6
						3,678.3	**2,691.6**

Group	Corporate ID number	Registered office	Owership (%)
BHG Group LTIP AB	**559309-6836**	**Malmö**	**100.0**
Bygghemma Second Holding AB	**559077-0771**	**Malmö**	**100.0**
Bygghemma Group Nordic AB	556800-9798	Malmö	100.0
Bygghemma Sverige AB	556689-4282	Malmö	100.0
Bygghemma Butik i Sthlm AB	556822-1476	Malmö	100.0
Bygghjemme Norge AS	993 392 375	Nøtterøy	100.0
TM HBG ASIA LIMITED	2255795	Hong Kong	100.0
Camola ApS	32342396	Frederica	93.1
Stonefactory Scandinavia AB	556786-1454	Linköping	100.0
Vitvaruexperten.com Nordic AB	559010-7792	Sollentuna	90.2
Vitvarubolaget i Sundbyberg AB	556962-3267	Sollentuna	60.0
Bygghemma Finland Holding AB	559023-3853	Malmö	100.0
Taloon Yhtiöt Oy	1870108-3	Riihimäki	100.0
M & M Visions Oy	1052664-7	Helsinki	100.0
Netrauta Finland Oy	2166342-8	Hämeenlinna	100.0
Handelmark OÜ	11607700	Talinn	100.0
Edututor Oy	2357972-1	Kangasala	100.0
IP-Agency Finland Oy	0993163-7	Juva	51.0
Arredo Holding AB	556872-6367	Malmö	100.0
Golvpoolen Arredo AB	556245-2994	Malmö	100.0
Gulv og Fliseeksperten ApS	38113844	København	100.0
Polarpumpen AB	556749-0262	Göteborg	100.0
Svensk Installationspartner AB	556842-1076	Göteborg	100.0
Designkupp AS	988698571	Grålum	95.0
Nordiska Fönster i Ängelholm AB	556810-2940	Ängelholm	100.0
Arc E-commerce AB	556945-4274	Haninge	51.0
Lindström & Sondén AB	556762-7392	Ängelholm	100.0
Hafa Bathroom Group AB	556005-1491	Halmstad	94.3
Hafa Bathroom Group Oy	1813764-60	Helsingfors	100.0
Noro AB	556674-1673	Halmstad	100.0
Noro Norge AS	985254451	Kråkerøy	100.0
Hemfint Kristianstad AB	556917-7305	Kristianstad	67.4
HYMA Skog & Trädgård AB	559170-5206	Hyltebruk	97.5
Hylte Jakt & Lantman AB	556954-8950	Hyltebruk	100.0
HJL Fastigheter AB	559062-0083	Hyltebruk	100.0
HJLIT & Development AB	556281-2247	Hyltebruk	100.0
Navitek Oy	3132410-4	Jakobstad	100.0
Drift & Underhållsteknik i Mönsterås AB	556395-8809	Mönsterås	100.0
Maskincenter Blekinge Holding AB	556995-2467	Mörrum	100.0
Maskinklippet AB	556554-9937	Mörrum	100.0
Maskincenter Blekinge Fastigheter AB	556997-3612	Mörrum	100.0
Maskincenter Blekinge AB	559031-8167	Mörrum	100.0
Dogger AB	556094-3085	Norrtälje	100.0
Inredhemma Sverige AB	556913-0403	Malmö	100.0
Home Furnishing Nordic AB	556780-9685	Helsingborg	100.0

Group	Corporate ID number	Registered office	Owership (%)
TM Finland Oy	2662443-6	Helsinki	100.0
Home Furnishing Norway AS	825 555 862	Jessheim	100.0
Lampgallerian i Växjö AB	559042-2589	Växjö	51.0
Sleepo AB	556857-0146	Stockholm	100.0
Nordic Nest Group AB	559021-1586	Kalmar	97.5
Nordic Nest Holding AB	559021-1578	Kalmar	100.0
Nordic Nest AB	556628-1597	Kalmar	100.0
Nordic Nest Trading Limited	13620602	London	100.0
E.Svenssons i Lamhult AB	556075-2577	Lammhult	100.0
Svenssons Koncept i Lammhult AB	559197-0404	Lammhult	100.0
Inredhemma Danmark ApS	38575945	København	100.0
My Home 2 A/S	30601319	Birkeød	100.0
My Home 3 A/S	30739043	Fårup	100.0
My Home 4 A/S	30736443	Randers	100.0
My Home 7 A/S	30526953	Randers	100.0
My Home 8 A/S	31427800	Fårup	100.0
Domino Møbler ApS	19176398	Fårup	100.0
Inredhemma Europa AB	38575945	Malmö	100.0
Furniture1 UAB	304742023	Vilnius	50.1
Baldai1 UAB	302935803	Vilnius	100.0
Eurotrade1 SIA	40103665706	Riga	100.0
ETR1 Group OU	12741670	Tallinn	100.0
Furniture1 KFT	01-09-270625	Budapest	100.0
Furniture1 DOO	33412662987	Zagreb	100.0
Eurotrade1 DOO	7104456000	Ljubljana	100.0
Mebeli24 OOD	204743793	Sofia	100.0
Furniture1 Hellas IKE	801003026	Aspropyrgos	100.0
Mobilier1 Concept SLR	39413592	Bukarest	100.0
AH-Trading GmbH	HRB 7349	Xanten	80.0

	Parent company	
(SEKm)	2021	2020
Opening accumulated cost	**2,691.6**	**2,691.6**
New started company	0.0	-
Paid shareholder's contribution	986.7	-
Closing accumulated cost	**3,678.3**	**2,691.6**

NOTE 16 INVENTORIES

The Group's costs of goods sold include impairment losses on inventories of SEK 4.8 million (8.6).

NOTE 17 ACCOUNTS RECEIVABLE

Accounts receivable were recognised after taking into account credit losses arising in the Group during the year of SEK -4.9 million (-3.7). The credit losses pertain to a number of minor accounts. See also Note 26.

	Group		Parent company	
Credit exposure (SEKm)	2021	2020	2021	2020
Accounts receivable not overdue or impaired	155.2	84.3	-	-
Accounts receivable overdue but not impaired	37.4	29.8	-	-
Accounts receivable impaired	15.4	13.0	-	-
Provision for bad debts	-12.8	-10.5	-	-
	195.3	**116.6**	**-**	**-**

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

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

2021 (SEKm)	Group		
	Weighted average loss (%)	Reported value, gross	Loss of reservs
Not overdue	-	155.2	
Overdue < 30 days	-1.7	29.0	-0.5
Overdue 30 - 90 days	-43.0	11.2	-4.8
Overdue > 90 days	-59.2	12.6	-7.5
		208.1	**-12.8**

Provision for bad debts (SEKm)	Group		Parent company	
	2021	2020	2021	2020
Opening balance, 1 January	**-10.5**	**-8.8**	**-**	**-**
Additional provisions	-10.2	-10.2	-	-
Reversed provisions	7.3	7.1	-	-
Actual losses	0.7	1.3	-	-
Translation difference	-0.0	0.0	-	-
Closing balance, 31 December	**-12.8**	**-10.5**	**-**	**-**

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

(SEKm)	Group		Parent company	
	2021	2020	2021	2020
Prepaid rent	9.7	6.1	0.1	-
Prepaid insurance expenses	3.8	4.8	0.2	0.1
Prepaid personnel expenses	1.6	3.6	1.2	3.6
Accrued supplier bonus	217.3	130.2	-	-
Accrued income	11.5	7.8	-	-
Refund asset	15.9	11.7	-	-
Other	30.2	23.4	3.1	1.0
	290.1	**187.6**	**4.6**	**4.7**

NOTE 19 EQUITY

As of 31 December 2021, the share capital consisted of 123,815,730 shares (107,368,421). Each share has a quotient value of SEK 0.03.

Issued shares (numbers)	Ordinary shares	
	2021	2020
Issued shares at the beginning of the period	**107,368,421**	**107,368,421**
Cash issue	13,560,016	-
An issue in kind	2,887,293	-
	123,815,730	**107,368,421**

Other capital contributions

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

Translation reserve

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

(SEKm)	Group	
	2021	2020
Translation difference at the beginning of the period	**5.3**	**14.7**
Translation difference, net efter tax	17.6	-9.5
Translation difference at the end of the period	**22.9**	**5.3**

Appropriation of profits

BHG Group AB
559077-0763

Appropriation of profits (SEK)

At the disposal of the annual general meeting	
Retained earnings	144,470,366
Share premium reserve	4,790,613,856
Profit/loss for the year	-1,813,078
	4,933,271,144
The Board of Directors proposes	
to be carried forward	142,657,288
whereof share premium reserve	4,790,613,856
	4,933,271,144

NOTE 20 UNTAXED RESERVES

(SEKm)	Parent company	
	2021	2020
Tax allocation reserve opening balance	28.6	-
Provisions during the year		28.6
Tax allocation reserve closing balance	**28.6**	**28.6**

NOTE 21 LIABILITIES TO CREDIT INSTITUTIONS

(SEKm)	Group		Parent company	
	2021	2020	2021	2020
Loans from banks	2,517.2	2,088.9	2,492.3	996.9
	2,517.2	**2,088.9**	**2,492.3**	**996.9**
Liabilities due for payment later than five years after the closing date	-	-	-	-

During 2021, the Group raised new loans of SEK 2,650.1 million (1,277.1) and repaid SEK 2,263.6 million (147.3).

NOTE 22 OTHER PROVISIONS

	Group		Parent company	
Other provisions (SEKm)	**2021**	**2020**	**2021**	**2020**
Provisions warranties	31.1	22.2	-	-
Provisions pension (endowment insurance)	0.5	0.2	-	-
Other provisions	11.6	0.3	-	-
	43.2	**22.7**	**-**	**-**

NOTE 23 ACQUISITION-RELATED INTEREST-BEARING LIABILITIES

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

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

			Reported values in equity			Reported values in PnL			Cash flow	
2021 (SEKm)	**Reported values opening balance**	**Added during the period**	**Changes in net present value**	**Interest expenses**	**Translation difference**	**Changes in net present value**	**Interest expenses**	**Translation difference**	**Utilized amounts**	**Reported values closing balance**
My Home	11.7	-	-5.0	-	0.1	-	-	-	-6.8	-
Camola ApS	8.3	-	7.8	-	0.2	-	-	-	-	16.3
Stonefactory Scandinavia AB	9.0	-	-	-	-	-3.3	-	-	-4.5	1.2
Polarpumpen AB	30.0	-	11.7	-	-	-	-	-	-41.7	-
Vitvaruexperten.com Nordic AB	14.2	-	3.7	-	-	-	-	-	-13.3	4.5
Edututor Oy	21.1	-	-	-	-	-	-	-	-5.0	16.0
Furniture1 UAB	346.3	-	-	11.2	6.6	-	-	-		364.1
Arredo Holding AB	1.8	-	-	-	-	-	-	-	-0.9	0.9
Designkupp AS	29.3	-	-	-	0.3	-3.1	0.4	1.5	-12.4	15.9
Vitvarubolaget i Sundbyberg AB	11.7	-	-6.0	-	-	-	-	-	-0.7	5.0
Nordiska Fönster i Ängelholm AB	60.0	-	-	-	-	-0.5	0.4	-	-29.2	30.8
LampGallerian Växjö AB	51.1	-	-	-	-	-	0.1	-	-3.4	47.8
Arc E-commerce AB	236.9	-	75.0	7.0	-	16.3	-	-	-20.8	314.4
Lindström & Sondén AB	30.8	-	-	-	-	2.1	1.0	-	-10.1	23.8
Hemfint Kristianstad AB	109.1	-	50.0	1.3	-	-	-	-	-65.1	95.3
Sleepo AB	2.5	-	-	-	-	-	-	-	-2.5	-
Nordic Nest Group AB	49.6	-	25.0	6.2	-	-	-	-	-	80.8
IP Agency Oy	-	140.8	-	6.0	1.6	-	-	0.3	-	148.8
Hafa Bathroom Group AB	-	15.7	-	0.3	-	-	-	-	-	16.0
E. Svenssons i Lammhult AB	-	30.0	-	-	-	-14.4	-	-	-	15.6
Hyma Skog & Trädgård AB	-	625.1	-	8.1	-	-	8.7	-	-	641.8
AH-Trading GmbH	-	267.2	-	9.7	0.7	-	4.6	0.4	-	282.6
	1,023.3	**1,078.8**	**162.1**	**49.8**	**9.6**	**-2.9**	**15.2**	**2.3**	**-216.5**	**2,121.7**

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

Of the total liability at the end of the period, SEK 1,883.5 million (948.0) is recognised as non-current and SEK 238.1 million (75.3) as current.

NOTE 24 ACCRUED EXPENSES AND DEFERRED INCOME

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Accrued personnel expenses	226.6	157.5	18.8	13.8
Accrued marketing expenses	20.7	18.9	-	-
Accrued freight expenses	46.2	37.4	-	-
Accrued cost of goods sold	15.1	5.6	-	-
Accrued audit expenses	5.5	3.3	0.5	0.4
Accrued interest expenses	0.4	1.4	0.4	1.2
Accrued rent	9.5	9.2	-	-
Refund liability	25.7	19.7	-	-
Prepaid income	6.8	1.2	-	-
Other	33.4	22.0	0.8	1.6
	389.9	**276.0**	**20.5**	**17.1**

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

(SEKm)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Guarantees to external parties	51.4	32.4	40.2	7.9
Financial guarantees on behalf of subsidiaries	-	-	331.6	1,276.8
Floating charge	5.3	0.6	-	-
	56.7	**33.0**	**371.7**	**1,284.7**

NOTE 26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's objective is to have a good financial position that helps to uphold the confidence of investors, creditors and the market, and provides a basis for further business development at the same time as the long-term return generated for the shareholders is satisfactory. The Group's goal for the capital structure is net debt in relation to pro-forma rolling 12-month (LTM) adjusted EBITDA in the range of 1.5–2.5x, subject to flexibility for strategic activities. At 31 December 2021, the relationship between net debt and pro-forma rolling 12-month adjusted EBITDA was 2.3x (2.2x).

Capital is defined as total equity.

	Group	
(SEKm)	2021	2020
Total equity	5,256.3	2,823.0

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

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

Financing and liquidity risk
In 2021, the Group completed refinancing whereby the previous credit facilities with SEB were replaced with new facilities provided jointly by SEB and Danske Bank. The new facilities have a total credit line of SEK 3,300 million divided between a term loan, a revolving credit facility and an overdraft facility, of which SEK 2,500 million had been utilised as of 31 December 2021 (refer to the table below):

	2021		
Facility	Credit limit	Utilized amount	Unutilized amount
Term loan facility	1,500.0	1,500.0	-
Revolving credit facility	1,500.0	1,000.0	500.0
Overdraft facility	300.0	-	300.0
Total	**3,300.0**	**2,500.0**	**800.0**

The Group had utilised a total of SEK 2,095.0 million of the previous credit facilities as of 31 December 2020.

The new facilities mature in May 2024, but the Group has an option to extend the agreement until May 2026. The facilities are conditional on the Group fulfilling certain covenants in the form of the debt/equity ratio and interest coverage ratio. As of the balance-sheet date, the Group had fulfilled these covenants.

In connection with the repayment of the previous facilities, the unallocated transaction fees attributable to the previous facilities were expensed, which had a negative impact of SEK 5.2 million on the Group's net financial items for 2021.

The Group also had significant liabilities regarding earn-outs for completed acquisitions and for warrants issued to non-controlling interests. The amount the Group will need to pay for these earn-outs and liabilities to non-controlling interests is primarily based on future EBITDA in the acquired companies. Healthy earnings in the acquired companies means increased liabilities in the Group. As of 31 December 2021, the value of the earn-outs and liabilities to non-controlling interests totalled SEK 2,121.7 million (1,023.3). For measurement of earn-outs and liabilities to non-controlling interests, see below.

Financing and liquidity risk is managed centrally by the Parent Company, which ensures that there is always sufficient cash and cash equivalents available for the Group companies; the Group's liquidity reserve should never fall below 2% of the Group's rolling 12-month sales, which was not the case at any time during the year. The availability of cash and cash equivalents for the subsidiaries is partially secured through the use of a joint cash pool for all Group companies. As of 31 December 2021, the Group had SEK 273.5 million (299.0) in liquidity and available loans of SEK 800.0 million (300.0).

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

Market risks – interest-rate risk
Interest-rate risk refers to the risk that financial income and expenses as well as the value of financial instruments could fluctuate due to changes in market rates. Interest-rate risks could lead to changes in market values and cash flows as well as fluctuations in the Group's profit.

The Group is exposed to interest-rate risks, primarily through its non-current loans with variable interest rates. The term loan is in SEK and carries variable interest in the form of STIBOR plus a margin. Within the framework of the revolving credit facility, borrowing in different currencies is permitted. Depending on which currency is used, the Group will pay variable interest in the form of an applicable IBOR plus a margin. The margin is adjusted based on the Group's debt/equity ratio, with certain agreement-based intervals for the debt/equity ratio.

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

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

	Group	
(SEKm)	2021	2020
Loans from banks	2,517.2	2,088.9
Lease liabilities	878.7	599.6
Earnouts/liabilities to non-controlling interest	2,121.7	1,023.3
	5,517.6	**3,711.8**

In 2021, a +/- 1% change in the variable interest rate on the Group's loans would have impacted consolidated net financial items in an amount of SEK 21.9 million (10.0).

Credit risk

Credit risk involves exposure to losses if a counterparty to a financial instrument is unable to fulfil its obligations. The exposure is based on the carrying amount of the financial assets, most of which consist of accounts receivable, cash and cash equivalents. The Group's cash and cash equivalents comprise bank balances. Most of the bank balances are in banks with a long-term rating of Aa3 from Moody's.

On some of the Group's e-commerce platforms, customers are offered loans from a financial institution that the Group partners with to finance their purchases. If the customer chooses to utilise such a credit solution, the financial institution receives a receivable from the customer, while the Group receives liquidity from the institution within a couple days of the completed purchases. The Group assumes no credit risk or other risk for the receivables the credit institution has from the customer. The Group's cost for the credit solution offered to customers amounted to SEK 22.8 million (12.5).

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

Market risk – currency exchange risk

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

Transaction exposure

Transaction exposure is the risk associated with the Group's earnings and cash flows and arises when the value of receipts and disbursements in foreign currencies changes because of fluctuations in exchange rates. Transactions are not currency hedged.

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

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

	Group	
(SEKm)	**2021**	**2020**
DKK	200.1	451.1
EUR	-603.7	-729.7
GBP	100.4	-
NOK	539.8	274.9
USD	-1,277.0	-676.3

Exposure to foreign currencies entails that the Group is subject to currency exchange risk. For 2021 and assuming all other variables remain unchanged, an exchange rate fluctuation of 10% for the various currencies would affect pre-tax profit by the following amounts:

	Group	
Sensitivity analysis (SEKm)	**2021**	**2020**
DKK	+/- 20.0	+/- 45.1
EUR	+/- 60.4	+/- 73.0
GBP	+/- 10.0	+/- 0
NOK	+/- 54.0	+/- 27.5
USD	+/- 127.7	+/- 67.6

Translation exposure

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

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

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

	Group			
(SEKm)	**2021**	**%**	**2020**	**%**
DKK	251.2	16.8	285.9	33.0
EUR	1,139.3	76.3	486.3	56.1
NOK	103.5	6.9	94.3	10.9
	1,494.0	**100.0**	**866.5**	**100.0**

Categorisation of financial instruments

The Group measures earn-outs, derivatives and shares in unlisted companies at fair value. Measurement of contingent considerations belongs to Level 3 of the valuation hierarchy, while derivatives belong to Level 2. For all other financial instruments, the carrying amount is a reasonable approximation of the instrument's fair value.

Group (SEKm)	Measured at amortised cost 2021	Measured at amortised cost 2020	Measured at fair value through PnL 2021	Measured at fair value through PnL 2020	Total carrying amounts 2021	Total carrying amounts 2020	Fair value 2021	Fair value 2020
Financial assets								
Shares in unlisted companies	-	-	1.3	0.0	1.3	0.0	1.3	0.0
FX forwards	-	-	1.5	-	1.5	-	1.5	-
Deposit	11.8	9.1	-	-	11.8	9.1	11.8	9.1
Accounts receivable	195.3	116.6	-	-	195.3	116.6	195.3	116.6
Other receivable	68.9	46.5	-	-	68.9	46.5	68.9	46.5
Accrued income	11.5	7.8	-	-	11.5	7.8	11.5	7.8
Cash and cash equivalents	273.5	299.0	-	-	273.5	299.0	273.5	299.0
Total financial assets	**561.0**	**479.0**	**2.8**	**0.0**	**563.7**	**479.0**	**563.7**	**479.0**
Financial liabilities								
Earn-outs	-	-	686.8	158.3	686.8	158.3	686.8	158.3
Liabilities to non-controlling interest	1,434.9	865.0	-	-	1,434.9	865.0	1,434.9	865.0
Credit facilities	2,524.9	2,095.0	-	-	2,524.9	2,095.0	2,524.9	2,095.0
Accounts payable	1,028.3	776.8	-	-	1,028.3	776.8	1,028.3	776.8
Other liabilities	18.3	57.9	-	-	18.3	57.9	18.3	57.9
Accrued expenses	130.9	97.6	-	-	130.9	97.6	130.9	97.6
Total financial liabilities	**5,137.2**	**3,892.3**	**686.8**	**158.3**	**5,823.9**	**4,050.6**	**5,823.9**	**4,050.6**

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

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

Measurement of fair value

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

Currency forwards
As a result of the acquisition of Hafa Bathroom Group during the year, the Group also recognises currency forwards at fair value since such instruments are used by Hafa Bathroom Group to hedge its exposure to currency exchange risk. The currency forwards are measured based on a discount comprising the difference between the contracted forward rate and the actual forward rate for a currency forward maturing on the same date. This measurement is included in Level 2 of the valuation hierarchy.

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

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

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

Credit facilities
The Group's credit facilities carry variable interest. Since the time that the facilities were raised, the Group's assessment is that no changes have occurred in credit margins that would give rise to a material difference between the nominal amount and fair value of the loan.

Maturity structure of financial liabilities and lease liabilities – undiscounted cash flows (SEKm)	2021 Totalt	0 - 3 mo.	3 mo. - 1 year	1 - 5 years	> 5 years
Credit facilities	2,559.9	7.8	23.4	2,528.6	-
Lease liabilities	878.7	54.8	201.9	536.1	85.9
Earnouts	2,121.7	-	238.1	1,883.5	-
Liabilities to non-controlling interest	1,434.9	11.5	75.6	1,347.8	-
Accounts payable	1,028.3	1,028.3	-	-	-
Other liabilities	18.3	18.3	-	-	-
Accrued expenses	130.9	130.9	-	-	-
	8,172.6	**1,251.5**	**539.1**	**6,296.1**	**85.9**

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

NOTE 27 LEASES

Lessee

The Group leases several types of assets including but not limited to premises and vehicles. No leases include covenants or other limits beyond the collateral for the leased asset.

Right-of-use assets

Additional right-of-use assets amounted to SEK 543.6 million (295.5). This amount includes the cost of right-of-use assets acquired during the year and costs arising from revising lease liabilities based on changes to payments resulting from a change in the lease term.

(SEKm)	2021	2020
Premises	890.0	598.6
Vehicles	2.0	1.2
Other	1.3	2.1
Total leased assets	**893.3**	**601.9**

Lease liabilities

For maturity analysis of lease liabilities, see Note 26 Financial instruments and financial risk management.

Amounts recognised in profit or loss

Reported in Profit & Loss	Group 2021	Group 2020
Depreciation right of use asset	-203.5	-145.7
Interest lease liabilities	-15.6	-11.7
Variable lease payments	-0.0	-0.1
Costs for short-term leases	-81.7	-53.1
Costs for low-value leases, not low-value short-term leases	-4.0	-2.7
Total earnings effect attributable to leases	**-304.9**	**-213.2**

For disclosures on depreciation per class, see Note 14.

Amounts recognised in the statement of cash flows

Recognised in statement of cash flows	Group 2021	Group 2020
Interest	-15.6	-11.7
Amortisation	-216.0	-147.3
Payment of variable, short-term and low-value lease payments	-89.6	-56.9
Total cash flows attributable to leases	**-321.2**	**-215.9**

Extension and termination options

Each Group company that has a leases assesses whether it is reasonably certain that an extension option will be exercised (or whether it is reasonably certain that an early termination option will not be exercised), and considers such factors as rent levels, the practical opportunities for the company to move to other premises (including the costs of such a move), how the company's premises impact business operations, the availability of suitable alternatives and any significant improvements made to the property made by the Group.

However, it is normally not reasonably certain at the initial assessment of the length of the lease term that the Group will exercise an extension option, if the date when the option can be exercised is more than seven years after the lease was signed.

Leases in the Parent Company
The Parent Company previously mainly rented cars under operating leases.

NOTE 28 SUPPLEMENTARY DISCLOSURES FOR THE STATEMENT OF CASH FLOWS
Profit/loss items during the year that do not generate cash flow from operating activities.

	Group		Parent company	
(SEKm)	**2021**	**2020**	**2021**	**2020**
Depreciaition, amortization, impairment and scrapping of non-current assets	371.4	244.8	0.2	0.2
Capital gains disposal of non-current assets	-1.1	-0.2		-
Change in other provisions	4.1	-12.8		-
Group contributions received	-	-	-76.0	-132.2
Omvärderade tilläggsköpeskillingar	-2.7	64.7		-
Unrealized exchange differences	5.8	3.8	-0.0	-
Accrued interest expenses and income	14.3	7.1	-0.6	1.2
	391.7	**307.5**	**-76.4**	**-130.8**
Other supplementary disclosures				
Interest received during the financial year	1.4	0.9	-	-
Interest paid during the financial year	-33.8	-22.9	-20.8	-1.6
	-32.5	**-22.0**	**-20.8**	**-1.6**
Transactions that don't resulat in cash flow				
Acqusition of shares in Hyma Skog & Trädgård AB through an issue in kind	404.2	-	404.2	-
Additional right of use assets according to IFRS 16	417.7	239.2	-	-
	821.9	**239.2**	**404.2**	**-**

NOTE 29 RECONCILIATION OF NET DEBT/CASH

2021 (SEKm)	Opening balance	Cash flows	Changes in non-cash items: Acquisitions /new lease contracts	Changes in non-cash items: Exchange rate difference	Changes in non-cash items: Accruals	Closing balance
Liabilities						
Credit facilities	2,095.0	396.4	33.4	0.1		2,524.9
Lease liabilities	599.6	-216.0	492.0	3.1		878.7
Transaction expenses	-6.1	-9.9			8.3	-7.7
Total liabilities	**2,688.5**	**170.6**	**525.4**	**3.2**	**8.3**	**3,395.9**
Cash and cash equivalents						
Cash and cash equivalents	-299.0	221.6	-190.3	-5.8		-273.5
Total cash and cash equivalents	**-299.0**	**221.6**	**-190.3**	**-5.8**	**-**	**-273.5**
Net debt/ net cash	**2,389.5**	**392.1**	**335.1**	**-2.6**	**8.3**	**3,122.4**

2020 (SEKm)	Opening balance	Cash flows	Changes in non-cash items: Acquisitions /new lease contracts	Changes in non-cash items: Exchange rate difference	Changes in non-cash items: Accruals	Changes in non-cash items: Effects from changed accounting standards	Closing balance
Liabilities							
Credit facilities	817.9	1,277.1	-	-	-	-	2,095.0
Lease liabilities	458.5	-147.3	293.6	-5.3	-	-	599.6
Transaction expenses	-4.3	-	-	-	-1.8		-6.1
Total liabilities	**1,272.1**	**1,129.9**	**293.6**	**-5.3**	**-1.8**	**-**	**2,688.5**
Cash and cash equivalents							
Cash and cash equivalents	-270.3	47.2	-104.0	28.1	-	-	-299.0
Total cash and cash equivalents	**-270.3**	**47.2**	**-104.0**	**28.1**	**-**	**-**	**-299.0**
Net debt/ net cash	**1,001.9**	**1,177.0**	**189.6**	**22.8**	**-1.8**	**-**	**2,389.5**

NOTE 30 RELATED-PARTY TRANSACTIONS

Transactions between BHG Group AB (publ) and its subsidiaries, which are related to BHG Group AB, have been eliminated in the consolidated financial statements.

All transactions between related parties have been conducted on commercial terms, on an arm's length basis.

Transactions with the owners

In 2021, BHG Group AB carried out a directed issue of 10,800,000 shares at a subscription price of SEK 145 per share, generating proceeds of SEK 1,544.3 million after a deduction for transaction fees. In connection with the acquisition of Hyma Skog & Trädgård AB, the company carried out an issue in kind, through which the number of shares and votes increased by 2,887,293. All warrants within the framework of the incentive programme LTIP 2018 were exercised during the year. Through the exercise of warrants, 2,760,016 shares were issued for a subscription price of SEK 61.75 per share, generating proceeds of SEK 170.4 million. The Group issued new warrants during the year, which contributed SEK 17.5 million (7.5) in equity for the Group. No other transactions with shareholders were carried out during the year.

Transactions with Board members and senior executives

There were no transactions with senior executives, apart from those recognised above and in Note 7.

	Year	Parent company Sale of goods/ services to related parties	Purchase of goods/ services from related parties	Other (e.g. interest dividend)	Claims on related parties at December 31	Liability to related parties at 31 December
Subsidiaries	2021	2.6	-	45.1	3,814.2	0.0
Subsidiaries	2020	1.6	-	0.7	1,223.2	61.6

NOTE 31 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

Acquisition of Hemmy AB

On 23 February 2022, the Group acquired 51% of Hemmy AB. Hemmy.se conducts online sales of household appliances and home and garden products in Sweden. Sales for Hemmy.se amounted to SEK 103 million in 2021.

Russia's invasion in Ukraine

Upon approval by the Board of Directors of this annual report war is raging on EU's borders. BHG have very limited direct exposures to either Russia, Belarus or Ukraine in terms of sales to customers in these countries from the Group's e-commerce platforms. Furthermore, BHG have no subsidiaries in the countries in question, nor any significant direct exposure with regard to suppliers in Russia, Belarus or Ukraine. It is at present difficult to assess the wider impact of the war on GDP growth, inflation, supply chains and, ultimately, consumer sentiment and demand for the Group's products. BHG can therefore at present not make any estimate of the financial effects for the Group of the ongoing conflict.

NOTE 32 CONSEQUENCES OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has led to consumers travelling less and spending more time at home. During the pandemic, consumers therefore chose to invest more in their homes and to make their purchases to a greater extent online rather than in physical stores. Since BHG sells Home Improvement products online, this changed customer behaviour during the pandemic led to increased demand for BHG's products. BHG's strong position in Home Improvement products online in the Nordics should continue to benefit the company going forward. We still consider it probable that the increased online penetration that has occurred during the pandemic will remain and, accordingly, that the market for BHG's products has become larger than before the pandemic.

BHG has had a close cooperation with its suppliers during the pandemic to ensure deliveries and expanded inventory to minimise the risk of goods shortages. However, the market has been impacted for some time by disruptions in the global logistics and supply chains in the wake of the pandemic, resulting in, for example, higher shipping costs. We expect certain bottlenecks to remain in 2022.

Now that the COVID-19 restrictions have partly been lifted, the consumption of services that were not available during the pandemic has increased and demand for products has decreased. As a result, competition for customers in BHG's categories has intensified. As the largest online pure-play in the Nordic region, we have a strong position to navigate a more complicated supply and demand situation.

Signatures

Malmö, 30 March 2022

Gustaf Öhrn
Chairman of the Board

Christian Bubenheim
Board member

Camilla Giesecke
Board member

Johan Giléus
Board member

Mariette Kristensson
Board member

Niklas Ringby
Board member

Adam Schatz
President and CEO

Our audit report was submitted on 30 March 2022
Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi
Authorised Public Accountant
Auditor in charge

Vicky Johansson
Authorised Public Accountant

Auditor’s report

To the general meeting of the shareholders of BHG Group AB (publ), corporate identity number 559077-0763

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of BHG Group AB (publ) for the year 2021 except for the corporate governance statement and the statutory sustainability report on pages 49-54 and 33-47 respectively.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the statutory sustainability report on pages 49-54 and 33-47 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Particulary important area	How our audit considered the particularly important area
Valuation of intangible assets *With reference to Note 2 and Note 13.* Goodwill and other intangible assets with an indefinite useful life represents a significant part of BHG Group´s assets. The Company performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating units in which goodwill and other intangible assets are reported. This impairment test is based on a high level of judgements and assumptions regarding future cash flows. Information is provided in Note 2 and Notes 13 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate, profit margins, overheads, working capital requirements, investment requirements and discount factor (cost of capital). It is presented that no impairment requirement has been identified based on the assumptions undertaken.	In our audit, we have evaluated the calculation model applied by management and conducted that the model is compatible with acceptable valuation techniques. We have reconciled and critically tested essential assumptions against budget and strategic plan for the Company. We have analyzed the accuracy on how previous years assumptions have been met and assessed any adjustments to assumptions compared to previous year, as a result from changes in the business and external factors. We have tested the sensitivity analysis for key assumptions in order to assess the risk of need for impairment. We have also assessed the correctness of the disclosures included in the financial statements.
Recognition of acquisitions *With reference to Note 5.* In the financial year 2021, BHG Group made three business acquisitions across all business areas. Information on these acquisitions is presented in Note 5. The total purchase price for the business acquisitions was SEK 3 067,7 million, of which SEK 1 070,6 million refers to identified fair value adjustments in the acquisition analyses for trademarks and customer relationships and SEK 1 905,6 million refers to goodwill. The recognition of acquisitions involves a high degree of judgement by management. Significant estimates and judgements refer to the purchase price allocation of fair value in acquisition analyses for assets and liabilities, as well as referring to adjustments for adaptation to the group's accounting principles.	Our audit of the acquisitions was partially based on assessment of the acquisition agreements as well as supporting documents for opening balances in the acquired companies. We have also evaluated the implemented adjustments for adaptation to the group's accounting principles. Our audit has also included an assessment of significant estimates and judgements made in connection with the purchase price allocation of fair value in the acquisition analyses. We have also assessed the basis for the judgements and comparing those judgements with similar acquisitions in the group in previous years. We have also assessed the correctness of the disclosures of acquisitions included in the financial statements and assessed supporting documentation for the accounting of the acquisitions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-22 and 117-122. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of BHG Group AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.
We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, We have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for BHG Group AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of BHG Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 49-54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 33-47, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Öhrlings PricewaterhouseCoopers AB has been the company's auditor since 2016.

Malmö 30 March 2022

Öhrlings PricewaterhouseCoopers AB

Eva Carlsvi
Authorized Public Accountant
Auditor in charge

Vicky Johansson
Authorized Public Accountant

Relevant reconciliations of non-IFRS alternative performance measures (APMs)

Some of the data stated in this report, as used by management and analysts for assessing the Group's development, is not defined in accordance with IFRS. Management is of the opinion that this data makes it easier for investors to analyse the Group's development, for the reasons stated below. Investors should regard this data as a complement rather than a replacement for financial information presented in accordance with IFRS. The Group's definitions of these performance measures may differ from similarly named measures reported by other companies.

ADJUSTED EBITA, ADJUSTED EBITDA AND ADJUSTED GROSS PROFIT

Adjusted EBIT corresponds to operating income excluding amortisation of acquisition-related intangible assets, gains/losses on sales of fixed assets and, where applicable, items affecting comparability. In other words, adjusted EBIT, in accordance with the accounting rules, includes all depreciation and amortisation of tangible and intangible assets attributable to the business. The difference between adjusted EBIT and EBIT is that the amortisation which arises as a result of the accounting treatment of purchase price allocations in conjunction with acquisitions is added back to adjusted EBIT.

Group

	Group	
(SEKm)	**2021**	**2020**
Operating income	710.6	657.8
Acquisition-related costs	23.4	-
Total items affecting comparability	**23.4**	**-**
Depreciation and amortization of acquisition related intangible fixed assets	78.7	43.0
Adjusted EBIT	**812.7**	**700.8**
Adjusted EBIT (%)	**6.4**	**7.8**
Depreciation and amortization of tangible and intangible fixed assets	292.8	201.9
Gain/loss from sale of fixed assets	-0.8	-0.0
Adjusted EBITDA	**1,104.6**	**902.7**
Adjusted EBITDA (%)	**8.7**	**10.1**
Net sales	12,666.0	8,968.2
Cost of goods	-7,710.4	-5,609.9
Gross profit before direct selling costs	**4,955.6**	**3,358.3**
Gross profit before direct selling costs (%)	**39.1**	**37.4**
Direct selling costs	-1,598.5	-1,032.1
Gross profit	**3,357.1**	**2,326.2**
Gross profit (%)	**26.5**	**25.9**
Adjusted gross profit	**3,357.1**	**2,326.2**
Adjusted gross profit (%)	**26.5**	**25.9**

DIY segment

(SEKm)	DIY 2021	DIY 2020
Operating income	516.6	444.0
Total items affecting comparability	**-**	**-**
Depreciation and amortization of acquisition related intangible fixed assets	44.1	31.8
Adjusted EBIT	**560.7**	**475.8**
Adjusted EBIT (%)	**7.7**	**8.4**
Depreciation and amortization of tangible and intangible fixed assets	122.0	95.9
Gain/loss from sale of fixed assets	-1.0	-0.1
Adjusted EBITDA	**681.7**	**571.6**
Adjusted EBITDA (%)	**9.4**	**10.1**
Net sales	7,259.6	5,663.1
Cost of goods	-4,747.2	-3,794.1
Gross profit before direct selling costs	**2,512.4**	**1,869.0**
Gross profit before direct selling costs (%)	**34.6**	**33.0**
Direct selling costs	-748.1	-546.2
Gross profit	**1,764.3**	**1,322.8**
Gross profit (%)	**24.3**	**23.4**
Adjusted gross profit	**1,764.3**	**1,322.8**
Adjusted gross profit (%)	**24.3**	**23.4**

Home Furnishing segment

(SEKm)	Home Furnishing 2021	Home Furnishing 2020
Operating income	289.4	265.0
Total items affecting comparability	**-**	**-**
Depreciation and amortization of acquisition related intangible fixed assets	34.6	11.2
Adjusted EBIT	**324.0**	**276.2**
Adjusted EBIT (%)	**6.0**	**8.3**
Depreciation and amortization of tangible and intangible fixed assets	169.8	105.8
Gain/loss from sale of fixed assets	0.2	0.1
Adjusted EBITDA	**494.0**	**382.1**
Adjusted EBITDA (%)	**9.1**	**11.5**
Net sales	5,442.8	3,337.2
Cost of goods	-2,994.7	-1,845.9
Gross profit before direct selling costs	**2,448.1**	**1,491.3**
Gross profit before direct selling costs (%)	**45.0**	**44.7**
Direct selling costs	-850.4	-485.9
Gross profit	**1,597.7**	**1,005.4**
Gross profit (%)	**29.4**	**30.1**
Adjusted gross profit	**1,597.7**	**1,005.4**
Adjusted gross profit (%)	**29.4**	**30.1**

NET DEBT/NET CASH

Management is of the opinion that because the Group's actual net debt/net cash corresponds to the Group's non-current and current interest-bearing liabilities to credit institutions less cash and cash equivalents, investments in securities, etc. and transaction fees, other non-current and current interest-bearing liabilities should be excluded. The Group's other non-current and current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense. Lease liabilities reflect the balance sheet effects of IFRS 16.

At the end of the year, net debt amounted to SEK 2,251.3 million, corresponding to net debt in relation to LTM adjusted EBITDA of 2.34x. The Group's other current and non-current interest-bearing liabilities consist of contingent and deferred earn-outs related to acquisitions, which are subject to an implicit interest expense related to the present value calculation of the same. These obligations amounted to SEK 2,121.7 million at the end of the year, compared with SEK 1,023.3 million at the beginning of the year. Lease liabilities reflect the balance sheet effects of IFRS 16 and amounted to SEK 878.7 million at the end of the year, compared with SEK 599.6 million at the beginning of the year.

	Group	
Net debt / Net cash (SEKm)	**2021**	**2020**
Non-current interest bearing debt	5,022.7	3,440.4
Short-term interest bearing debt	494.8	271.4
Total interest bearing debt	**5,517.6**	**3,711.8**
Cash and cash equivalents	-273.5	-299.0
Adjustment of lease liabilities	-878.7	-599.6
Adjustment of earnouts and deferred payments	-2,121.7	-1,023.3
Adjustment transaction costs	7.7	6.1
Net debt (+) / Net cash (-)	**2,251.3**	**1,796.0**

Definitions

Performance measure	Definition	Reasoning
Share turnover rate	Number of shares traded during the period divided by the weighted-average number of shares outstanding before dilution.	The share turnover rate shows the rate at which shares in BHG Group AB are bought and sold through trading on NASDAQ Stockholm.
Number of visits	Number of visits to the Group's webstores during the period in question.	This performance measure is used to measure customer activity.
Number of orders	Number of orders placed during the period in question.	This performance measure is used to measure customer activity.
Gross margin	Gross profit as a percentage of net sales.	Gross margin gives an indication of the contribution margin as a share of net sales.
Gross margin before direct selling costs	Gross profit before direct selling costs – primarily postage and fulfilment – as a percentage of net sales.	An additional margin measure, complementing the fully loaded gross margin measure, allowing for further transparency.
Gross profit	Net sales less cost of goods sold. Gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Gross profit includes items affecting comparability.	Gross profit gives an indication of the contribution margin in the operations.
EBIT	Earnings before interest, tax and acquisition-related amortisation and impairment.	Together with EBITDA, EBIT provides an indication of the profit generated by operating activities.
EBITDA	Operating income before depreciation, amortisation, impairment, financial net and tax.	EBITDA provides a general indication as to the profit generated in the operations before depreciation, amortisation and impairment.
EBITDA margin	EBITDA as a percentage of net sales.	In combination with net sales growth, the EBITDA margin is a useful performance measure for monitoring value creation.
EBIT margin	EBIT as a percentage of net sales.	In combination with net sales growth, the EBIT margin is a useful performance measure for monitoring value creation.
Average order value (AOV)	Total order value (meaning Internet sales, postage income and other related services) divided by the number of orders.	Average order value is a useful indication of revenue generation.
Investments	Investments in tangible and intangible fixed assets.	Investments provide an indication of total investments in tangible and intangible assets.
Adjusted gross margin	Adjusted gross profit as a percentage of net sales.	Adjusted gross margin gives an indication of the contribution margin as a share of net sales.
Adjusted EBIT	Adjusted EBIT corresponds to operating profit adjusted for amortisation and impairment losses on acquisition-related intangible assets, gain/loss from sale of fixed assets and, from time to time, items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	This performance measure is relevant to creating an understanding of the operational profitability generated by the business.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	This performance measure provides an indication of the profit generated by the Group's operating activities.
Adjusted selling, general and administrative expenses	The difference between adjusted gross profit and adjusted EBITDA, which excludes other specified items.	Selling, general and administrative expenses provide an indication of operating expenses, excluding cost of goods sold, thereby giving an indication of the efficiency of the Group's operations.

Performance measure	Definition	Reasoning
Adjusted gross profit	Net sales less cost of goods sold. Adjusted gross profit includes costs directly attributable to goods sold, such as warehouse and transportation costs. Adjusted gross profit excluding items affecting comparability.	Adjusted gross profit gives an indication of the contribution margin in the operations.
Items affecting comparability	Items affecting comparability relate to events and transactions whose impact on earnings are important to note when the financial results for the period are compared with previous periods. Items affecting comparability include costs of advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations, capital gains and losses on divestments, material impairment losses and other material non-recurring costs and revenue.	Items affecting comparability is a term used to describe items which, when excluded, show the Group's earnings excluding items which, by nature, are of a non-recurring nature in the operating activities.
Cash conversion	Pre-tax cash flow from operating activities less investments in non-current assets (capex) as a percentage of adjusted EBITDA.	Operating cash conversion enables the Group to monitor management of its ongoing investments and working capital.
Net sales growth	Annual growth in net sales calculated as a comparison with the preceding year and expressed as a percentage.	Net sales growth provides a measure for the Group to compare growth between various periods and in relation to the overall market and competitors.
Net debt	The sum of interest-bearing liabilities, excluding lease liabilities and earn-outs, less cash and cash equivalents, investments in securities, etc. and prepaid borrowing costs.	Net debt is a measure that shows the Group's interest-bearing net debt to financial institutions.
Organic growth	Refers to growth for comparable webstores and showrooms compared with the preceding year, including units with consolidated comparative data for a full calendar year, meaning changes in net sales after adjustment for acquired net sales in accordance with the above definition.	Organic growth is a measure that enables the Group to monitor underlying net sales growth, excluding the effects of acquisitions.
Pro-forma organic growth	Refers to growth for comparable webstores and showrooms compared with the preceding year, including all current units comprising the Group, meaning including year-on-year growth of recent acquisitions.	Pro-forma organic growth is a measure which includes the growth rates of recently acquired companies since joining the Group. This measure thus includes the effect of sales synergies as a result of acquisitions.
Working capital	Inventories and non-interest-bearing current assets less non-interest-bearing current liabilities.	Working capital provides an indication of the Group's short-term financial capacity, since it gives an indication as to whether the Group's short-term assets are sufficient to cover its current liabilities.
Operating margin (EBIT margin)	EBIT as a percentage of net sales.	In combination with net sales growth, operating margin is a useful measure for monitoring value creation.
Equity/assets ratio	Equity, including non-controlling interests, as a percentage of total assets.	This performance measure reflects the company's financial position and thus its long-term solvency. A favourable equity/assets ratio and strong financial position enable the Group to handle periods with a weak economic situation and provide the financial strength for growth. A lower equity/assets ratio entails a higher financial risk, but also higher financial leverage.

CONTACT INFORMATION

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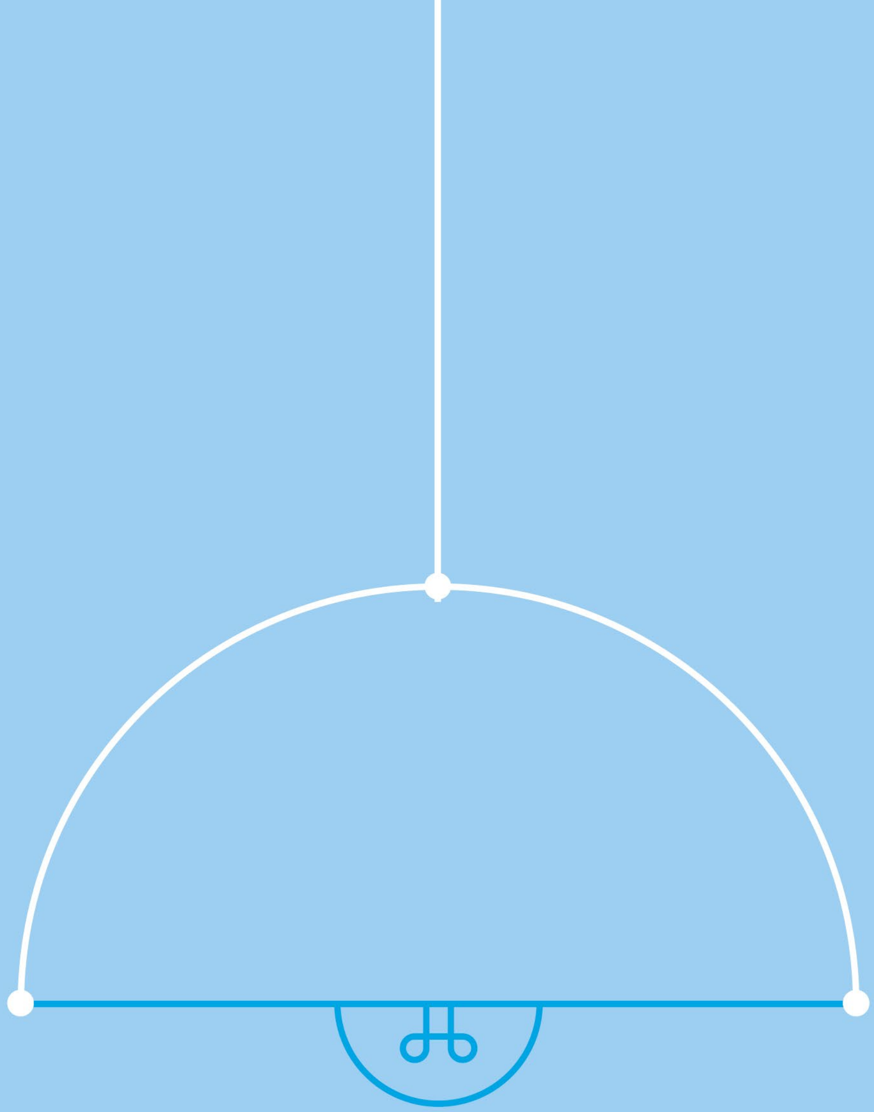
FINANCIAL CALENDAR

27 April 2022	Interim report January-March 2022
5 May 2022	Annual General Meeting (Malmö)
20 July 2022	Interim report January-June 2022
27 October 2022	Interim report January-September 2022



Happy dots, solving knots