ANNUAL REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

12 October 2018 - 31 December 2019

for

FNG Nordic AB (publ)

559175-1325

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ANNUAL REPORT OCH CONSOLIDATED FINANCIAL STATEMENTS FOR FNG NORDIC AB (publ)

The Board of Directors and CEO of FNG Nordic AB (publ), Corporate Identity Number 559175-1325, whose registered office is in Borås in Sweden, hereby present the Annual Report and consolidated financial statements for the reporting year 12 October 2018 - 31 December 2019.
The Group was formed on 26 November 2019 and the consolidated financial statements comprise the period 26 November-31 December 2019.

DIRECTORS' REPORT

FNG Nordic AB is a wholly owned subsidiary of FNG Finance Belgium BVA, whose registered office is in Belgium.

FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB and its underlying operations as at 26 November 2019. FNG NV, which is listed in Belgium, is the Parent Company of the group that owns the underlying group which includes FNG Nordic AB and its subsidiaries.

Information on business activities
The Group conducts e-commerce business on the four e-commerce sites Ellos, Jotex, Stayhard and Homeroom. The business, which was set up in 1947, is conducted in wholly-owned companies in Sweden, Norway, Finland and Denmark. The Parent Company FNG Nordic AB (publ) is a holding company that performs administration and management services for the Group's other companies.

Ellos primarily offers fashion and home interiors through its own brands but also via a number of external brands. Jotex's activities focus on modern home interiors. Stayhard sells men's fashion aimed at a younger audience, while Homeroom is a dropship-based platform selling home interiors through the Group's own brands and a large range of external brands. The Group's activities rest on a common e-commerce platform on which the four e-commerce sites are commercially independent while simultaneously allowing the Group to benefit from economies of scale, for instance through coordinated procurement, logistics, payment solutions and customer service. The Group's head office is based in Borås, which is also where warehousing and logistics facilities that support all markets are located.

The FNG Nordic Group offers customers various payment options. Through cooperation with a third party, the Group is able to offer payment solutions such as partial payment or invoicing. Customers can also pay by card or through direct bank transfer.

Performance of the business and its results and financial position (Group)

	26 Nov 2019 - 31 Dec 2019
Net sales	262 197
Gross profit/loss	132 897
Gross margin (%)	50,7
Operating profit/loss (EBIT)	-28 190
Operating margin (%)	-10,8
Adjusted EBITA	37 427
Adjusted EBITA margin (%)	14,3
EBITDA	-11 123
Adjusted EBITDA	46 528
Depreciation/amortisation and impairment for the year	17 066
Profit/loss for the year	-53 409
Cash flow from operations	32 890
Operating cash flow	-903 788

See Note 37 for definitions.

Net sales
Net sales for the period amounted to SEK 262.2 million, of which the bulk, or 59%, was attributable to the Swedish market while Sweden and Finland accounted for 16% and 17% respectively. Denmark accounted for 8% of the Group's net sales.

Gross profit/loss
Gross profit for the period amounted to SEK 132.9 million and the gross margin was 50.7%. The margin has been adversely affected by inefficiency and extra costs of temporary warehousing in the period immediately before the new permanent warehouse solution becomes operational.

Operating profit/loss (EBIT) - Adjusted EBITA and Adjusted EBITDA

The operating loss totalled SEK -28.2 million and was adversely impacted by high administrative costs, including acquisition costs of SEK 56.5 million relating to FNG Nordic's acquisition of Elllos Group. Selling costs were adversely impacted by a high proportion of large goods (furniture) requiring higher distribution costs.

Adjusted EBITA amounted to SEK 37.4 million and compared with EBIT was mostly positively impacted by acquisition costs of SEK 56.5 million and amortisation of SEK 8.0 million.

Adjusted EBITDA amounted to SEK 46.5 million and was mostly positively impacted by depreciation of SEK 17.1 million and acquisition-related costs of SEK 56.5 million.

Financial income/expense

Financial income amounted to SEK 1.3 million and financial expense totalled SEK 12.7 million. Financial income included interest income from older current receivables which had been transferred to debt collection agencies (see Note 21).

Financial expense primarily included interest expense of SEK 8.7 million linked to a bond issued by the Group and interest on the Group's right-of-use assets (leases) of SEK 1.3 million, as well as banking charges of SEK 2.6 million. Net financial income/expense amounted to SEK -11.4 million.

Tax

The Group's tax for the period amounted to SEK -13.8 million and was impacted by the Group's full-year results and tax adjustments that may also relate to previous months.

Profit/loss for the year

Loss for the year amounted to SEK -53.4 million.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 32.9 million and the operating cash flow, that is, cash flow from continuing operations and cash flow from investing activities, totalled SEK -903.8 million. Cash flow in the period was boosted by a positive change in working capital of SEK 27.3 million.

Cash flow from investing activities totalled SEK -936.7 million, primarily due to the Parent Company's investment in Ellos Group.

Cash flow from financing activities amounted to SEK -4.9 million, which comprised repayment of the Group's lease liabilities.

Cash flow for the period totalled SEK -908.6 billion.

The Group's net debt totalled SEK 1,171.5 and comprised the Group's bond with a nominal value of SEK 1,500 million.
Cash and cash equivalents amounted to SEK 272.0 million.

Significant events during the financial year and earlier periods in 2019

On 26 November 2019, FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB. The acquisition of Ellos Group is part of the FNG NV group's growth strategy, which is partly based on acquisitions. The Group's intention is to create an omnichannel company comprising leading brands in fashion and home in the Benelux countries and the Nordic region. FNG's assessment is that the companies complement each other to a significant degree and that synergies can be achieved.

On 20 September 2019, Ellos Group opened a shop in C4 Shopping in Kristianstad in order to offer customers in southern Sweden an opportunity to be inspired by Ellos Homes' home interiors range in a physical store environment.

On 25 July 2019, the Parent Company, FNG Nordic AB, issued a bond on Nasdaq Stockholm. The bond carries a variable coupon linked to the 3-month stibor + 6.75%.

In February 2019, Ellos launched a new brand, Homeroom, which is a collection of a very wide range of furniture and home interiors in one place.

Significant events after the end of the financial year

For significant events after the end of the financial year please see note 38.

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Sustainability Report

This Sustainability Report covers the full year 2019 for Ellos Group.

Ellos Group's business model
Ellos Group is a leading e-commerce group in the Nordic region, comprising the e-commerce sites Ellos, Jotex, Stayhard and Homeroom. Ellos is a women's online fashion store, Jotex is an online home interiors expert, Stayhard is the leading fashion destination for men and Homeroom is a platform that brings together all home interiors in the Nordic market. For information on all legal entities included in the Group, see Note 19.
The textile industry, which is the sector Ellos Group operates in, faces major challenges in the area of sustainability. The textile industry is a large consumer of natural resources such as water and oil, and the production processes use a lot of chemicals. There is also a risk that these industries contribute to a less sustainable pattern of consumption, characterised by throwaway fast fashion. The social issues are also significant, with complex supply chains and production in countries where there is a risk of poor working conditions and shortcomings in protection of human rights.
Ellos Group wants to take responsibility in these matters and aims to do so through conscious choices in terms of materials and production processes. The company works systematically and in close cooperation with its suppliers in order to facilitate and uphold good working conditions, human rights and environmental considerations in the supply chain. Ellos Group aims to offer high fashion of a high quality that customers can use for a long time, and encourages customers to reuse or recycle clothes, textiles and furniture that they no longer need.

Design and purchasing
Around two-thirds of the product ranges on Ellos Group's e-commerce sites consist of the company's own brands while one-third comprises external brands. Our own brands have been developed and designed by Ellos Group's design and purchasing departments.
Sustainability work starts at the drawing board. In the design and purchasing process, many decisions are taken that affect the consequences the company's operations have for people and the environment. The choice of materials and production technologies is important. If, for instance, the Group chooses to use cotton from Better Cotton Initiative instead of conventionally cultivated cotton, this has an impact on both environmental and social issues in the supply chain through lower water and chemicals consumption and better control of working conditions on cotton plantations.
Ellos Group carries out work to identify the risks of various chemicals and minimise the use of hazardous chemicals which may present a risk to people or the environment. Ellos Group applies its own restrictions, which are more far-reaching than statutory requirements. In cases where legal requirements between countries differ, Ellos Group generally applies the strictest requirements.
The company has started to take a more focused approach to its work on climate impact already in the design and purchasing processes by participating in STICA (Swedish Textile Initiative for Climate Action). The company also encourages reuse and recycling, which also starts with design and purchasing. This includes use of recycled materials, design solutions that encourage recycling, and offering vintage products in the product range.

Production
The Group has no factories of its own and cooperates with suppliers and agents. In 2019, Ellos Group had suppliers primarily in Asia, with the largest volumes produced in China, India and Bangladesh. The company is aware that production may have a large social and environmental impact on the operations of suppliers and sub-suppliers. Ellos Group requires all suppliers to safeguard good working conditions and uphold human rights for the people working on production of the company's products.
Ellos Group checks and follows up that suppliers comply with the set requirements through systematic social assessment of suppliers. A Code of Conduct is applied that is based on the French standard ICS (Initiative Clause Social), which is the French equivalent of programmes such as BSCI (Business Social Compliance Initiative). Since 1999, Ellos Group requires all new suppliers to sign the company's Code of Conduct, which among other things contains clear requirements regarding working conditions. The Code of Conduct includes standpoints on child labour, forced labour, discrimination, freedom of association, wages and benefits, the environment, health and safety. The Group's primary procurement agent, Kering Global Sourcing (KGS), carries out regular audits and inspections. For goods purchased through other suppliers, the company uses Bureau Veritas, which carries out audits and inspections of a majority of suppliers. Ellos Group may also approve suppliers' existing audit protocols.

Important environmental issues such as consumption and cleaning of water and chemicals are checked through random testing of suppliers. Preventive work is carried out to minimise the proportion of goods that must be destroyed because they do not meet Ellos Group's quality or safety requirements. This is implemented through systematic quality work and a detailed Supplier manual. Ellos Group aims to build long-term relationships with its suppliers and to work with them to ensure that they comply with the company's social and environmental requirements. Regular audits and plans of action are used to follow up and constantly improve the social and environmental impact of production of the company's products.

Transportation
Transportation of the company's products from suppliers to Ellos Group in Borås primarily involves sea freight (over 90% of volumes), with road freight used for shorter distances. Use of air freight is rare and accounted for only 1% of the company's incoming transport in 2019. Transportation to Ellos Group's customers primarily involves road transport. All transportation is handled by external logistics companies. The most important sustainability issues concerning transportation are energy consumption and emissions. Ellos Group cooperates with logistics suppliers to optimise product flows and understand how the negative environmental impact of transportation can be minimised. It is also important that the quality of goods is maintained and products do not incur moisture damage or breakage during transportation.

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Own operations
Ellos Group's own operations are based in Borås and include the head office, including design and purchasing departments, photography studios, central warehouses and logistics centres for all four e-commerce sites in Borås. At year-end, Ellos Group had a total of 517 employees.
Key environmental issues in the company's own operations are energy, emissions and waste management. As employer, Ellos Group has a big responsibility with regard to working conditions, occupational health and safety and employee satisfaction. Gender equality and diversity are important to Ellos Group, to harness differences and thus enable the company to better represent its customer base and be a more attractive employer.

Customers
Ellos Group's e-commerce sites had 1.7 million active customers in 2019 and delivered 3.9 packages to customers in Sweden, Finland, Norway and Denmark.
Ellos Group's customers have a major influence on sustainability issues through the way in which they look after the products, how long they hold on to them, and whether they choose to reuse or recycle the products when they no longer want to keep them. The company is encouraging sustainable behaviour among customers by providing clear washing instructions, guidance on how to care for products to make them last longer and by promoting reuse and recycling.

Community
Community engagement is important to Ellos Group, which wants to contribute to the community in which it operates by being an active citizen in the community and supporting relevant social issues and initiatives. Gender equality, diversity and integration are important issues. The Group wants to offer the same opportunities to all employees, irrespective of gender or other differences. The company seeks to achieve gender balance at various levels of the company and an organisation that reflects society and the Group's customers in respect of other differences such as ethnic background.

Entire value chain
Anti-corruption is an issue that is relevant at all stages of the value chain. Ellos Group must ensure good business practice and combat corruption in all meetings with suppliers, customers and other business partners.

Material sustainability issues
Ellos Group's sustainability work focuses on matters the company has identified as material issues. In 2017, the company implemented a new stakeholder dialogue and materiality analysis which involved around 600 people, in order to obtain an up-to-date picture of the kind of issues stakeholders rate as top priority and the kind of expectations stakeholders - customers, employees, society, suppliers and owners - have of Ellos Group. The sustainability issues and risks that exist in Ellos Group's value chain have been evaluated on the basis of how important they are to stakeholders and the extent of Ellos Group's impact on each of these issues. Through this process we identified five key focus issues: sustainable materials, social assessment of suppliers, chemicals, packaging and logistics solutions for customers. The Group has prioritised working on these issues since they were identified.

Key performance indicators

	2019	2018	2017	2016	2015
Sustainable materials					
Sustainable cotton, proportion of total cotton	87%	81%	69%	44%	10%
Suppliers					
Compliance with Ellos Group's Code of Conduct for suppliers					
Proportion of suppliers with approved audit protocols	98%	98%	84%	77%	27%
Environment:					
Energy consumption, MWh	10 977	10 575	10 097	11 487	11 016
Proportion of renewable energy	100%	100%	100%	100%	71%
Greenhouse gases, tonnes CO2	6 986	6 163	6 971	6 189	8 236
Recycled waste in offices and warehouses	88%	88%	88%	89%	90%
Gender equality					
The gender ratio in 2019 in Ellos Group was 62% women and 38% men					
All managers women/men	43%/57%	47%/53%	52%/48%	46%/54%	45%/55%
Senior executives women/men	33%/67%	31%/69%	33%/67%	14%/86%	0%/100%

Information about sustainability reporting

In addition to this Sustainability Report, which forms part of the Directors' Report, since 2015 the company produces an in-depth sustainability report on an annual basis in compliance with GRI standards, which is available in PDF format on the Ellos Group website, www.ellosgroup.se

Sustainability areas – policies, risks and management

General policy
Ellos Group's Code of Conduct is an ethical framework that contains a number of policies and associated guidelines. The framework comprises three main areas: anti-corruption and business ethics, labour standards and human rights, and environment. All policies are easily accessible to all employees on the company's intranet. In addition, a summary of Ellos Group's Code of Conduct is provided in a separate document that clearly and simply communicates the company's Code of Conduct to its employees.

Policy outcome: Clarity provided for all employees regarding requirements, expectations and decisions and on the process for reporting irregularities via an external whistleblower system.

Environment
Ellos Group has an impact on the environment at several stages of the supply chain, partly through its own operations, which are centralised in Borås, but also via purchasing from suppliers, primarily in Asia. For these different areas, the following is in place: Environmental policy, for the operations in Borås. This aims to minimise the environmental impact of the Group's operations, for example through active work on recycling and energy-saving measures.

Policy outcome: The Environmental policy clarifies what is expected of the company's employees and how staff can contribute to reducing the company's negative environmental impact by making better choices in their day-to-day work.

Ellos Group Supplier manual, for supplier operations. This includes statutory requirements, information on materials that are not accepted in the company's product range, quality and safety requirements, chemical restrictions, requirements regarding product testing and packaging instructions to protect the products during transportation.

Outcome of implementation of Ellos Group's Supplier manual: This regulates many issues between Ellos Group as buyer and its suppliers, it clarifies Ellos Group's requirements and expectations. It has resulted in better communication with suppliers and improved compliance with Ellos Group's environmental and quality requirements. The fact that the company has taken a clear stance in issues relating to material choices, for instance, means that we are able to accommodate customer's questions and requests.

Environmental risks and management of these risks
Own operations:
Environmental risks in our own operations include energy consumption, greenhouse gas emissions and waste management. The company's environmental policy contains guidelines on how to manage these risks.
Management of these risks primarily involves monitoring and annual measurement of energy consumption, CO2 emissions and recycling of waste. The company has a an ambition to reduce both energy consumption and emissions, and through measurement and monitoring the Group is continuously working on finding and implementing improvements. For example, since measurements began, the Group has made the transition to 100% renewable energy for its own operations, resulting in a reduction in CO2 emissions.

Suppliers:
Production of Ellos Group's products, which is carried out by the company's suppliers, contains many environmental risks. Important risks include consumption of water and oil, use of dangerous chemicals, emissions into air and water, energy, emissions of greenhouse gases and destruction of products that do not meet quality and safety requirements or which have been damaged by moisture during transportation.
Ellos Group manages these risks through several steps in the value chain, primarily by specifying requirements such as chemical controls, environmental requirements and quality requirements in Ellos Group's Supplier manual. Every year, suppliers must sign a certificate of compliance with the company's Supplier manual. Ellos Group also requires its suppliers to maintain an audit protocol to ensure compliance with Ellos Group's Code of Conduct for suppliers.
Ellos Group har identified material choices that have a less negative environmental impact, such as cotton through Better Cotton Initiative, (BCI), which involves less consumption and better management of water and chemicals. In 2015, the Group joined the Better Cotton Initiative (BCI) in order to support more sustainable cotton production. Goals have been set to increase the proportion of more sustainable material choices. The proportion of organic and BCI cotton is measured and followed up, and increased from 81% in 2018 to 87% in 2019. Through membership of STICA and the Swedish Chemicals Group Swerea, Ellos Group aims to contribute to reduced climate impact and management of water and chemicals in the supply chain. The Group is also working to protect animal rights in the process chain and, for example, does not permit hygiene products tested on animals and there is no real fur in the Group's product range.

The Group works proactively to reduce and counteract harmful chemicals in products. Ellos adheres to legal requirements and is at the forefront of efforts to phase out chemicals that are classified as hazardous to humans and the environment.
Only a very small proportion of the company's products are not offered for sale. Where this happens, in the first instance textiles and products are offered to non-profit organisations and charities, allowing products to have a useful life. In cases where products do not meet the company's quality and safety requirements, Ellos Group may as a last resort ensure that products are destroyed, usually via incineration. In order to minimise the risk of products having to be destroyed, we cooperate with suppliers through training, requirement specifications and information. For example, there is a separate chapter in Ellos Group's Supplier manual that shows how suppliers can proactively avoid moisture damage during production and delivery.

Personnel and social conditions – Ellos Group's own operations

Ellos Group has a number of policies that cover the company's responsibility as employer and its own staff, including Employee Handbook, Equality Policy, Diversity Policy, Anti-discrimination and Anti-harassment Policy and Whistleblower Policy.

Policy outcome: The Group's policies for personnel and social conditions ensure employees in Ellos Group are aware of their rights and responsibilities as employees of the Group, what is expected of the Group, what is expected of staff and what they can expect of the company and colleagues, which behaviours are not acceptable and how to report any irregularities.

Risks and management of risks
There are several risks and opportunities linked to personnel and social conditions in the company. Ellos Group aims to create an attractive workplace where employees thrive and develop, and is continuously working to create the appropriate conditions for this. The Group has collective agreements in place and conducts regular employee engagement surveys, and the results of these are followed up at departmental level to try to find opportunities for improvement.

Gender equality and diversity are important to Ellos Group and these issues are associated with the risk that the company does not offer the same opportunities to all staff irrespective of gender or other differences. The company seeks to achieve gender balance at various levels of the company and an organisation that reflects our community and the Group's customers in respect of other differences such as ethnic background. The company is actively working on identifying and supporting female employees with potential to be developed for senior positions. A working group for equality and diversity is working on ensuring that the recruitment process supports the work on diversity and many people in senior positions have completed inclusive leadership training. At the end of 2019, the proportion of female staff in the company was 62% (62), in the senior management team 33% (31) and in the Board of Directors 25% (25) during the most of the year.

There is a risk of discrimination and harassment as a result of gender, transgender identity or expression, ethnic group, religion or other belief, disability, sexual orientation or age. Ellos Group condemns all forms of discrimination and harassment and does not tolerate such behaviour in the workplace. The company's Anti-discrimination and Anti-harassment policies list several alternative reporting channels and plans of action, should an employee be subjected to such behaviours.

Another important area is employees' working environment, health and risks. Matters associated with this area include occupational accidents and injury and sickness absence. Ellos Group works systematically to safeguard employees' health and safety in the workplace. The company together with the occupational health and safety representative conduct regular workplace inspections which look at the physical and psychosocial working environment. The company measures and follows up sickness absence and occupational injuries, which enables it to identify areas of risk and opportunities for improvement. We also carry out substantial preventive work, for instance through a health survey for all staff and a wide range of wellness activities.

Reorganisation in the financial year
In 2019, the Group continued its reorganisation to become a pure-play, competitive e-commerce operator. In 2019 this restructuring did not involve any major changes to roles and responsibilities.

Increasingly attractive employer
In a survey of attractive employers carried out among graduates by Universum, Ellos Group has held several rankings over four years. During the four-year period, the Group steadily improved its ranking from 102 in 2015 to 49 in 2019.

Social responsibility
Ellos Group feels a responsibility for the communities in which the company is active, especially Borås, which is where the Group's own operations are located. The company wants to be among the reasons that make the city an attractive place in which to live and work. As part of this, in 2019 the company sponsored the sports clubs and associations IF Elfsborg, Borås Basket and Borås Hockey. The company was particularly involved in IF Elfsborg's CSR measures, through which the Group was able to engage with people who are far from the labour market, as well as their women's football programme, known as Flickakademin. During the year, Ellos Group also sponsored the swimming club Simklubben Elfsborg and Borås gymnastik. In addition, the company was very involved in the University of Borås and the Swedish Institute for Innovative Retailing (SIIR), as well other educational institutions. In order to support vulnerable groups in society, the company was involved in the mentoring organisation Mitt Liv. To support integration of new arrivals in the city, Ellos Group has entered into cooperation with the City of Borås on a programme called Språkvänner. This means that new arrivals can visit Ellos Group during lunch to learn and practice the language by socialising with Ellos Group employees.
Ellos Group has for many years had extensive and long-standing cooperation with the Swedish Childhood Cancer Fund.

Social conditions and respect for human rights – Ellos Group's suppliers

In order to ensure good social conditions and uphold human rights in suppliers and sub-suppliers, Ellos Group has a Code of Conduct for suppliers that all suppliers must sign and which requires compliance with the ILO and UN conventions and which contains requirements and positions on child labour, forced labour, discrimination, freedom of association, wages and benefits, environment, health and safety.

Policy outcome: The policy describes Ellos Group's requirements of suppliers. Suppliers must read and sign the Code of Conduct before being accepted as suppliers, which means that suppliers who do not accept the requirements cannot become suppliers to Ellos Group. Thanks to the policy and the monitoring tools applied, Ellos Group has improved transparency in the supply chain and therefore increased its control over social conditions and respect for human rights at its suppliers.

Risks and management of risks
Ellos Group purchases a large proportion of its products from suppliers in countries where social conditions and human rights contain risks, for instance risk of poor health and safety, child labour, forced labour, restrictions on freedom of association, long working hours and wages below the minimum wage. For Ellos Group it is a high priority to work to promote good social conditions and respect for human rights for the people who produce the company's products.
Ellos Group requires every new supplier to sign the company's Code of Conduct for suppliers. Supplier compliance with Ellos Group's Code of Conduct for suppliers is monitored through a structured monitoring system. Regular audits are carried out, using an audit protocol comprising more than 200 checkpoints and which includes checking documents, interviews with staff and management, and inspections of production units and facilities for staff. Since we began focusing on this issue, the Group has monitored the proportion of suppliers who have audit protocols within 24 months, and this proportion has increased from 15% in 2014 to 98% in 2019. Ellos Group remains a signatory to Accord in Bangladesh, an independent, legally binding agreement between companies and trade unions aimed at safeguarding occupational health and safety in this important market for production.

Combating corruption

Ellos Group has a policy for business ethics and anti-corruption and also a whistleblower policy.

Policy outcome: The policies define Ellos Group's position on what constitutes good business ethics and provide clear information on what the concept corruption involves. The policies provide clear guidelines on how employees should act in different situations, which helps employees to act correctly and recognise and react to incorrect behaviour in other operators. The whistleblower policy provides an anonymous way to report serious wrongdoing, increasing the probability that such actions can be detected and stopped.

Risks and management of risks
In all organisations there is a risk of corruption – abuse of power for private gain, which may take many different forms. Corruption may occur in Ellos Group's own organisation or among suppliers, customers and other business partners. Ellos Group manages this risk through a clear policy that has also been communicated to all employees with examples, approaches and instructions on how to manage and report misdemeanours. An external whistleblower system can be used to report and follow up serious violations of the Code of Conduct. During 2019, no violations were reported via the whistleblower system.

Others risks and uncertainties in operations

The Group is exposed to a number of risks that may impact operations and results. The Group is working proactively to reduce risks. Most areas of risk can be managed through internal procedures while others are governed by external factors. Financial risks are described in more detail in Note 4. The main operational risks relating to the Group and/or the industry include:

Competition
The market for online sales of durable goods such as clothing and home interiors products is highly competitive with competitors comprising both local and international players from both e-commerce and other retail. Increased competition may result in a reduction in the Group's market share and a drop in profit margins. The Group comprises a mixture of internal and external brands, which offers a competitive advantage, and the Group is constantly focusing on strengthening and improving customer satisfaction.

Fashion trends and consumer preferences
The Group's success is based on its ability to identify and adapt to changing fashion trends and customer preferences, and to produce new and attractive products at the right time, especially with regard to sales of clothing. If the Group misjudges consumer trends or is unable to sell existing products, this could lead to surplus inventories of certain products, price reductions (leading to lower margins/reduced profit) and missed sales opportunities for other products. The Group's buyers and designers monitor and analyse the market and market trends on a continuous basis in order to be able to quickly predict customers' future buying patterns and adapt the Group's purchasing accordingly.

Weather and seasonal variations
Sales of clothing, in particular, are affected by changes in the weather. Unusual weather, particularly as the seasons change, for instance when summer turns into autumn, can adversely affect demand and the profitability of the Group's products. The Group has two large product groups, clothing and home interiors, which to some extent differ from each other in terms of dependence on the weather and seasons, which could offer an opportunity to compensate for loss of sales in one area with stronger sales in another area.

Economic situation
Changes in the economic situation and other macroeconomic conditions in the countries in which the Group operates affect business activities and results by altering customers' patterns of consumption and general willingness to spend.

Lack of growth or reduced growth in the e-commerce market
Online sales are Ellos Group's primary sales channel. The Group should benefit from continued growth in e-commerce, especially with regard to the e-commerce market for clothing and home and interiors products, while a lack of growth or reduced growth in the e-commerce market could lead to reduced demand for the Group's products.

Payment solutions that include credit and consumer finance
The Group offers payment solutions that involve offering customers credit when buying Ellos and Jotex products and consumer finance, which is offered in cooperation with Resurs Bank AB. Within the framework of its operations, the Group is indirectly exposed to risks associated with granting of credit. See Note 4 for further information.

Import Restrictions
Since the Group uses external suppliers for purchase of goods, mainly from Asia, the company is vulnerable to changes and possible import restrictions in these countries. This can affect purchase prices and supplies of goods. This is counteracted to some extent by the fact that the Group has suppliers in many different countries.

Data integrity and control over digital infrastructure
The Group's operations as an e-commerce operator are highly dependent on secure IT and control systems. The e-commerce platform and IT systems used by the Group are continuously updated to match market requirements and to maintain satisfactory security in the company's digital structure. The Group is highly dependent on the security and functional performance of the e-commerce platform, which means that the Group's IT systems are closely monitored to safeguard operation and detect any interference.

Corporate Governance Statement

FNG Nordic AB (publ) is a public Swedish limited company based in Borås, Sweden, and has a corporate bond listed on Nasdaq in Stockholm.

FNG Nordic AB is wholly owned by the listed fashion group FNG NV, which is thereby the sole owner. The company's articles of association contain no restrictions as to how many votes a shareholder may cast at a general meeting, nor any special regulations on the appointment and dismissal of board members and amendments to the articles of association.

FNG Nordic AB was registered on October 12, 2018 and held a first Extraordinary General Meeting on November 26, 2019. The Annual General Meeting has not authorized the Board of Directors to decide whether the company should issue new shares or acquire its own shares.

System for internal control and risk management in the financial reporting
The Board's responsibility for internal management and control is regulated in the Swedish legislation (ABL and ÅRL). FNG Nordic AB applies and complies with these requirements. The description included here of how the internal control is organized is limited to internal control regarding financial reporting.

Internal control for financial reporting is a central component of corporate governance in FNG Nordic AB and aims to provide reasonable assurance regarding the reliability of the external financial reporting in the form of quarterly reports, annual reports and year-end reports and that financial reporting is prepared in accordance with laws and applicable accounting standards. The Board of Directors as a whole has the overall responsibility for internal control and risk management.

FNG Nordic AB applies COSO's framework for internal management and control, which is the most internationally recognized framework for describing and evaluating a group's internal control structure. The COSO framework consists of five components: control environment, risk assessment, control activities, information and communication and follow-up.

The FNG Nordic AB Group's underlying operations consist of Ellos Group, which already had an existing framework for internal management and control, which was taken over in conjunction with the FNG Nordic AB Group's formation.

Control Environment
The control environment forms the basis for internal control over financial reporting. An important part of the control environment is the evaluation and approach to business ethics such as how the Board of Directors, the CEO and Group management communicates and operates. Other important parts are the Group's organizational structure, leadership, decision paths, delegation of authority and responsibilities as well the expertise that the employees possess.

Important components of FNG Nordic AB's control environment are also reflected in the policies and instructions used in the Group. Examples of such documents are:
- Rules of procedure for the Board of Directors
- Authorization manual
- CEO instruction
- Instructions for financial reporting
- Finance Policy
- Finance Handbook

The internal control documents will be updated as needed and will be updated during 2020 with adjustments for the new group.

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Risk assessment
Risk assessment aims to identify risks of material misstatements in FNG Nordic AB's financial reporting and thereby provide guidance on which areas are important to control. The assessment of risks in relation to financial reporting is carried out at least once a year.

The CFO is responsible for coordinating the activities in connection with the risk assessment and presenting the results to the Board.

Control Activities
Control activities are designed to manage the material risks identified in the risk assessment. FNG Nordic AB has established an internal control framework in which important control activities and key controls related to financial reporting are compiled. The internal control framework encompasses a number of key business processes such as:
• Sales routine
• Purchasers routine
• Stock routine
• The salary routine
• Closing process
• IT routines

Information and communication
Both the internal information within FNG Nordic AB and the external communication are governed on an overall level by the Group's guidelines for information disclosure. Group management is responsible for informing the employees concerned about their responsibility for maintaining good internal control, in order to ensure effective and accurate disclosure of the financial reporting. This is done, among other things, through regular information meetings in each business area. Adopted policies, guidelines, manuals and instructions are made available to employees via FNG Nordic AB's intranet.

The Group's finance function is responsible for the external disclosure of financial reporting.

Follow-up
Follow-up of internal control is carried out annually at FNG Nordic AB.

The procedure for follow-up is determined based on the assessed risk level and the nature of the risk.

Any noted deviations and established action plans are communicated and the progress regarding any action plans is monitored continuously.

Parent Company
The Parent Company carries out administration and management services for the companies in the Group and owns and manages shares in the subsidiaries.

Anticipated future performance
FNG Nordic Group takes a positive view of the future, partly as a result of the new Belgian group which the company now is a part of and all the opportunities this offers in terms of rationalisation and harmonisation benefits, and partly as a result of new logistics facility which offers opportunities for more efficient working methods and improved service for customers. The new payment app Elpy also offers the Group big opportunities for creating a more positive customer experience.

Proposed appropriation of profits

The following profits (SEK) are at the disposal of the Annual General Meeting

Retained earnings	664 339 604
Profit/loss for the year	-52 142 647
	612 196 957

The Board of Directors proposes that profits be appropriated as follows

carried forward	612 196 957
	612 196 957

With regard to the results and financial position of the Parent Company and the Group in other respects, reference is made to the accompanying financial statements. All amounts are shown in thousand Swedish krona unless otherwise stated.

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CONSOLIDATED INCOME STATEMENT

Amounts in SEK thousand	Note	26 Nov 2019 - 31 Dec 2019
Net sales	5	262 197
Cost of goods sold		-129 300
Gross profit/loss		**132 897**
Selling costs		-90 395
Administrative costs		-79 074
Credit losses on financial assets and contract assets		-409
Other income	6	8 791
Operating profit/loss	7, 8, 9, 10, 11	**-28 190**
Financial income/expense		
Financial income	13	1 305
Financial expense	13	-12 676
Total financial income/expense		**-11 371**
Profit/loss before tax		**-39 561**
Income tax	14	-13 849
Profit/loss for the year		**-53 409**
Attributable to:		
Parent Company's shareholders		-53 409

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	Note	26 Nov 2019 - 31 Dec 2019
Profit/loss for the year		**-53 409**
Items not reversed in the income statement:		
Actuarial gains/losses	31	1 228
Tax effect	14	-253
Total items not reversed in profit or loss		975
Items that will later be reversed in the income statement:		
Translation differences for the year	27	-725
Cash flow hedges - changes in value	27	-20 499
Cash flow hedges reversed in profit or loss		679
Tax effect	14	4 241
Total items to be reversed in profit or loss		-16 303
Total other comprehensive income		**-68 738**
Of which attributable to Parent Company's shareholders		-68 738

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousand	Note	2019-12-31
ASSETS		
Non-current assets		
Intangible assets	15	
Goodwill		661 489
Trademarks		448 333
Customer relationships		654 141
Development expenditure		108 533
		1 872 496
Property, plant and equipment		
Right-of-use assets		601 163
Equipment, tools, fixtures and fittings	16	28 460
Investments in leased property	17	78 233
Construction in progress within property, plant and equipment	18	799
		708 655
Non-current receivables		3 069
Deferred tax assets	30	31 678
Total non-current assets		**2 615 898**
Current assets		
Inventories	20	511 243
Returns assets	20	18 194
Contract assets	23	36 044
Trade receivables	21	59 488
Current receivables from Group companies		7 677
Current tax assets		17 803
Derivative instruments	4	16 968
Other current receivables		3 353
Prepaid expenses	22	27 256
Cash and cash equivalents	24	272 039
		970 065
TOTAL ASSETS		**3 585 963**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousand	Note	2019-12-31
EQUITY AND LIABILITIES		
Equity attributable to Parent Company's shareholders		
Share capital	25	500
Additional paid-in capital	26	664 340
Reserves	27	-16 303
Retained earnings including the profit/loss for the year		-95 684
		552 852
Non-controlling interests		0
Total equity		**552 852**
Non-current liabilities		
Bond issue	29	1 443 502
Non-current lease liability	8	525 648
Other non-current liabilities		10 746
Deferred tax liabilities	30	228 870
Provisions for pensions	31,34	169 981
		2 378 747
Current liabilities		
Interest-bearing liabilities	28	0
Current lease liability	8	65 316
Trade payables		222 452
Current liabilities to Group companies		61
Current tax liabilities		19 165
Provisions for restructuring	32	0
Derivatives	4	18 146
Other current liabilities		66 044
Repayment liability		36 252
Accrued expenses	33	226 927
		654 363
Total liabilities		**3 033 110**
TOTAL EQUITY AND LIABILITIES		**3 585 963**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

	Share capital	Additional paid-in capital	Trans lation reserve	Hedging reserve	Retained earnings including profit/loss for the year	Total equity
Opening balance	**0**	**0**	**0**	**0**	**0**	**0**
Equity in Parent Company when Group was formed *)	500				-43 251	-42 751
Comprehensive income						
Profit/loss for the year					-53 409	-53 409
Other comprehensive income:						
Cash flow hedges						
Change in fair value for the year				-20 499		-20 499
Transferred to the income statement				679		679
Translation differences			-725			-725
Actuarial gains and losses					1 228	1 228
Tax attributable to items in other comprehensive income				4 241	-253	3 988
Total other comprehensive income, after tax			-725	-15 578	975	-15 328
Total comprehensive income			**-725**	**-15 578**	**-52 435**	**-68 738**
Transactions with shareholders:						
Contribution received in connection with acquisition of subsidiary		664 340				664 340
Dividends					0	0
Total transactions with shareholders		664 340			0	664 340
Closing balance as at 31 December 2019	**500**	**664 340**	**-725**	**-15 578**	**-95 684**	**552 852**

*) The consolidated accounts comprise the period 26 November until 31 December 2019 because the Group was only considered to have been formed when the Parent Company acquired the Ellos Group Holding group. The Parent Company's equity at the time of acquisition is the subject of a footnote in the Group's equity.

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CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	26 Nov 2019 - 31 Dec 2019
Cash flow from operating activities		
Operating profit		-28 190
Adjustments for non-cash items:		
Depreciation/amortisation and impairment	10	17 066
Post-employment benefits and payments to plans		3 069
Interest received		1 305
Interest paid		-1 412
Other financial items paid		-904
Income tax paid		14 636
		5 570
Increase/decrease in inventories		8 931
Increase/decrease in trade receivables		1 018
Increase/decrease in other current receivables		-11 274
Increase/decrease in trade payables		23 010
Increase/decrease in other current liabilities		5 634
Cash flow from operating activities		**32 890**
Investing activities		
Acquisition of subsidiaries	35	-929 800
Acquisitions of property, plant and equipment	16,17,18	-1 866
Acquisition of intangible assets	15	-1 943
Acquisition of financial assets		-3 069
Cash-flow from investing activities		**-936 678**
Financing activities		
Payment of lease liability	8	-4 850
Cash flow from financing activities		**-4 850**
Cash flow for the year		-908 638
Cash and cash equivalents at beginning of year		1 180 663
Exchange rate difference in cash and cash equivalents		15
Cash and cash equivalents at end of year	24	**272 039**

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PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand	Note	12 Oct 2018 - 31 Dec 2019
Net sales	5	491
Gross profit/loss		**491**
Administrative costs	7,9,11	-4 843
Operating profit/loss		**-4 352**
Financial income/expense		
Interest income	13	1 502
Interest expense	13	-49 293
Total financial income/expense		-47 791
Profit/loss after net financial items		**-52 143**
Profit/loss before tax		**-52 143**
Income tax	14	0
Profit/loss for the year		**-52 143**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand	Note	12 Oct 2018 - 31 Dec 2019
Profit/loss for the year		**-52 143**
Other comprehensive income		0
Total other comprehensive income		**-52 143**

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PARENT COMPANY'S BALANCE SHEET

Amounts in SEK thousand	Note	2019-12-31
ASSETS		
Non-current assets		
Financial assets		
Shares in subsidiaries	19,34	1 679 383
		1 679 383
Total non-current assets		**1 679 383**
Current assets		
Current receivables		
Accrued income	23	1 477
Receivables from Group companies		456 305
Prepaid expenses	22	70
Cash and cash equivalents	24	800
		458 652
Total current assets		**458 652**
TOTAL ASSETS		**2 138 035**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	25	500
		500
Non-restricted equity		
Profit brought forward		664 340
Profit/loss for the year		-52 143
		612 197
Total equity		**612 697**
Non-current liabilities		
Bond issue	29,34	1 443 502
		1 443 502
Current liabilities		
Other current liabilities		166
Accrued expenses and deferred income	33	81 668
		81 835
TOTAL EQUITY AND LIABILITIES		**2 138 035**

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PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand

	Restricted equity	*Non-restricted equity*		
	Share capital	Retained earnings	Profit/loss for the year	**Total equity**
Opening balance as at 12 October 2018	**0**	**0**	**0**	**0**
Comprehensive income				
Profit/loss for the year			-52 143	-52 143
Total other comprehensive income, after tax			-52 143	-52 143
Total comprehensive income			**-52 143**	**-52 143**
Transactions with shareholders				
Paid in capital	500			500
Contribution received in connection with acquisition of subsidiary		664 340		664 340
Dividends			0	0
Total transactions with shareholders	**500**	**664 340**	**0**	**664 840**
Closing balance as at 31 December 2019	**500**	**664 340**	**-52 143**	**612 697**

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PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in SEK thousand	Note	12 Oct 2018 - 31 Dec 2019
Cash flow from operating activities		
Operating profit/loss		-4 352
Interest received		26
Interest paid		-25 876
		-30 202
Change in trade receivables		-512 934
Change in trade liabilities		63 626
Cash flow from operating activities		**-479 509**
Acquisition of subsidiary		-958 557
Cash-flow from investing activities		**-958 557**
Financing activities		
Borrowings		1 500 000
Transaction costs for borrowings		-61 634
Share capital received		500
Cash flow from financing activities		**1 438 866**
Cash flow for the year		800
Cash and cash equivalents at beginning of year		0
Cash and cash equivalents at end of year	24	**800**

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NOTES

Note 1 General information

FNG Nordic AB (publ), corporate identity number 559175-1325, is a limited company registered in Sweden domiciled in Borås. The address of the head office is Ödegärdsgatan 6, 504 64 Borås. The operations of the company and its subsidiaries ("the Group") comprise e-commerce under the Ellos, Jotex, Homeroom and Stayhard brands. The business activities are carried out in Sweden, Norway, Finland and Denmark.

The Parent Company of the largest group of which FNG Nordic AB (publ) is a subsidiary is FNG NV, dominciled in Belgium.

The consolidated financial statements of FNG NV are available at their webpage: https://fng.eu/investor-relations-fng-nv/.

Note 2 Significant accounting policies

Compliance with standards and legislation
This is the first financial report for which FNG Nordic AB has also prepared consolidated financial statements. This follows the Parent Company's acquisition of the shares in Ellos Group Holding AB on 26 November 2019. The Group's consolidated income statement therefore comprises FNG Nordic AB and Ellos Group Holding AB and their underlying companies for the period 26 November 2019 until 31 December 2019. Assessment has been carried out with respect to the Group's financial year. As the Group is expected to occur on November 26, 2019, the fiscal year November 26, 2019 through December 31, is considered to provide the most fair view of the Group's financial position.The Parent Company FNG Nordic AB's financial statements comprise the period 12 October 2018 until 31 December 2019.

The consolidated financial statements for FNG Nordic AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and issued by International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFR IC).

Hereafter the Annual Report refers to the FNG Nordic AB group as "Ellos" or alternatively "Ellos Group". Furthermore, the Group also applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation, RFR 1 Supplementary Accounting Rules for Groups.

In the consolidated financial statements, items have been measured at cost, except in the case of certain financial instruments, which are measured at fair value. The significant accounting policies applied are described below.

New or amended IFRS standards and new interpretations not yet effective

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
The amendments are the effect of reforms of benchmark interest rates that will include replacing commonly used benchmark interest rates (e.g. STIBOR, EURIBOR, LIBOR) with alternative, risk-free benchmark rates. IASB has provided reliefs for hedge accounting criteria. The FNG Nordic group has chosen to early adopt the Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 which come into effect on 1 January 2020 but may be early adopted. These amendments have not had an impact on the financial statements.

Other amendments which come into effect on 1 January 2020 are not expected to have a significant impact on the financial statements.

Consolidated financial statements

Consolidated financial statements

The consolidated financial statements prepared in accordance with the acquisition method include the Parent Company, FNG Nordic AB, and the companies in which the Parent Company, directly or indirectly, has a controlling influrence (subsidiaries).

The Parent Company shall carry out regular assessments of whether a controlling influrence exists.

When the Parent Company holds fewer than half the voting rights in an investee, the Parent Company has power over the investee when the voting rights are sufficient to give the Parent Company de facto power over the relevant activities.

Subsidiaries are included in the consolidated financial statements from the date the Parent Company gains a controlling interest and until the date when it ceases to have a controlling interest in the subsidiary. This means that the income and expenses of a subsidiary acquired or disposed of during the current financial year are included in the consolidated income statement and statement of other comprehensive income from the date when the Parent Company gains the controlling interest until the date when it ceases to have the controlling interest.

Profit or loss and each component of other comprehensive income is attributed to the Parent Company's owners and non-controlling interests. Other comprehensive income is attributed to the Parent Company's owners and to non-controlling interests even if this results in a negative balance for non-controlling interests.

All intra-Group assets and liabilities, equity, revenues and cash flows relating to transactions between companies within the Group are eliminated in full.

The accounting policies for subsidiaries have been adjusted where necessary in order to ensure consistent application of the Group's accounting policies. All intra-Group transactions, balances and unrealised gains and losses attributable to intra-Group transactions have been eliminated when preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method.

In business combinations, acquired assets and liabilities assumed are identified and classified at fair value at the acquisition date. If the cost of acquisition of shares in a subsidiary exceeds the calculated value of the identifiable net assets of the acquired company on the acquisition date, the difference is recognised as consolidated goodwill. If cost is lower than the final value of identifiable net assets, the difference is recognised directly in the income statement. Acquisition-related costs are recognised in the income statement as they arise.

The identifiable acquired assets and assumed liabilities and contingent assets are recognised at fair value at their acquisition date, with the following exceptions:

- Deferred tax asset or liability and liabilities or assets attributable to the acquired company’s agreement on employee benefits are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits respectively.

- Leases in which the acquired company is the lessee are measured at the present value of outstanding lease payments with effect from the acquisition date. Right-of-use assets are measured at the same amount as the lease liability, adjusted for any non-market terms.

Contingent liabilities acquired in an acquisition of business are recognised as though they are existing obligations that derive from past events whose fair value can be measured reliably.

Goodwill

Goodwill that arises in connection with the preparation of consolidated financial statements comprises the difference between cost and the Group’s share of the fair value of an acquired subsidiary’s identifiable assets and liabilities on the date of acquisition. At the acquisition date, goodwill is recognised at cost and at initial recognition it is measured at cost less any accumulated impairment.

Any impairment loss is immediately recorded as an expense and is not reversible. For additional policies relating to calculation of recoverable value, see section Impairment of property, plant and equipment and intangible assets excluding goodwill.

Foreign currency

Items included in the financial statements of the Group's various entities are reported in the currency used in the primary economic environment in which each entity mainly operates (functional currency). In the consolidated financial statements, all amounts are translated to Swedish krona (SEK), which is the parent company's functional and reporting currency.

Transactions in foreign currencies in each entity are translated into the entity's functional currency at the exchange rates in force on the transaction date or on the translation date. At each balance sheet date, monetary items in foreign currency are translated at the rate at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate on the date when the fair value was determined. Non-monetary items that are measured at their historical cost in a foreign currency are not translated.

Exchange differences are recognised in the income statement in the period in which they arise, with the exception of derivative instruments that constitute hedging instruments and fulfil the conditions for hedge accounting of cash flows, where exchange gains and losses are recognised in other comprehensive income.

When preparing the consolidated financial statements, foreign subsidiaries' assets and liabilities are translated to Swedish krona at the rate in force at the balance sheet date. Income and cost items are translated at the average exchange rate for the period, unless exchange rates have fluctuated significantly during the period, in which case the rate at the date of the transaction is used instead. Any translation differences arising are recognised in other comprehensive income and are transferred to the Group's translation reserve. In the case of disposal of a foreign subsidiary, such translation differences are recognised in the income statement as part of the capital gain or loss.

Goodwill and fair value adjustments arising in the case of an acquisition of a foreign business are treated as assets and liabilities in that business and are translated at the rate in force at the balance sheet date.

Segment reporting

The Group’s CEO is the chief operating decision maker in the Group. Management has determined operating segments based on the internal reporting submitted to the CEO, which are used by the CEO to make decisions on allocation of resources and evaluation of the Group’s results. The internal reporting structure is based on the premise that the Group consists of one segment, which means that the Group does not present separate segment reporting.

Revenue from contracts with customers

Net sales

The Group primarily generates revenue through online sales of fashion, home interiors and beauty to consumers, including charges paid by customers and income generated as a result of the customer’s preferred payment solution. Charges paid by customers refer to handling fees, shipping and return fees and fees for uncollected parcels. Revenues are recognised as income when the goods have been delivered or as they are realised (return fees and fees for uncollected parcels).

Customers can choose between different payment solutions. When partial payment or invoicing solutions are used, they result in the creation of trade receivables, which are sold to Resurs Bank AB at the nominal amount on a daily basis. Depending on how customers choose to settle their claims, an additional purchase consideration may subsequently arise and this is recognised in Net sales as it is realised.

Resurs Bank offers Consumer loans to the Ellos Group’s customers and uses the brand Ellos in its marketing, for which it pays commission that is recognised in Net sales. Net sales are reported on en ongoing basis and dependent on the lending that Resurs bank generates through Ellos brand.

The Group acts as an insurance intermediary, for which it receives remuneration from the various insurance companies. This remuneration is recognised in Net sales. Net sales are reported on an ongoing basis when the customer buys insurance through the FNG Nordic Group.

The Group has contracts with customers in the form of orders, the bulk of which are received via the Group's website. In view of the following, the Group's assessment is that the criteria for a contract under IFRS 15 are met when a customer places an order:

- the parties have approved the contract (in writing or verbally);
- the Group is able to identify the rights of each party in relation to the goods or services to be transferred;
- the payment terms have been identified;
- the contract has commercial substance;
- it is probable that the Group will receive the consideration that it is entitled to in exchange for the goods or services that will be transferred to the customer.

These criteria are normally met when the customer has placed an order.

The Group normally has the following performance obligations:

- Sale of goods such as clothes, furniture, home interiors, etc.;
- Services regarding transport to the customer and receiving of returns from the customer

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods or services to a customer. The consideration set out in a contract with a customer can include fixed amounts, variable amounts or both.
In an analysis of components that affect the transaction price, the following were identified in contracts between the Group and its customers:

- fixed prices stated on each website and in purchase orders;
- discounts, where offered, are stated on the purchase order and automatically deducted from the transaction price;
- returns.

The Group estimates of variable consideration which is the expected value of returns based on estimates and assessments of returns counted using the historical outcomes.

The identified transaction price is allocated to the respective performance obligations based on the standalone selling price. The standalone selling price of goods is shown on the relevant website.

The Group recognises revenue at the time when a performance obligation has been satisfied by means of a promised good or service being transferred to the customer and control of the good or service being passed.

All sales are subject to right of cancellation of 30 days. A provision for returns is calculated on the basis of the Group's experience of earlier transactions and with the aid of historical data on returns. The provision for returns is calculated by including a deduction for reduced sales and a reversal of estimated cost of goods and additional costs arising from distribution and logistics in connection with the return from the customer. A refund liability is recognised in respect of the amount refunded to the customer while a right of return asset is recognised in respect of the good that is expected to be returned from the customer.

Other revenue
Other revenues primarily comprise royalty revenue received from companies that use the Group's goods collections. These revenues are recognised as the counterparty's sales to end-consumers occur.

Dividend and interest income
Income from dividends is recognised when the shareholders' right to receive payment has been established.

Financial income, which comprises interest income, is reported as distributed over the term, applying the effective interest rate method. The effective interest rate is the rate that means that the present value of all future payments and receipts during the fixed-rate period will be equal to the carrying amount of the receivable.

Other costs
Primarily refers to exchange differences that arise in the Group in connection with elimination of intra-Group revenues and costs.

Leases

The Group determines whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and associated lease liability for all leases where the Group is the lessee, except for short-term leases (leases classified as leases with a lease term of 12 months or less) and leases of low value (such as computer equipment or small items of office furniture). For these leases, the Group recognises lease payments as an expense on a straight-line basis over the lease term, unless another systematic method is more representative of when the economic benefits of the leased assets are used by the Group.
The lease liability is initially measured at the present value of lease payments not paid at the commencement date, discounted at the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate. The incremental borrowing rate is the rate that the Group would have had to pay to borrow the funds necessary to obtain right of use to an asset, for a similar term and with similar security, in a similar economic environment. In order to determine the incremental borrowing rate, the lease term has been taken into consideration.

A leasing period is determined at the time a lease is impossible to terminate or alternatively with an addition for a subsequent period, with which the agreement is very likely to be extended.

Lease payments included in measurement of the lease liability comprise:
•fixed payments (including in-substance fixed payments), after deduction of any benefits obtained in connection with entering into the lease;
•variable lease payments that depend on an index or a rate;
•amounts expected to be payable by the lessee under residual value guarantees;
•the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
•penalties for terminating the lease if the lease term reflects the lessee exercising the option to terminate the lease.
The lease liability is recognised as a separate item in the consolidated statement of financial position.
After the commencement date, the lease liability is measured by increasing the carrying amount to reflect the interest due on the lease payment (by using the effective interest rate method), and by reducing the carrying amount to reflect the lease payments paid.
The Group shall remeasure the lease liability (and make a corresponding adjustment of the right-of-use asset) if either:
•there is a change in the lease term or the assessment of the option to purchase the underlying asset changes (remeasurement done using a revised discount rate);
•lease payments change as a result of a change in an index or a rate, or if there is a change in the amounts expected to be paid under residual value guarantees (remeasurement done using the initial discount rate unless lease payments have changed because of a change in variable interest rates, in which case an update discount rate must be used);
•modification of a lease that is not recognised as a separate lease (remeasurement done using a revised discount rate).

Right-of-use assets comprise the amount of the initial measurement of the corresponding lease liability, lease payments paid on or before the commencement date and any initial direct costs. Subsequently, right-of-use assets are measured at cost, less accumulated depreciation and accumulated impairment.
Right-of-use assets are depreciated over 2-13 years. If the lease transfers ownership of the underlying asset to the Group or if the cost of the right-of-use asset reflects the fact that the Group has an option to purchase, the right-of-use asset is depreciated over the period of use of the underlying asset. Depreciation must be applied from the lease commencement date.
Right-of-use assets are recognised as a separate item in the consolidated statement of financial position.
The Group applies IAS 36 to determine whether the right-of-use asset is impaired and recognises any impairment loss identified as described in the policy for “Impairment of property, plant and equipment and intangible assets excluding goodwill”.
Variable lease payments that do not depend on an index or a rate shall not be included in the measurement of the lease liability of right-of-use asset. Such payments are recognised as an expense in profit or loss in the period in which the event or condition that triggers those payments occurs.
IFRS 16 provides for a practical solution under which non-lease components need not be separated from lease components, and instead lessees may account for every lease component and all associated non-lease components as one single lease component. The Group has elected to use this practical solution.

Marketing

Expenses for advertising and other marketing activities are charged to expense as they arise.

Employee benefits
Payments to employees in the form of salaries, bonuses, paid holidays, paid sick leave, etc. as well as pensions are recognised as they are accrued. With regard to pensions and other post-employment benefits, these are classified as defined contribution or defined benefit pension plans.

Defined contribution plans
For defined contribution plans, the company pays fixed contributions into a separate independent legal entity and has no obligation to pay additional fees. The Group's results are encumbered for costs as the benefits are accrued, which normally coincides with the moment when premiums are paid.

Defined benefit plans
For defined benefit pension plans, the cost of the pension benefits is established on the basis of the actuarial calculations according to what is referred to as the Projected Unit Credit Method. Revaluations, including actuarial gains and losses, effects of changes in the asset ceiling and the return on managed assets (excluding the interest component, which is recognised in the income statement) are recognised directly in the balance sheet as income or expenditure corresponding to the change in the statement of comprehensive income for the period in which they are incurred. Revaluations, which are recognised in other comprehensive income, affect the accumulated profit or loss and will not be reclassified to the income statement. Service costs from previous periods are recognised in the income statement in the period in which the plan is changed. The net interest rate is calculated by applying the discount rate at the beginning of the period to the defined benefit net liability or asset.

The defined benefit costs are divided into the following categories:
- Service costs (including service costs in the current period, service costs in previous periods and gains and losses relating to reductions and/or adjustments;
- Net interest cost or net interest income;
- Remeasurements;

The first two categories are recognised in the income statement as personnel costs (service cost) or net financial income/expense (net interest cost). Gains and losses relating to reductions and adjustments are recognised as service costs from previous periods. Revaluations are recognised in other comprehensive income.

The defined benefit pension liability that is recognised in the balance sheet corresponds to the current excess or deficit relating to the Group's defined benefit liabilities. Any surpluses are recognised only to the extent they correspond to the present value of future repayments from each pension plan or future reductions in premium payments to the plan.

Income tax
The tax cost in the income statement is made up of the total of current tax and deferred tax. Current and deferred tax is recognised as a cost or as income in the income statement, except when the tax is attributable to transactions that are recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity.

Current tax
Current tax is calculated on the taxable result for the period. The taxable result differs from the reported result in the income statement since it has been adjusted for non-taxable income and non-deductible costs as well as for income and costs that are taxable or deductible in other periods. The Group's current tax liabilities are calculated at the tax rates that have been enacted or announced as at the balance sheet date.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base value used in the calculation of the taxable result. Deferred tax is reported using what is referred to as the balance sheet method. Deferred tax liabilities are recognised in principle for all taxable temporary differences and deferred tax assets are recognised in principle for all deductible temporary differences if it is likely that the amounts can be used against future taxable surpluses. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability (other than a business acquisition) and that, at the transaction date, affects neither the reported result nor the result for tax purposes.

The deferred tax liabilities are recognised for taxable temporary differences attributable to investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary differences and it is not likely that such a reversal will occur in the foreseeable future. The deferred tax assets that are attributable to deductible temporary differences in respect of such investments will only be reported if it is likely that the amounts can be used against future taxable surpluses and it is probable that such use will take place in the foreseeable future.

The carrying amount of deferred tax assets is tested at each closing date and reduced if it is no longer likely that sufficient taxable surpluses will be available to be used, in whole or in part, against the deferred tax asset.

The deferred tax is calculated according to the tax rates that are expected to apply to the period when the asset is recovered or the liability settled, based on tax rates (and tax laws) that have been decided or announced at the balance sheet date.

Deferred tax assets and tax liabilities are offset when they relate to income taxes charged by the same public authority and when the Group intends to settle the tax at a net amount.

Intangible assets

Separately acquired intangible assets
Goodwill and intangible assets with finite useful lives that are acquired separately are recognised at cost less accumulated amortisation and any accumulated impairment. Amortisation is done on a straight-line basis over the estimated useful life of the asset. Estimated useful lives and amortisation methods are reviewed at least at the end of each financial year and the effect of any changes in estimates are reported prospectively.

Internally generated intangible assets - Capitalised software development costs
Internally generated intangible assets deriving from the development of software by the Group are recognised only if the following conditions are met:
• it is technically feasible to complete the intangible asset and use or sell it;
• the company intends to complete the intangible asset and use or sell it;
• the conditions exist to use or sell the intangible asset;
• the company shows how the intangible asset will generate probable future economic benefits;
• there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
• the expenses attributable to the intangible asset during its development can be calculated reliably.

If it is not possible to recognise any internally generated intangible asset, the expenses for development are recognised as a cost in the period in which they are incurred.

After initial recognition, internally generated intangible assets are recognised at cost after deduction for accumulated amortisation and any accumulated impairment. The useful life of software is estimated to be 3-10 years.
The underlying operating group replaced all its IT systems in 2017, that is, before the acquisition of FNG Nordic AB, in a project that in 2017 was in its 3rd year. The useful life of some systems, such as the ERP system, is estimated to be at least 10 years because it involves a major, strategically important, long-term investment and is not intended to be replaced as frequently as other systems with shorter replacement intervals. The useful life of these parts has been determined as 10 years. Replacement of these components of the Group’s IT system is not planned for a period of 10 years.

Intangible assets acquired in business combinations
Intangible assets acquired in an acquisition of business are identified and recognised separately from goodwill when they meet the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets consists of their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in an acquisition of business are recognised at cost less accumulated amortisation and any accumulated impairment in the same way as for separately acquired intangible assets.

Customer relationships identified in connection with business combinations have an estimated anticipated useful life of 7 years and are amortised on a straight-line basis over this period. Amortisation of customer relationships is recognised as selling expense.

Brands with finite useful lives which are identified in connection with a business combination are amortised on a straight-line basis over 3 years. Amortisation of brands is recognised as cost of goods sold.

Brands with indefinite useful lives

Ellos
The Ellos brand has been in existence for more than 70 years, primarily in Sweden but also, through geographic expansion, in Norway, Finland, Denmark and, through partners, in the USA. The brand will continue to be used in a similar way and there are no plans for changes. The Ellos brand is used for establishment in new markets. Based on the progress of Ellos itself and market trends, it is highly likely that the brand will continue to exist for a very long time to come, which is why the brand has an indefinite useful life.

Jotex
The Jotex brand has been in existence for more than 55 years, primarily in Sweden but also, in recent years, in Norway, Finland and Denmark. The brand will continue to be used in a similar way and there are no plans for changes. Based on the progress of Jotex itself and market trends, it is highly likely that the brand will continue to exist for a very long time to come, which is why the brand has an indefinite useful life.

Homeroom
The Homeroom brand is a recently established brand that is expected to account for a large proportion of the Group in the future because of investments being made in this business. The Group plans to continue to invest in the Homeroom brand and the brand is estimated to have an indefinite useful life.

Retirements and disposals
An intangible fixed asset is derecognised from the statement of financial position in the event of retirement or sale or when no future economic benefits are anticipated from use or retirement/disposal of the asset. The gain or loss that occurs when an intangible asset is derecognised from the statement of financial position consists of the difference between the amount received from the sale and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised from the statement of financial position.

Property, plant and equipment
Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment.

Cost consists of the purchase price, expenses that are directly attributable to the asset in order to bring it to the location and condition for its intended use, and the estimated cost of dismantling and removing the asset and restoring the site where it is located. Additional costs are included only in the asset or are recognised as a separate asset when it is probable that any future economic benefits associated with the item will flow to the Group and that the cost of the item can be measured reliably. All other costs for repairs and maintenance and additional expenses are recognised in the income statement in the period in which they are incurred.

Depreciation is done on a straight-line basis over the estimated useful life of the asset

Estimated useful lives:	
Equipment, tools, fixtures and fittings	3-10 years
Right-of-use assets	2-13 years
Investments in leased property	20 years

Estimated useful lives, residual values and depreciation methods are reviewed at least at the end of each accounting period and the effect of any changes in estimates are reported prospectively.

The carrying amount of property, plant and equipment is derecognised from the statement of financial position in the event of retirement or disposal or when no future economic benefits are expected from use or retirement/disposal of the asset. The gain or loss that occurs on retirement or disposal of the asses consists of the difference between any net income on disposal and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised from the statement of financial position.

Impairment of property, plant and equipment and intangible assets excluding goodwill
At each balance sheet date, the Group tests the carrying amounts of property, plant and equipment and intangible assets for indication of impairment of those assets. If this is the case, the recoverable value of the asset is estimated to enable the value of any impairment to be determined. Where it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value for the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets that are not yet ready for use are tested for impairment annually or whenever there is an indication of a reduction in value.

The recoverable value is the fair value less selling costs or its value in use, whichever is the higher. When calculating the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset.

If the recoverable value of an asset is determined to be less than the carrying amount, the carrying amount of the asset is written down to the recoverable value. An impairment loss is recognised in the income statement.

When an impairment loss is later reversed, the asset's carrying amount rises to the remeasured recoverable value, but the higher carrying amount must not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset in previous years. A reversal of an impairment loss is recognised directly in the income statement.

Financial instruments
A financial asset or financial liability is recognised in the balance sheet when the Group becomes party to the contractual terms of the instrument. A financial asset or part of a financial asset is derecognised from the balance sheet when the rights in the agreement are realised, expire or when the company loses control over it. A financial liability or part of a financial liability is derecognised from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. Financial assets and financial liabilities initially valued at fair value. Transaction costs directly attributable to acquisitions or issues of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or financial liabilities upon initial recognition.

Financial assets
All recognised financial assets are measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group only has instruments measured at amortised cost and financial liabilities/assets measured at fair value through profit or loss (derivatives not used for hedge accounting). Classification of financial assets is based partly on the financial asset’s contractual cash flow characteristics and partly on the company’s business model. In order for a financial asset to be recognised at amortised cost upon initial recognition, it must give rise to cash flows that are solely payments of principal and interest and the Group sole objective of the holding is to collect such cash flows.

Financial liabilities

All the Group’s financial liabilities are measured at amortised cost using the effective interest rate method, except for derivatives that are not held for hedge accounting, which are recognised at fair value through profit or loss.

To summarise, at initial recognition a financial asset or a financial liability is classified in one of the following categories for subsequent measurement:

Financial assets at accrued acquisition value
- Other receivables at accrued acquisition value
- Cash and cash equivalents

Financial assets at fair value
- Trade receivables
- Derivatives
  - Currency forwards used for hedging purposes
  - Currency forwards not used for hedging purposes

Liabilities at amortised cost
- Trade payables and other liabilities
- Borrowings

Financial liabilities at fair value
- Derivatives
  - Currency forwards used for hedging purposes
  - Currency forwards not used for hedging purposes

Currency forwards not used for hedging purposes are held to reduce currency risk in intra-Group flows.

Amortised cost

Amortised cost is the amount at which the asset or liability is initially recognised less repayments and after adjustment for accruals and deferrals according to the effective interest rate method of the initial difference between the received/paid amount and the amount to pay/receive at maturity and less impairment.

The effective interest rate is the rate that, discounting all expected future cash flows over the expected term, results in the initial carrying value of the financial asset or financial liability.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and recognised at a net amount in the balance sheet when there is a legal right to offset and when there is an intention to settle the items at a net amount or to realise the asset at the same time and settle the debt.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. Cash at bank and in hand are classified as financial assets at amortised cost.

Trade receivables

Trade receivables are classified as "Financial assets at fair value". However, trade receivables have a short anticipated maturity and are consequently recognised at the nominal amount. Deductions are made for expected credit losses. The amounts of expected credit losses are updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. The Group always recognises expected credit losses for the remaining maturity of trade receivables and contract assets according to the simplified model, see Note 21 for further information. Impairment of trade receivables is reported in the income statement.

Trade payables

Trade payables are classified as “Liabilities at amortised cost". However, trade payables have short anticipated maturity and the liability is consequently recognised at the nominal amount without discounting.

Borrowings

Borrowings are classified as ”Liabilities at amortised cost". Any differences between the received loan amount (net of transaction costs) and repayment or repayment by instalments of loans is recognised over the term of the loans using the effective interest rate method.

Derivatives

The Group enters into derivatives transactions in order to manage currency risks. The Group applies hedge accounting where possible and the derivative instruments are therefore classified as “Derivatives - Currency forwards used for hedging purposes” and “Currency forwards not used for hedging purposes”. Derivative instruments with a positive fair value are reported as assets and derivative instruments with a negative fair value are reported as liabilities. Changes in value of derivative instruments not held for hedging purposes are recognised either in net financial income and expense or in the operating result, depending on the purpose of the instrument.

Unrealised changes in value of derivative instruments that are designated as a cash flow hedge are recognised to the extent that they are very effective in other comprehensive income and the accumulated value changes in the hedging reserve in equity. When the forecast transaction occurs (e.g. a secured forecast sale), the accumulated value changes recognised in the hedging reserve are transferred from equity to the income statement.

Hedge accounting ceases when the hedge no longer meets the criteria for hedge accounting, the Group revokes the designation, the forecast transaction is no longer expected to occur or the hedging instrument expires or is sold, terminated or exercised. The value changes are recognised in the hedging reserve in equity until the forecast transaction affects the income statement or is no longer expected to occur. The changes in value are then transferred to the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs necessary to make the sale. When calculating net realisable value, an assessment is made of the price at which it is possible to sell current inventories. If the net realisable value is less than the carrying amount, an impairment loss is recognised based on the estimated net realisable value. Cost is determined using the first-in, first-out (FIFO) method, in which a weighted average is calculated for every delivery.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount of the provision represents the best estimate of the expenditure required to settle the present obligation as at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the expenditures expected to be required to settle the obligation, the recognised value shall be equal to the present value of these payments.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset in the statement of financial position when it is virtually certain that reimbursement will be received if the company settles the obligation and the amount can be reliably estimated.

Parent Company’s accounting policies

Amendments to RFR 2 not yet effective

Management considers that other amendments to RFR 2 that have not yet entered into force are not expected to have a significant effect on the Parent Company’s financial statements at initial application.

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board’s recommendation RFR 2 Accounting for Legal Entities. Application of RFR 2 means that the Parent Company must, as far as possible, apply all IFRS adopted by the EU within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and consider the relationship between accounting and taxation. The accounting policies are unchanged compared with the previous year. The differences between the Parent Company’s and the Group's accounting policies are described below:

Classification and presentation types

The Parent Company’s income statement and balance sheet are presented in accordance with the Swedish Annual Accounts Act. The difference compared with IAS 1 Presentation of Financial Statements which is applied to the presentation of the Group's financial statements is primarily recognition of financial income and expense, non-current assets, equity and the presentation of provisions under a separate heading.

Subsidiaries

Investments in subsidiaries are recognised at cost in the Parent Company's financial statements. Acquisition-related costs for subsidiaries, which are recognised as expense in the consolidated financial statements, are included as part of the cost of investments in subsidiaries in the Parent Company.

Taxes

Untaxed reserves, including deferred tax liabilities, are recognised in the Parent Company. In the consolidated financial statements untaxed reserves are divided between deferred tax liability and equity.

Financial instruments

The Parent Company does not apply IFRS 9 Financial Instruments. The Parent Company applies a method based on cost in accordance with the Swedish Annual Accounts Act. This means that non-current financial assets are measured at cost less any impairment and current financial assets according to the lower of cost or market. Financial liabilities are measured at amortised cost using the effective interest method. The principles for recognition and derecognition of financial instruments as well as impairment of financial assets correspond to those applied to the consolidated financial statements, as described above.

Note 3 Significant estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Company's executive management and Board to make estimates and judgements, and also to make assumptions that affect the application of the accounting policies and the recognised assets, liabilities, income and expenses. The estimates are based on historical experience and assumptions which in the circumstances are considered to be reasonable and realistic. The results of these estimates and judgements are used to determine the recognised values of assets and liabilities that it is not possible to determine from other sources. The fair value may differ from these estimates and judgements. Listed below are the key assumptions, judgements and estimates made as at the balance sheet date and deemed to have the most significant impact on the Group’s position and results.

Estimates used in the preparation of the financial statements

Value of trademarks and goodwill

Acquired trademarks and goodwill are recognised as intangible assets. Intangible assets with indefinite useful lives are tested for impairment annually or whenever there is an indication of impairment. Impairment testing requires an estimate of parameters that affect future cash flows. The assumptions that mainly affect the recoverable value are the assumptions regarding changes in volume, profit margin and discount rates. If future events and circumstances change, the assumptions may be affected so that the recognised value of intangible assets changes. Note 15 contains information about the estimates made and the parameters used for calculation of recoverable value. The recognised value of the Group’s trademarks with indefinite useful lives, which were calculated in connection with FNG Nordic’s acquisition of Ellos Group, amounted to SEK 445 million, while goodwill totalled SEK 661 million. No impairment was recognised in the financial year.

Value of customer relationships

Acquired customer relationships are recognised as an intangible asset. This asset is amortised over its expected useful life. Impairment testing is performed on each balance sheet date to determine whether there is any indication of impairment. If there is, the asset's recoverable amount must be calculated. Any impairment is recognised in the income statement. The assumptions that mainly affect the recoverable value are the assumptions regarding changes in volume, profit margin or customer mobility. If future events and circumstances change, the assumptions may be affected so that the recognised value of intangible assets changes. The Group’s customer relationships were recognised in the amount of SEK 654 million. During the year, amortisation amounted to SEK 8 million while the Group acquired customer relationships of SEK 663 million. The useful life of customer relationships is estimated at 7 years. This assumption is based on historical information about how long a customer on average remains with Ellos, Jotex, Stayhard and Homeroom. Useful life is reviewed at least annually, based on new and updated information about customer behaviour and loyalty. If the useful life is changed, the depreciation charge will either increase or decrease. A reduction of one year in the useful life will have an impact on the depreciation charge of SEK 16 million per year.

Pension obligations

The value of pension obligations in respect of defined benefit plans is determined using actuarial estimates and is based on assumptions regarding discount rate, expected returns on plan assets, future salary increases, inflation and demographic circumstances. Any changes to these assumptions will impact the estimated value of the pension obligations.

The most significant assumption, the discount rate, is based on the market rate of return on high quality corporate bonds with maturities corresponding to the pension obligations. In both Sweden and Norway, the Group has determined that mortgage bonds are comparable to high-quality corporate bonds, which is why a selection of AAA and AA-rated mortgage bonds are used. A lower discount rate increases the present value of the pension obligations and their costs, while a higher discount rate has the opposite effect. Should changes occur in market conditions and financial circumstances, the underlying assumptions may differ from actual developments and may lead to significant changes to the provisions for pensions and similar obligations. The defined benefit plans net of any plan assets are recognised under Provisions for pensions. For further information, see Note 31 Employee Benefits.

Assumptions used in applying the Group's accounting policies

Sales of invoice and instalment plan receivables

Ellos Group has entered into an agreement with Resurs Bank AB regarding the sale of the Group's invoice and instalment plan receivables for the brands Ellos and Jotex. In connection with the inception of the agreement in 2013, Resurs Bank AB acquired Ellos Group's outstanding healthy receivables (i.e. receivables not transferred to collection agencies), while simultaneously committing to continuously acquire all new invoice and instalment plan receivables for the brands Ellos and Jotex arising in the Group's e-commerce operations. Ellos Group sells invoice and partial payment receivables that arise on a daily basis at the nominal value. Ellos Group received payment from Resurs immediately when the credit portfolio was sold in 2013 and Ellos Group receives payment daily for new receivables sold. These transactions are regarded as separate cash flows which we judge to be identifiable. Our judgement is that all significant risks and rewards associated with the receivables are transferred from the Ellos Group to Resurs Bank AB, which is why the Group has determined that the conditions for not recognising invoice and instalment plan receivables in the balance sheet have been met.

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Note 4 Financial risk management and financial instruments

Financial risk management

The Group's business activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity and financing risk. The Group's financial policy describes how to manage these financial risks.

The financial policy is seen as tool for monitoring financial operations and establishes the framework within which the Group operates. It is reviewed annually and approved by the Board of Directors. The overarching objective is to limit the financial volatility in the income statement and balance sheet, to protect financial assets and future cash flows and to optimise the Group's financing and meet any requirements in financing agreements.

The financial policy refers to four decision-making levels: the Group's Board of Directors, the CEO, the CFO and the Group's Treasurer. The Group's Board of Directors approves policy and guarantees of more than SEK 5 million, is responsible for medium-term to long-term financing and is responsible for upholding covenants. Otherwise the Board of Directors delegates management of financial risks to the CEO, who is responsible for reporting deviations from policy to the Board of Directors. The CEO approves guarantees of up to SEK 5 million. Management of other financial risks is delegated to the CFO, who approves banks and supervises the Treasury function. The CFO delegates management of other financial risks to the Group Treasurer. The Treasurer identifies and analyses risks and proposes measures to limit risks to the finance committee (this comprises the CFO, Group Treasurer, Chief Accountant and, if necessary, an external treasury expert, who meet once a month). The treasury function acts on these decisions, operating within the framework of policy, and ensures that financial and commercial risks are limited in close cooperation with the Group's operating entities and subject to approval from the Group's CFO.

Currency risk

The Group conducts business in the Nordic countries and carries out purchasing in Asia and Europe and is therefore exposed to currency risk, both via transactions in foreign currency (transaction exposure) and via translation of foreign subsidiaries' income statements and balance sheets to Swedish krona (translation exposure). According to this policy, currency flows in operating activities are hedged using currency forwards.
Today 70-100% of forecast flows are hedged using forward contracts with bank.

Cash flows in foreign currency	**26 Nov 2019 - 31 Dec 2019**	
	Outflow SEK thousand	Inflow SEK thousand
Currency		
USD	34 714	3 116
EUR	17 074	41 968
NOK	2 186	40 019
DKK	544	21 955
Other Import currencies	407	0
Total	**54 925**	**107 058**

The table shows the Group's purchasing in foreign currency and the Group's sales of goods and services in currencies other than SEK.

Commercial transaction exposure

The Swedish operations import the majority of goods sold in the Group. The principal currency used for imports USD. Goods and services are sold from the Swedish operations to the companies in the Group and invoices are raised in the recipients functional currencies: SEK, NOK, DKK and EUR. Sales to customers by the companies in the Group are denominated in local currencies and result in the foreign subsidiaries handling substantial amounts of both income and expenses in local currencies, thus creating a kind of natural hedge. Transaction exposure and hedging activities in the Group are thus concentrated in a handful of companies in the Group.

According to the Group's financial policy, transaction exposure should be reduced through the use of derivative instruments. The Group's policy is to hedge 70-100% of the projected cash flows. The Board of Directors has taken a decision on hedge accounting. The value of currency forwards at year-end was SEK -1.2 million.

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Financial transaction exposure
The Group's cash and cash equivalents in foreign currency are hedged in accordance with the financial policy. The nominal amounts are denominated in SEK, NOK, DKK and EUR and are held in a Nordic cash pool. This financial transaction exposure is fully hedged using currency swaps. The hedge means the impact of currency fluctuations on the consolidated income statement is minimised.

Sensitivity analysis
The Group's sensitivity to exchange rate changes is shown in the table below. The analysis is based on currency exposure as at the balance sheet day 2019, that is the net amount of all assets and liabilities in the respective currencies. In the column "before hedging" we show the impact on results of a hypothetical +10% change in the Swedish krona without hedging and with items measured at the exchange rate on the balance sheet day. "After hedging" shows the impact on results if items are measured at current forward rates and the estimated hedging level is 80%. The calculation is based on the assumption that all other factors impacting results are unchanged.

A significant proportion of the Group's income and costs are generated in foreign currencies, resulting in currency risk. These future financial instruments occur mainly in trade receivables and trade payables, which is the outcome of the flows shown in the table below.

Impact on results before tax

	2019	
Estimated impact on operating profit/loss of +10% change in SEK against the currencies listed below	Before hedging SEK thousand	After hedging SEK thousand
USD	-2 203	-445
EUR	1 741	355
NOK	2 279	468
DKK	1 074	214
HKD	-459	-92
Other currencies	-11	-2
	2 421	497

Hedging is used for a very large proportion of financial instruments. A change of + 10% in the SEK exchange rate has an impact on profit/loss before tax of SEK 2.4 million based on translation of trade payables and external and internal trade receivables in foreign currency as at the balance sheet date, while the corresponding calculation after hedging results in an impact on profit/loss before tax of SEK 0.5 million, based on a hedging level of 80%.

Translation exposure
The Group's subsidiaries outside Sweden have net assets in functional currencies that are different from the Group's presentation currency, which is SEK. When these companies' income statements and balance sheets are translated into SEK, this results in translation differences which are reported in other comprehensive income. Translation differences resulting from net investments in foreign currency are not hedged but in accordance with the financial policy are monitored and calculated on a regular basis in order to enable the Group to assess the impact on its results and financial position. The impact on other comprehensive income of translation of the net assets of foreign subsidiaries to SEK amounted to SEK 0.7 million in the financial year.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments, interest-bearing assets and liabilities and income, costs and cash flows will change as a result of changes in the market rate. Toe ensure effective and good risk control, borrowing is handled centrally by the Group's Treasury function. The Group is exposed to interest rate risk through interest-bearing loans, which are one of the Group's sources of financing in addition to equity and cash flow from operating activities. Interest-bearing borrowing primarily comprises a 5-year bond of SEK 1,500 million and revolving credit of SEK 350 million, all of which carry a variable interest rate.

The Group's customers can choose between different payment solutions. When partial payment or invoicing solutions are used, they result in the creation of trade receivables, which are sold to Resurs Bank AB at the nominal amount on a daily basis. Depending on how customers choose to make payments, an additional purchase consideration may subsequently arise which is recognised in net sales. Income from these payment solutions is associated with risks. Because some of the income from Resurs Bank is variable and depends on all aspects of the transactions, Ellos Group is indirectly exposed to risks associated with granting of credit, such as customers' ability to pay and the interest rate risk associated with financing costs.

Interest rate exposure
The average fixed rate term for the Group's external loans at the end of 2019 was 3 months. If interest rates were to rise by one percentage point in all countries in which the Group has borrowings or investments, the hypothetical effect on the total amount of net financial income and expense would be around SEK -15 million before tax. The Group has a 5-year bond of SEK 1,500 million with a coupon of 3-month stibor + 6.75% and a revolving credit, unused as at the balance sheet date, of SEK 350 million and carrying a variable rate of 3-month stibor + 2.15-2.75%.

Credit risk
Credit risk refers to the risk that the counterparty in a transaction causes the Group a loss by not fulfilling their contractual obligations.

Credit exposure
Most of the Group's credit risk refers to trade receivables and active measures are taken to limit this risk. In order for a customer to be approved, they must pass a credit risk assessment. Customers are assessed on their current financial situation, previous credit history and other relevant factors. The majority of receivables are distributed among a large number of private individuals with a large geographical spread and few corporate customers, which limits concentration of credit risk. As at 31 December 2019, none of the Group's corporate customers accounted for more than 1.0% of outstanding trade receivables as at the balance sheet day. Also see Note 21 for age distribution of trade receivables and additional information about the Group's management of credit risk.

The credit quality of financial assets not past due or impaired as at the balance sheet date is assessed to be good.

The Group's maximum exposure to credit risk is deemed to correspond to the reported values of all financial assets and is shown in the table below.

	Group **2019-12-31**	**Parent Company** **2019-12-31**
Trade receivables and Contract assets	95 532	1 477
Derivatives with positive market values	16 968	0
Other assets	3 353	0
Receivables from Group companies	7 677	456 305
Cash and cash equivalents	272 039	800
Maximum exposure to credit risk	**395 569**	**458 582**

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Counterparty credit exposure
Counterparty credit exposure refers to the Group's transactions with external parties relating to bank accounts, financing commitments and financial derivatives and the underlying risk that such a party might default on its contractual obligations. Under the financial policy, the Group has a list of approved counterparties and maximal exposure in respect of each approved counterparty. Approved counterparties must have a minimum credit rating of A-/A2 as assessed by Fitch, Standard & Poor's or Moody's. Exceptions may be made for local banks subject to approval from the CFO. Credit loss provisions relating to cash and cash equivalents are calculated using the general model based on probability of default based on the counterparty's rating and exposure on the balance sheet date. Because of short maturities and highly rated counterparties, the amount is entirely insignificant.

Liquidity and financing risk
Liquidity risk refers to the risk that the Group will not be able to meet its obligations relating to the Group's financial liabilities. Financing risk refers to the risk that the Group is unable to raise sufficient financing at a reasonable cost.

In accordance with its financial policy, the Group is continuously monitoring forecast for cash flows and liquidity reserves in order to ensure the Group has sufficient cash assets to meet the needs of operating activities and to cover interest payments and repayments. The forecasts are combined with business intelligence and various simulations and are reviewed both at management meetings and in regular communication with the Board of Directors. Necessary action is taken as needed. According to the financial policy, the liquidity reserve must correspond to at least 15 days of payments, corresponding to around SEK 132 million.

In order to reduce the liquidity risk and financing risk, the Group has a working capital finance agreement with an external bank. The agreement includes SEK 350 million of binding revolving credit. The agreement was signed on 26 November 2019 and is for a term of 4 years. The revolving credit facility also includes bank guarantees totalling SEK 53.6 million. Total used revolving credit (excluding bank guarantees) as at the balance sheet date amounted to SEK 0.0 million. The Group has covenants linked to the financing agreement relating to debt/equity ratio and cash. For more information about covenants, see section "Interest-bearing liabilities".

The Group is actively working to safeguard an efficient cash management structure, for instance through so-called cash pools. Cash and cash equivalents and unused credit facilities are used to secure liquidity reserves. At the end of 2019, the Group had unused credit facilities of SEK 296.4 million and cash and cash equivalents of SEK million 272.0 million. The Group's cash and cash equivalents must be placed in bank accounts or highly liquid interest-bearing instruments. Surplus cash and cash equivalents in subsidiaries are appropriated by the Group's Treasury function to ensure compliance with the policy recommendations. By ensuring access to guaranteed, long-term credit facilities and by using different maturities and sources of financing in its borrowing, the Group seeks to avoid high financing costs and difficulties with regard to refinancing. For more information about the Group's borrowing, see Note 28 and Note 29. Net outflows are managed through inflows from customers.

Capital structure and capital management
The Group's objective is to have a capital structure (equity and liabilities) that safeguards the long-term future of the business and generates returns for shareholders and benefit for other stakeholders. This is achieved by means of equity and the Group's SEK 350 million financing agreement with an external bank and a bond of SEK 1,500 million. The Group continuously monitors net debt, which is defined as interest-bearing liabilities, excluding pension liabilities and lease liabilities, less cash and cash equivalents and other interest-bearing assets. The financing agreement is due for payment 4-4.5 years from the balance sheet date and the Group's forecast future cash flows are expected to be sufficient to cover this obligation. The Group cooperates with several of the leading banks in the Nordic region in order to safeguard a long-term capital structure.

The table below shows the maturities of the Group's financial liabilities. The amounts shown in the table are contractual, non-discounted cash flows including interest and repayments. In the table, the interest rate levels on the balance sheet date was also used for assumptions regarding future interest payments. All cash flows in foreign currencies were translated to SEK at the exchange rate on the balance sheet date.

31 December 2019	Within 3 months	3-12 months	1-3 years	4-5 years	Total
Interest-bearing liabilities	25 313	75 938	303 750	1 575 938	1 980 938
Recognised negative derivatives, inflow	4 951	1 428			6 379
Recognised negative derivatives, outflow	155	11 612			11 767
Other financial liabilities	551 674				551 674
	582 093	**88 978**	**303 750**	**1 575 938**	**2 550 758**

Interest-bearing liabilities

The Group's interest-bearing liabilities comprise a bond issue and a revolving credit facility and totalled SEK 1,500 million at year-end. The bond and revolving credit carry a variable interest rate. The breakdown is described in the table below.

Maturity	Type of loan	Currency	Nominal amount (in currency)	Nominal amount (SEK thousand)	Carrying amount 2019 SEK
Long-term borrowings					
2019-2024	Bond	SEK	1 500 000	1 500 000	1 443 502
Total				1 500 000	1 443 502
Short-term borrowings					
2019-2023	Revolving credit	SEK	0	0	0
2019-2023	Revolving credit	NOK	0	0	0
2019-2023	Revolving credit	DKK	0	0	0
2019-2023	Revolving credit	EUR	0	0	0
Total			0	0	0
Total borrowings				**1 500 000**	**1 443 502**

The amounts in the table refer to both bond and revolving credit facilities included in bank agreements for 2019. The average weighted interest rate at the end of 2019 was 6.0%. The Group's financing agreement contain requirements for two specified financial performance measures (covenants). These performance measures are: Debt/equity ratio and Cash (see Definitions in Note 37). Management and the Board of Directors continuously monitor the Group's projected performance in relation to covenant thresholds and ensure that the Group meets its obligations towards external creditors. These covenants are reported quarterly and were first reported in February 2020 for the period ended 31 December 2019.

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Financial instruments

Financial instruments recognised as financial assets and financial liabilities

Derivatives

At the end of the financial year, the Group had currency forwards as set out below. These were recognised at fair value in the consolidated statement of financial position. The table below shows the carrying amounts and a sensitivity analysis, together with the effect of a 10% change in the respective currencies in SEK.

	Net amount in the respective currencies (thousand)	Carrying amount SEK thousand	+10% effect in SEK thousand
EUR	-28 700	-299 823	-29 982
USD	50 850	472 868	47 287
HKD	15 165	18 111	1 811
NOK	-351 750	-372 540	-37 254
DKK	-121 900	-170 443	-17 044
GBP	1 332	16 355	1 636
PLN	115	282	28
Total		**-351 827**	**-35 182**
Tax effect 21.4%			**7 529**

A negative amount represents a hedged inflow and a positive amount a hedged outflow. All currency forwards will mature in 2020. The Group has no interest rate derivatives.

Fair value of assets and liabilities

The carrying amount of interest-bearing assets and liabilities may differ from their fair value, partly as a result of changes in market rates. However, the Group's assessment is that the interest rate for interest-bearing liabilities was in line with market rates as at 31 December 2019 and that the fair value as at the balance sheet date therefore corresponded to the nominal amount.

For financial instruments such as trade payables and other non-interest-bearing financial assets and liabilities, which are recognised at amortised cost loss any impairment, this amount is estimated to correspond to the fair value, which coincides with the carrying amount due to short maturities.

The Group's derivatives instruments and trade receivables were recognised at fair value in the consolidated statement of financial position, were measured according to Level 2 in the IFRS 13 fair value hierarchy.

The Group has the following financial instruments

Carrying amounts of financial assets and financial liabilities by measurement category in accordance with IFRS 9 are presented in the table below.

	Group 2019-12-31	Parent Company 2019-12-31
Financial assets at amortised cost		
- other assets measured at amortised cost	3 353	456 305
- cash and cash equivalents	272 039	800
Financial assets at fair value		
- trade receivables and contract assets	95 532	1 477
- derivatives:		
- currency forwards used for hedging purposes	13 620	0
- currency forwards not used for hedging purposes	3 348	0
Total financial assets	**387 893**	**458 582**

Currency forwards not used for hedging purposes are held to reduce currency risk in intra-Group flows.

Liabilities at amortised cost		
- trade payables and other liabilities	551 674	81 835
- borrowings	1 443 502	1 443 502
Financial assets at fair value		
- derivatives:		
- currency forwards used for hedging purposes	13 223	0
- currency forwards not used for hedging purposes	4 923	0
Total financial liabilities	**2 013 323**	**1 525 337**

Currency forwards not used for hedging purposes are held to reduce currency risk in intra-Group flows.

The measurement categories above have not been reclassified during the period.

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Net gains/losses on financial assets and financial liabilities by measurement category in accordance with IFRS 9 are presented in the table below.

	Group 26 Nov 2019 - 31 Dec 2019
Fair value via the income statement:	
Interest income from trade receivables and contract assets	453
Remeasurement of trade receivables and contract assets	179
Interest expenses on trade payables and other liabilities	-24
Interest expense on borrowings	-8 736
Interest income for derivatives used for hedging purposes	834
Interest income for derivatives not used for hedging purposes	305
Net gain/loss	**-6 988**

Financial assets and financial liabilities measured at fair value in the balance sheet are classified into one of three levels based on the information used to determine the fair value. The tables below show the Group's classification of financial assets and financial liabilities at fair value. There have been no significant transfers between levels during the periods.

Currency forwards
Currency forwards are measured on the basis of observable information regarding currency rates and market interest rates as at the balance sheet date for the remaining term (that is, discounted cash flows).

Financial assets and financial liabilities measured at fair value in the balance sheet are categorised according to the three-level fair value hierarchy in IFRS 13 (Level 1, 2 or 3). Measurement of all currency derivatives is categorised in Level 2.

Hedge accounting and derivatives
The Group is exposed to currency risk in its operations associated with purchasing and sales denominated in foreign currency. This risk is managed through the use of currency forwards.

Currency forwards are the designated hedging instruments in cash flow hedging relating to projected purchasing and sales denominated in EUR, NOK, DKK, USD, HKD, GBP and PLN.

The Group's outstanding currency forwards for purchasing and sales by currency and maturity

Currency forwards			**Maturity**			
2019-12-31	**-1 month**	**1-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**TOTAL**
EUR (nom. amount)	-4 000 000	-3 010 000	-7 590 000	-2 700 000	-11 400 000	-28 700 000
EUR (average	-10,4522	-10,5247	-10,6586	-10,8267	-10,7625	
NOK (nom. amount)	-15 300 000	-55 420 000	-106 880 000	-59 100 000	-115 050 000	-351 750 000
NOK (average forward rate)	-1,0301	-1,0731	-1,0744	-1,0505	-1,0424	
DKK (nom. amount)	-12 000 000	-16 480 000	-35 520 000	-14 100 000	-43 800 000	-121 900 000
forward rate)	1,4004	-1,4139	-1,4308	-1,4456	-1,4456	
USD (nom. amount)	8 120 000	12 970 000	5 400 000	21 465 000	2 895 000	50 850 000
USD (average	-9,2428	-9,2535	-9,3088	-9,5737	-9,4840	
HKD (nom. amount)	5 930 000	3 310 000	2 000 000	3 125 000	800 000	15 165 000
HKD (average forward rate)	-1,1951	-1,1798	-1,1586	-1,2236	-1,2225	
PLN (nom. amount)		115 000				115 000
PLN (average		2,3919				
GBP (nom. amount)	90 000	42 000				132 000
GBP (average forward rate)	12,3422	12,0927				

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Effect of hedging instrument on consolidated balance sheet:

	Nominal amount SEK	Carrying amount	Line in balance sheet	Change in fair value of derivative instrument in the period for measurement of ineffectiveness
As at 31 December 2019				
Currency forwards with positive/negative value		-1 178	Derivative instruments	-20 499

Effect of hedged item on consolidated balance sheet:

	Change in fair value for measurement of ineffectiveness	Hedging reserve
As at 31 December 2019		
Very probable projected sale/purchasing	-20 499	-15 578

Effect of cash flow hedges on income statement and other comprehensive income:

	Hedging gains/losses recognised in other comprehensive income	Ineffectiveness reported in income statement	Line in income statement	Amount re-classified from other comprehensive income to income statement	Line in income statement
2019					
Very probable projected sale/cost of goods sold	-20 499	-	-	679	Sales/Cost of goods sold

Offsetting information
The Group has no netted balance sheet items. The Group has ISDA netting agreement with derivatives counterparties. The amounts not offset but which are covered by these general agreements are shown below.

2019-12-31	**Amounts recognised in balance sheet**	**Financial instruments**	**Net amount**
Assets			
Recognised positive derivatives	16 968	-18 146	-1 178
Liabilities			
Recognised negative derivatives	18 146	-18 146	0
Total	35 114	-36 292	-1 178

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Note 5 Revenue

Net Sales

Below follows the analysis of Group's distribution of net sales.

Distribution of net sales	**26 Nov 2019 - 31 Dec 2019**
Revenue from agreements with customers	233 969
Additional purchase price Resurs bank	28 228
Total	**262 197**

Information about geographical areas

The Group operates in four main geographical areas - Sweden (registered office), Norway, Finland and Denmark.

Below is a breakdown of the Group's revenue from sales to external customers based on the location of the customer.

Revenue from external customers by geographical market	**26 Nov 2019 - 31 Dec 2019**
Sweden	154 742
Norway	40 875
Finland	44 174
Denmark	21 957
Other	449
Total	**262 197**

Below is a breakdown of the Group's non-current assets (excluding financial instruments and deferred tax assets, including right-of-use assets) by geographical market.

Non-current assets by geographical market	**2019-12-31**
Sweden	817 188
Total	**817 188**

The Group’s intangible assets, goodwill, trademarks and customer relationships are not included in non-current assets by country because these are not allocated by country.

Information about major customers

The Group has no single customer that accounts for 10% or more of consolidated revenues.

Parent Company

The Parent Company’s income comprises administration and management services for the companies in the All of the Parent Company’s income is generated within the Group.

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Note 6 Other revenue

	Group 26 Nov 2019 - 31 Dec 2019
Rental income	341
Royalties	2 983
Other	5 467
Total	**8 791**

Note 7 Disclosure of auditor's remuneration and expenses

	Group 26 Nov 2019 - 31 Dec 2019	Parent Company 12 Oct 2018 - 31 Dec 2019
EY		
audit assignment	83	150
audit work other than audit assignment	0	0
Total	**83**	**150**

Note 8 Leasing

The Group is the lessee in leases relating mostly to offices, warehouses and a number of small retail premises. With regard to premises, recognised lease liabilities primarily comprise leased premises for the head office and two warehouses in Borås. These three leases have lease terms until 2029-2032. There is an option to extend the leases for these premises. Under the terms and conditions of the leases, the lease will be extended by a period of between 3-5 years unless notice of termination of the lease is given by either party 24-36 months before the end of the lease term.

When the Group enters into a lease, an assessment is made as to whether it is reasonably certain that the option to extend will be exercised. The Group has not included any options in recognised lease liabilities because it has concluded that it is not reasonably certain that these options will be exercised. Reassessment will take place if a significant event occurs which is within the control of the Group. However, the lease will be extended not later than at the time of automatic extension of the lease (unless either party has given notice of termination of the lease).

No percentage rent is used for retail premises.

Leases according to IFRS 16	**Group**
Right-of-use assets	**Buildings**
Cost	**2019-12-31**
Opening balance as at 26 November 2019	0
Additional right-of-use assets following acquisition of line of business	488 110
Additional right-of-use assets	117 904
Total cost as at 31 December 2019	**606 014**
Accumulated depreciation	
Opening balance as at 26 November 2019	0
Depreciation for the year	-4 850
Total accumulated depreciation	**-4 850**
Carrying amount as at 31 December 2019	**601 163**

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Income and costs recognised for leases	**Group 26 Nov 2019 - 31 Dec 2019**
Income from subletting	341
Lease costs:	
Short-term leases	112
Leases of assets of low value	30
Depreciation/amortisation of right-of-use assets	4850
Lease costs in operating profit/loss	4 992
Interest costs on lease liabilities	1 278

Maturity analysis lease liabilities

	Group 2019-12-31
Within one year	51 485
Between 1 and 3 years	259 823
Later than 5 years	279 656
Total	**590 964**

Note 9 Costs by category of cost

	Group 26 Nov 2019 - 31 Dec 2019	**Parent Company 12 Oct 2018 - 31 Dec 2019**
Goods for resale	120 103	0
Costs of employee benefits (Note 11)	26 134	464
Depreciation/amortisation and impairment (Note 15, 16, 17, 18)	12 216	0
Costs of operating leases (Note 8)	4 992	0
Restructuring costs (Note 32)	353	0
Marketing costs	32 048	0
Shipping and packaging	4 983	0
Shipping costs	24 471	0
Other costs	73 878	4 379
Total cost of goods sold, sales and administration	**299 178**	**4 843**

Note 10 Depreciation/amortisation and impairment by function

	Group 26 Nov 2019 - 31 Dec 2019
Cost of goods sold	3 913
Selling costs	9 702
Administrative costs	3 451
Total depreciation/amortisation and impairment	**17 066**

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Note 11 Number of employees, salaries, other remuneration and social security costs

Average number of employees	2019 Number employees	Of which number of men
Parent Company		
Sweden	2	2
Total in Parent Company	**2**	**2**
Subsidiaries		
Sweden	515	192
Total in subsidiary	**515**	**192**
Total in Group	**517**	**194**

Breakdown of senior executives as at balance sheet date	Group 2019-12-31	Parent Company 2019-12-31
Women:		
directors	1	1
other management roles including CEOs	3	0
Men:		
directors	2	2
other management roles including CEOs	4	0
Total	**10**	**3**

Salaries, remuneration, etc.	2019 Salaries and other remuneration	Social sec. costs (of which pension costs)
The parent company	357	107 (-)
Subsidiaries	18 306	7 364 **(995)**
Group total	**18 663**	**7 471** (995)

Salaries and remuneration by country and divided between Board members, etc. and other employees	2019 The Board and CEO (of which bonuses etc.)	Other employees
Parent Company	**357** (-)	**0**
Subsidiaries		
Sweden	508	17 798
Total subsidiaries	**508** (-)	**17 798** (-)
Group total	**865**	**17 798**

Of the Group's pension costs, SEK 325,000 relate to the Board and CEOs.
Of the Group's recognised pension liability, SEK 124,000 relates to the Group’s CEOs.

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Remuneration of senior executives

Guidelines
Remuneration of the Chairman and Directors is determined by the Annual General Meeting. They are not paid for committee work.

The Annual General Meeting adopted the following guidelines for remuneration of management.

Remuneration of the executive directors and other senior executives consists of basic salary, variable remuneration, other benefits, pensions, financial instruments, etc. The other senior executives are the five people who, together with the CEOs of Ellos Group Holding AB and Jotex Sweden AB, Hans Ohlsson and Peter Keerberg, comprise the senior management of the Group. The senior management of the Group includes also the Board of Directors of the Parent Company. Hans Ohlsson is also the Group CEO.

The allocation of basic salary and variable remuneration should be commensurate with the executive's responsibility and authority. The variable remuneration for CEOs and senior executives is capped at 50% of basic salary. Variable compensation is based on performance in relation to individual targets.

Pension benefits and compensation in the form of financial instruments etc. and other benefits for executive directors and other senior executives are part of the total remuneration.

2019	Basic salary/ Board fee	Variable compensation	Other benefits	Pension costs	Total
Chairman of the Board Emmanuel Bracke	0	0	0	0	0
Board member Anja Maes	0	0	0	0	0
CEO Dieter Penninckx	0	0	0	0	0
Other senior executives (7 people)	484	0	23	376	883
Total	**484**	**0**	**23**	**376**	**883**

The Group CEO's retirement age is 65.
The retirement age of other senior executives varies between 62 and 68.
The company has a national pension plan, either via the ITP plan or through occupational pension insurance.

Severance pay
For the Group CEOs a notice period of 6 months applies, whether notice is given by the company or the CEO. Upon termination by the company, severance pay shall amount to 12 months’ salary. Severance pay is not deducted from other income. Upon termination by the Group CEO, no severance pay shall be paid.
For other senior executives, the period of notice of termination by the company is 6-9 months. Upon termination by the company, severance pay shall amount to 0-9 months’ salary. Severance pay is not deducted from other income. Upon termination by the senior executive, no severance pay shall be paid.

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Note 12 Agreed performance measures not defined according to IFRS

Adjusted EBITA	**Group**
	26 Nov 2019 - 31 Dec 2019
Operating profit/loss	**-28 190**
Amortisation of acquisition-related intangible assets	7 967
Non-recurring items	
Acquisitions costs relating to acquisition of line of business	56 486
Strategic costs	1 164
Adjusted EBITA	**37 427**

Adjusted EBITDA	**Group**
	26 Nov 2019 - 31 Dec 2019
Operating profit/loss	**-28 190**
Depreciation/amortisation and impairment	17 066
EBITDA	**-11 123**
Non-recurring items	
Acquisitions costs relating to acquisition of line of business	56 486
Strategic costs	1 164
Adjusted EBITDA	**46 528**

Net liabilities	**Group**
	2019-12-31
Interest-bearing liabilities, non-current 1)	1 443 502
Interest-bearing liabilities, current 2)	0
Cash and cash equivalents	-272 039
Net liabilities	**1 171 464**

1) excluding pension liabilities and lease liabilities
2) excluding lease liability

Operating cash flow	**Group**
	2019-12-31
Cash flow from operating activities	32 890
Cash flow from investing activities	-936 678
Operating cash flow	**-903 788**

Note 13 Financial income/expense

Financial income	**Group**	**Parent Company**
	26 Nov 2019 - 31 Dec 2019	**12 Oct 2018 - 31 Dec 2019**
Interest income	1 305	1 477
Exchange rate differences	0	26
Total	**1 305**	**1 502**

All interest income is attributable to financial assets at amortised cost.

Financial expense	**Group**	**Parent Company**
	26 Nov 2019 - 31 Dec 2019	**12 Oct 2018 - 31 Dec 2019**
Interest expense	10 093	44 156
Exchange rate differences	22	0
Other financial expenses	2 561	5 137
Total	**12 676**	**49 293**

All interest costs are attributable to financial liabilities valued at amortised cost. Other financial costs relate primarily to warranty costs and banking costs.

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Note 14 Income tax

Current tax

	Group 26 Nov 2019 - 31 Dec 2019	Parent Company 12 Oct 2018 - 31 Dec 2019
Tax on profit/loss for the year	12 146	0
Adjustments recognised in the current year relating to the tax of prior years.	0	0
Total	**12 146**	**0**

Deferred tax

	Group 26 Nov 2019 - 31 Dec 2019	Parent Company 12 Oct 2018 - 31 Dec 2019
Deferred tax attributable to temporary differences:		
Changes in untaxed reserves	5	0
Market valuation derivatives	-1 576	0
Depreciation customer relationships and trademarks	1 705	0
Pension costs	-11	0
Changes in unused loss carryforwards	2 061	0
Other, reversal of preliminarily recognised deferred tax as at Nov.	-28 179	0
Total	**-25 995**	**0**
Total tax	**-13 849**	**0**

Income tax in Sweden is calculated at 21.4% on taxable income for the year. Tax in other jurisdictions is calculated at the rate applicable for each jurisdiction. Below is a reconciliation between the carrying amount and the tax expense for the year:

Reconciliation of tax expense for the year

	Group 26 Nov 2019 - 31 Dec 2019	Parent Company 12 Oct 2018 - 31 Dec 2019
Profit/loss before tax	-39 561	-52 143
Tax expense for the year	-13 849	0
Tax calculated in accordance with Swedish tax rate (21.4%)	8 466	11 159
Tax effect of non-deductible costs	-482	0
Tax effect of non-taxable revenues	122	0
Tax effect of used negative net interest income/expense from Group cc	2 389	0
Tax effect of reversal of non-deductible interest	-18 207	-10 227
Other	-6 136	-931
Total	**-13 849**	**0**
Adjustments recognised in the current year relating to current tax in prior years	0	0
Recognised tax expense for the year	**-13 849**	**0**

Tax recognised in other comprehensive income

Deferred tax	**Group 26 Nov 2019 - 31 Dec 2019**
Actuarial gains and losses	-253
Cash flow hedges	
Changes in value	4 387
Reversed to the income statement	-145
	4 241
Total	**3 988**

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Note 15 Intangible assets

	Group 2019-12-31
Goodwill	
Opening cost	0
Acquisitions through business combinations	661 489
Closing cost	661 489
Reported value carried forward	**661 489**
Trademarks	
Opening cost	0
Acquisitions through business combinations	448 602
Closing cost	448 602
Opening amortisation	0
Amortisation for the year	-89
Closing accumulated amortisation	-89
Opening impairment	0
Impairment for the year	-180
Closing accumulated impairment	-180
Reported value carried forward	**448 333**
Customer relationships	
Opening cost	0
Acquisitions through business combinations	662 648
Foreign currency effect	5
Closing cost	662 652
Opening amortisation	0
Amortisation for the year	-7 885
Closing accumulated amortisation	-7 885
Opening impairment	0
Foreign currency effect	-4
Impairment for the year	-623
Closing accumulated impairment	-627
Reported value carried forward	**654 141**
Capitalised expenditure	
Opening cost	0
Acquisitions through business combinations	222 573
Purchases for the year	1 943
Retirements for the year	-727
Closing cost	223 790
Opening depreciation	0
Additions through business combinations	-113 654
Amortisation for the year	-1 604
Closing accumulated amortisation	-115 257
Reported value carried forward	**108 533**
Total value carried forward	**1 872 495**

Capitalised expenditure relates mainly to IT-related investments in the Group's ERP system, CMO system and online platform.

In connection with FNG Nordic's acquisition of Ellos Group, a portion of the price was allocated to customer relationships, trademarks and goodwill, and calculation of this was carried out in December 2019/January 2020. Customer relationships are amortised on a straight-line basis over a seven-year period while trademarks with finite useful lives are amortised on a straight-line basis over three years. Trademarks and goodwill with indefinite useful lives will be tested for impairment annually or whenever there is an indication of impairment.

Measurement of value in use are based on estimated future cash flows based covering a 5 year period and thereafter on the basis of discounted perpetuity value. Key assumptions used to estimate future cash flows are budgeted operating margin, discount rate and long-term growth rate.

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The operating margin is the estimated margin during the 5-year forecast period. It is based on current sales margin adjusted for management's expectations and external sources of information.

The discount rate was 14.3% before tax, which was calculated based on weighted average capital cost (WACC). The discount rate reflects market estimates of the time value of money and the specific risks associated with the asset. Based on the assumptions presented above, value-in-use exceeds the carrying amount of the cash-generating units.

Budgeted growth rate is based on historical information and major growth plans in place for the various segments. Growth over periods that extend beyond the 5 year period is estimated at 2%. Assumptions about growth rate do not exceed the long-term growth rate for the sector.

Other operating costs and operating income refer to selling expenses, administrative expenses and other income. These are determined based on experience of prior outcomes combined with management's expectations.

Sensitivity analysis
Sensitivity analyses are carried out to evaluate whether feasible unfavourable changes could lead to a need for impairment. A one percentage point decrease in the long-term growth rate and reduced gross profit would not result in a need for impairment.

Note 16 Equipment, tools, fixtures and fittings

	Group 2019-12-31
Opening cost	0
Acquisitions through business combinations	123 490
Reclassifications	12 175
Closing cost	135 665
Opening depreciation	0
Additions through business combinations	-106 510
Depreciation for the year	-694
Closing accumulated depreciation	-107 205
Reported value carried forward	**28 460**

Note 17 Investments in leased property

	Group 2019-12-31
Opening cost	0
Acquisitions through business combinations	88 224
Investments for the year	0
Reclassifications	4 767
Closing cost	92 991
Opening depreciation	0
Additions through business combinations	-14 370
Depreciation for the year	-387
Closing accumulated depreciation	-14 758
Reported value carried forward	**78 233**

Note 18 Construction in progress within property, plant and equipment

	Group 2019-12-31
Opening cost	0
Acquisitions through business combinations	15 875
Investments for the year	1 866
Reclassifications	-16 942
Closing cost	799
Reported value carried forward	**799**

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Note 19 Participations in Group companies

	Parent Company 2019-12-31
Opening cost	**0**
Acquisition of subsidiaries	1 679 383
Closing cost	**1 679 383**

Ellos Group Holding AB	556857-8511	Stockholm	100%
FNG Nordic Buying Platform BV	0739.663.008	Mechelen, Belgium	100%

The Group also includes the following sub-subsidiaries

Sub-subsidiary	Corporate ide	Registered office	Equity share %
Ellos Holding AB	556831-9114	Stockholm	100%
Ellos Group AB	556217-1925	Borås	100%
Ellos AB	556044-0264	Borås	100%
Jotex Sweden AB	556249-7106	Borås	100%
Ellos Finland OY	1442131-6	Helsinki, Finland	100%
Ellos Finland OY branch	546411-6237		
Ellos Norway Holding AS	879478642	Oslo, Norway	100%
Ellos Norway AS	832005622	Oslo, Norway	100%
Ellos Norway AS branch	516411-6278		
Ellos Denmark A/S	24927814	Copenhagen, Denmark	100%
Ellos Denmark A/S branch	516411-6153		
Stayhard Holding AB	556783-8858	Borås	100%
Stayhard AB	556713-8077	Borås	100%
Stayhard AS	990698481	Oslo, Norway	100%
FAAD AB	559027-6407	Borås	100%

Note 20 Inventories

	Group 2019-12-31
Goods in transfer	82 153
Returns assets	18 194
Goods for resale	429 090
Total	**529 437**

The inventory carrying cost in December amounted to SEK 120.1 million and was reported on the line for cost of goods sold.
Inventories were valued at the lowest of cost and net realisable value. Obsolescence was taken into account when determining the value to be compared with cost. Obsolescence means that the value of goods has declined, for instance because goods have become damaged, are no longer trendy or are surplus to requirements. The realisable value of obsolescent goods was measured as the reduced sales price at which it was estimated the goods could be sold.

Note 21 Trade receivables

	Group 2019-12-31
Trade receivables, gross	59 667
Provision for uncertain receivables	-179
Total	**59 488**

Trade receivables are amounts attributable to customers in respect of goods sold or services performed in the ordinary course of operations. Trade receivables normally fall due for payment within 0-30 days and all trade receivables have therefore been classified as current assets. Trade receivables are initially recognised at the transaction price. The Group holds trade receivables for the purpose of collecting contracted cash flows and it therefore measures these assets at amortised cost at the next reporting date. Invoice receivables and partial payment receivables arising in the course of the Group’s business are sold to Resurs Bank on a daily basis, which is why the amount of trade receivables recognised as at the balance sheet date is fairly low in relation to the operations. The Group’s accounting policies for impairment and calculation of doubtful debts are described below.

Provision for doubtful debts

	Group 2019-12-31
Provision for doubtful debts at the beginning of the year	0
Realised doubtful debts, net	-179
Total	**-179**

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Group 2019 Age analysis trade receivables	Trade receivables gross	Provision doubtful trade receivables	Trade receivables
Not due	44 164	-116	44 048
Past due 30 days	3 069	-39	3 030
Past due 31-60 days	206	-11	195
Past due 61-90 days	47	-4	43
Past due > 90 days	12 181	-9	12 172
Total	**59 667**	**-179**	**59 488**

The Group applies the simplified approach to calculation of expected credit losses. This approach means that expected credit losses over the lifetime of the receivable are used as the basis for trade receivables. To calculate expected credit losses, trade receivables have been grouped into different types of receivables. The Group's trade receivables primarily refer to:
- Trade receivables relating to credit card payments
- Trade receivables relating to insurance for which the Group is intermediary
- Trade receivables relating to B2B sales
- Trade receivables in Resurs Bank relating to sales of invoice and instalment plan receivables at the present date
- Older invoice and instalment plan receivables (not sold to Resurs Bank in 2013)

Because the Group sells the majority of its receivables daily to Resurs Bank, which also pays the Group for these on a daily basis, the Group's outstanding credit risk is limited. The majority of receivables not due for payment, SEK 31.5 million, refers to receivables in Resurs Bank which are paid and recognised at bank the following day. Credit card payments are normally received within a few days.

In 2013, Ellos Group sold its invoice and instalment plan receivables for the brands Ellos and Jotex, excluding receivables transferred to collection agencies, to Resurs Bank AB and the Group sells the invoice and instalment plan receivables arising in the e-commerce business for the Ellos and Jotex brands to Resurs Bank AB on a daily basis, which means that the Group's remaining trade receivables primarily relate to corporate customers and debt recovery receivables. The majority of trade receivables past due more than 90 days, SEK 12.2 million, comprise receivables not sold to Resurs Bank AB in 2013 and are reported to fair value during FNG Nordic's acquisition of Ellos Group. As a result, the Group has a large provision for doubtful debts relative to recognised trade receivables. The company estimates that payment will be obtained for the majority of the trade receivables that are past due but not impaired because the customers' payment history shows that payments have been made and are continuing to be made.

Note 22 Prepaid expenses

	Group 2019-12-31	Parent Company 2019-12-31
Prepaid trade payables	17 731	0
Accrued forward points	2 672	0
Other items	6 853	70
Total	**27 256**	**70**

Note 23 Contract assets

	Group 2019-12-31	Parent Company 2019-12-31
Accrued income	**0**	1 477
Contract assets	36 044	0
Total	**36 044**	**1 477**

The items recognised as Contract assets by the Group primarily comprise the additional purchase consideration received from Resurs Bank in respect of the trade receivables sold to the latter on a daily basis. The Parent Company's accrued income comprises intra-Group interest receivables.

Note 24 Cash and cash equivalents

	Group 2019-12-31	Parent Company 2019-12-31
Cash at bank and in hand	272 039	800
Total	**272 039**	**800**

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Note 25 Share capital

The Parent Company’s share capital amounts to SEK 500,000, divided into 500,000 shares. The quota value thus amounts to SEK 1. All shares are of the same class, fully paid and entitled to one vote. No shares are reserved for transfer in accordance with option agreements or other agreements.

Note 26 Other contributed capital - Group

When FNG Nordic AB acquired the Ellos Group, this acquisition was paid for partly in cash and for example, partly with shares in FNG NV. FNG Nordic AB’s parent company contributed, via a shareholders’ contribution, the shares that FNG Nordic AB used as part-payment for the shares in Ellos Group. This shareholders’ contribution amounted to SEK 664,340,000 and was accounted for as other contributed capital.

Note 27 Provisions - Group

The translation reserve relates to currency translation differences when foreign operations are translated into SEK, which are recognised in other comprehensive income. The hedging reserve relates to the effective portion of the cumulative change in the fair value (net) of cash flow hedging instruments, which is recognised in other comprehensive income.

Note 28 Interest-bearing borrowings - Current

Current liabilities to credit institutions of SEK 0.0 million refer to the used portion of the Group’s revolving credit facility with bank. The credit had not been used as at 31 December 2019.
The total limit for this credit facility is SEK 350 million. See Note 29 for further information.

Note 29 Interest-bearing borrowings - Non-current

The Group has issued a bond with a fair value of SEK 1,500 million. The bond has a maturity of 5 years from issue on 25 July 2019 and the coupon is 3 month stibor + 6.75%. The bond is to be repaid in full on the maturity date. The Group also has credit facilities with bank involving a revolving credit facility of SEK 350 million. The credit had not been used as at balance sheet date other than that the bank had issued guarantees worth SEK 53.6 million, which are included in the credit facility.
Note 28 shows the used amounts as at the balance sheet date and Note 4 contains information on the Group’s interest-bearing liabilities and contractual terms and the credit and interest risks the Group is exposed to as a result of the liabilities.
Note 34 contains information on collateral.

Note 30 Deferred tax

Temporary differences exist in cases where the carrying amount and the taxable value of assets or liabilities differ. The Group's temporary differences have resulted in deferred tax liabilities and deferred tax assets for the following items:

	Group 2018-12-31
Deferred tax assets	
Pension obligations	20 802
Accrued expenses	850
Derivatives - cash flow hedges	92
Tax loss carryforwards	9 934
Total	**31 678**
Deferred tax liabilities	
Intangible assets - trademarks and customer relationships	227 872
Derivatives - cash flow hedges	786
Untaxed reserves	184
Other	28
Total	228 870
Total deferred tax assets and liabilities, net	**-197 192**

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Tax loss carryforwards were measured at SEK 9.9 million and relate to losses accrued in the Group up until the balance sheet date. As the Group's activities are expected to show a positive result next year, the Group estimates that the losses can be offset against tax surpluses, other than surpluses relating to the reversal of existing taxable temporary differences, within the foreseeable future, a deferred tax asset has been recognised. The losses were primarily incurred in Sweden.

Changes to deferred tax assets and liabilities during the year are shown below:

Group

	Deferred tax asset				
Changes to deferred taxes	**Pension obligations**	**Accrued costs**	**Derivative cash flow hedges**	**Unused loss carryforwards**	**Total**
Opening balance of acquisition of line of business	21 066	28 984	168	7 889	58 107
Recognised in the income statement	-11	-28 147	-76	2 061	-26 173
Recognised in other comprehensive income	-253	0	0	0	-253
Currency translation differences	0	13	0	-17	-3
As at 31 December 2019	**20 802**	**850**	**92**	**9 934**	**31 678**

Group

	Deferred tax liability				
Changes to deferred taxes	**Intangible assets**	**Derivative cash flow hedges**	**Untaxed reserves**	**Other**	**Total**
Opening balance of acquisition of line of business	229 577	3 528	189	0	233 294
Recognised in the income statement	-1 705	1 500	-5	28	-183
Recognised in other comprehensive income	0	-4 241	0	0	-4 241
As at 31 December 2019	**227 872**	**786**	**184**	**28**	**228 870**

Note 31 Employee benefits

The Group's pension commitments include both defined contribution and defined benefit pension plans.

Defined contribution plans:

The Group’s defined contribution plans are in Sweden and the Swedish plan is unfunded.

Total costs for the Group’s financial year in respect of defined contribution plans amounted to SEK 1 million.

Defined benefit pension plans comprising multiple employers - Alecta plan:
For salaried employees in Sweden, the ITP 2 plan's defined benefit pension obligations for retirement and family pension are secured through an insurance with Alecta. In accordance with a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed through insurance with Alecta, this is a defined benefit plan comprising several employers. For the financial year 26 November 2019 - 31 December 2019, the company had no access to information in order to recognise its proportionate share of the plan's obligations, managed assets and costs, which meant that the plan could not be recognised as a defined benefit plan. The ITP 2 pension plan insured by Alecta is therefore recognised as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is dependent on salary, the previously earned pension and expected remaining period of service. Expected fees for the next reporting period for the ITP 2 insurance with Alecta amount to SEK 7 million. The Group's share of the total fees for the plan and the Group's share of the total number of active members in the plan amounted to an insignificant proportion.

The collective consolidation level is the market value of Alecta assets as a percentage of the insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is generally allowed to vary between 125 and 155%. If Alecta's collective consolidation level is less than 125% or greater than 155%, measures shall be taken to create conditions to allow the consolidation level to return to the normal range. In the event of low consolidation, a possible measure would be to raise the agreed price for new subscriptions and expanding exist benefits. In the event of high consolidation a possible measure could be the introduction of premium reductions. At the end of 2019 Alecta’s surplus in the form of the collective consolidation level was 142%.

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Defined benefit pension plans
In Sweden, salaried employees born on or before 1978 are covered by the ITP 2 plan. ITP 2 includes retirement pensions, disability and survivor benefits. The retirement benefit in ITP 2 is defined benefit and the benefit is based on the employee's final salary, and provides 10% of final salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% of salary between 20 and 30 income base amounts. As at 31 December 2019, one income base amount was SEK 64,400. The Group's obligation in respect of ITP 2 is financed by the Group, that is, the Group manages the pension assets until it is time to pay out pensions. The Group's intention is that pension assets will act as a long-term source of funding, while employee pensions are also guaranteed. Thus, ITP 2 constitutes a so-called unfunded pension plan.

The latest actuarial calculation of the present value of the defined benefit obligation was carried out by PRI Pensionsgaranti. The present value of the defined benefit obligation and the related service costs for the current period, as well as service costs from previous periods, have been calculated using the Projected Unit Credit Method.

The plan exposes the Group to a multitude of actuarial risks, such as interest rate risk, risk related to life expectancy, the development of the income base amount as well as investment risk. Interest rate risk and life expectancy risk are described above.

The principal actuarial assumptions, by country, are presented below:

	Group Sweden 2019
Discount rate	1,50%
Expected salary increase	0,00%
Inflation	1,80%
Income base amount increase/decrease	0,00%

Assumptions regarding life expectancy are based on official statistics and experience from mortality estimates in Sweden made by actuarial experts.

Amounts recognised in income statement	**Group 2019 Sweden**
Employment costs during the current period	0
Employment costs from previous	0
Effects of adjustments	0
Net interest costs	354
The defined benefit costs recognised in profit/loss for the year	**354**

The defined benefit costs were recognised as personnel costs in the consolidated income statement.

Amounts recognised in other comprehensive income	**Group 2019 Sweden**
Remeasurement of the net defined benefit liability:	
Return on plan assets (excluding amounts included in net interest expense)	0
Actuarial gains and losses arising from changes to demographic assumptions	0
Actuarial gains and losses arising from changes to financial assumptions	-49
Actuarial gains and losses arising from changes to experience	-926
Total amount recognised in other comprehensive income	**-975**
Total	**-621**

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Amounts recognised in the balance sheet for defined benefit pension obligations

Unfunded pension obligations including payroll tax	169 981
Net unfunded and funded pension obligations	**169 981**

Net changes in the defined benefit obligation for the period:

	Group 2019 Sweden
Defined benefit obligations at the beginning of period	**0**
Assumed obligations from business combinations	171 202
Employment costs during the current period	0
Net interest expense	354
Actuarial gains (-) and losses related to:	-1 228
Effects of adjustments	0
Pension payments	-347
Defined benefit obligations at the end of period	**169 981**

The fair value of the above equity instruments and debt instruments are based on quoted market prices in an active market, while the fair value of properties and derivatives is not based on quoted market prices in an active market. The pension plan owns no shares in FNG Nordic AB (publ) nor any of the properties in which the Group operates.

Sensitivity analysis

The most significant actuarial assumptions used in the calculation of the defined benefit obligation are the discount rate, inflation and life expectancy assumptions. Below is a sensitivity analysis showing how feasible changes in these assumptions could affect the reported net defined benefit liability (minus sign (-) refers to reduced liability):

	Group 2019 Sweden
Change in discount rate + 0.5%	-14 711
Change in discount rate -0.5%	18 394
Change in inflation + 0.5%	17 395
Change in inflation -0.5%	-15 202
Change in life expectancy assumption + 1 year	5 867

When assessing the sensitivity analysis presented above, it is important to consider that it is unlikely that changes in an assumption would take place in isolation from changes in other actuarial assumptions. This is because certain assumptions can be assumed to correlate with each other and to some extent have opposite effects on the defined benefit obligation. Furthermore, the Projected Unit Credit Method is used to calculate the present value of the defined benefit obligation, which is the same as that used in the calculation of the liability in the Group's balance sheet. There has been no change to the method or assumptions used in preparing the sensitivity analysis compared to previous years.
The Group calculates that it will pay SEK 2.2 million in premiums in the following year in respect of the Group's defined benefit plan.

Note 32 Provisions for restructuring

	Group 2019-12-31
At the beginning of the year	0
Additions through business combinations	353
Amounts utilised	-353
At year-end	**0**

In 2018, a provision of SEK 11.5 million was made in respect of restructuring of the Ellos Group Holding group. The provision comprised salaries including fringe benefits for employees on termination of employment to the extent employees were not required to work during the period of notice. The payments were settled in full in 2019 and the entire provision was utilised.

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Note 33 Accrued costs

	Group 2019-12-31	Parent Company 2019-12-31
Accrued salaries	2 672	0
Accrued holiday pay	39 033	1 931
Accrued social security contributions	5 879	107
Accrued liability, specifically payroll tax	6 891	0
Accrued custom liabilities	17 064	0
Accrued freight costs	13 825	0
Accrued marketing costs	32 796	0
Accrued interest expenses	18 295	18 281
Costs on acquisition of subsidiary	48 373	54 598
Costs incurred on obtaining credit	6 225	6 225
Other invoices allocated over time, etc.	35 873	526
Total	**226 927**	**81 668**

Note 34 Pledged assets and contingent liabilities

Pledged assets

	Group 2019-12-31	Parent Company 2019-12-31
Pledged shares in subsidiaries	433 590	1 679 383
Other	727	50
Total	**434 317**	**1 679 433**

Contingent liabilities

	Group 2019-12-31	Parent Company 2019-12-31
Guarantee to PRI	1 426	0
Total	**1 426**	**0**

The Group has been granted credit by bank amounting to a total of SEK 350 million and the Group has also issued a bond of SEK 1,500 million. The Group has pledged the shares in Ellos Group Holding AB as security for these credits.

Note 35 Business combinations

2019
Acquisition of subsidiary

On 26 November, FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB for SEK 1,615,028 thousand. The acquisition of Ellos Group is part of the FNG NV group's growth strategy, which is partly based on acquisitions.
FNG Nordic AB is a wholly owned subsidiary of the FNG NV Group and as a result of the acquisition a significant influence over the Ellos Group Holding AB Group arose and the new FNG Nordic AB Group came up on 26 November 2019. The Group's intention is to create an omnichannel company comprising leading brands in fashion and home in the Benelux countries and the Nordic region. FNG NV's assessment is that the companies complement each other to a significant degree and that synergies can be achieved.

A total of SEK 950,688 thousand was paid in cash and SEK 664,340 thousand received among other things, in the form of shares in FNG NV which have been taken as shareholder's contributions in FNG Nordic AB.

Acquisition-related expenses amounted to SEK 56,486 thousand, which were recognised as other costs in the income statement.

The calculation that has been made for the allocation of the acquisition price is preliminary and may change later. The items that are preliminary are mainly related to the valuation of customer relationships, brands and goodwill.

Recognised amounts as at the acquisition date for acquired net assets

Amounts in SEK million	FNG Nordic AB
Non-current assets	
Intangible assets - customer relationships	661,5
Intangible assets - trademarks	448,3
Intangible assets - IT systems	108,9
Property, plant and equipment	106,7
Right-of-use assets	476,6
Deferred tax assets	58,1
	1 860,2
Current assets	
Inventories	538,4
Trade receivables	96,6
Other current receivables	95,8
Cash and cash equivalents	20,9
	751,6
Non-current liabilities	
Pensions	-171,2
Deferred tax liability	-233,4
Lease liabilities	-476,6
	-881,2
Current liabilities	
Other current liabilities	-777,0
	-777,0
Total acquired net assets	953,6
Transferred consideration:	
Consideration in cash	950,7
Shareholders' contribution	664,3
	1 615,0
Goodwill	661,5

The fair value of trade receivables is SEK 96.6 million, while its contracted value is SEK 105.4 million.

Net cash flow used for acquisitions

Amounts in SEK million	Ellos Group AB
Consideration paid in cash	950,7
Less: Acquired cash and cash equivalents	-20,7
Net cash	**930,0**

Note 36 Related party transactions

Transactions between companies that are subsidiaries in the FNG Nordic AB (publ) group, which are related parties, have been eliminated in the consolidation and information on these transactions is therefore not disclosed in this note. FNG Finance Belgium BVBA, which in turn is a subsidiary of the Belgian listed company FNG NV, has a controlling interest in FNG Nordic AB (publ). Information on transactions between the Group and other related parties is presented below.

Sales and purchases of goods and services took place on market terms.

Loans to related parties

The Group has not provided any loans to people in the circle of related parties. Related party relationships exist with persons in key senior management roles; information about this is shown in Note 11 Employees and personnel costs.

Remuneration of senior executives
No remuneration was paid to the Group's senior executives, except salaries and other remuneration as stated in Note 11.

Other
No dividends were paid out during 2019.

The company has issued an option program for people in senior positions. The options are acquired at market value.

Parent Company
Net sales recognised in the Parent Company consist solely of intra-Group sales.

Note 37 Definitions

Gross margin (%): Gross profit as a percentage of net sales.

EBITDA: Gross profit before depreciation/amortisation and impairment.

Adjusted EBITA: Operating profit before amortisation of acquisition-related intangible assets and non-recurring items.

Adjusted EBITA margin: Adjusted EBIDTA as a percentage of net sales.

Adjusted EBITDA: Operating profit before amortisation/depreciation and impairment and non-recurring items.

Non-recurring items: Items that are not accure yearly and are separated from usuall business.

Net sales: Sales of goods and services, expressed in Swedish kronor, after deduction of VAT, discounts and estimated number of returns, plus handling fees. *

Net liability/net asset: Interest-bearing liabilities (excluding pension liabilities and lease

Interest coverage ratio: EBITDA in relation to net financial income/expense.

Operating profit/loss: Profit/loss before net financial income/expense and tax.

Operating margin (%): Operating profit as a percentage of net sales.

Operating cash flow: The sum of Cash flow from operating activities and Cash flow from investment activities.

Debt / equity ratio: Interest-bearing liabilities (excluding leasing liabilities and pension liabilities) in relation to equity.

* Definition according to IFRS.

Rationale for the use of alternative performance measures
Some of the financial performance measures in this report which are used by management and analysts to assess the Group's performance are not defined in IFRS. Management believes that these financial performance measures facilitate analysis of this report and this information should be regarded as complementing, rather than replacing, financial reporting according to IFRS. FNG Nordic's definitions of these financial performance measures may differ from other companies' definitions of the same terms.

Adjusted EBITA and Adjusted EBITDA
Some items in this report make comparison between years harder using the information reported according to IFRS. Management therefore considers it appropriate to also report results adjusted for non-recurring items. This is done by reporting Adjusted EBITA and Adjusted EBITDA.

Net liability
Management uses the measurements net debt and debt/equity ratio to analyse whether the Group is meeting its targets for debt. These measurements also provide guidance on the extent to which the Company is willing to incur debt.

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Note 38 Events after the balance sheet date

As a result of the Coronavirus (COVID-19) that is spreading across the world, the Company is facing an extraordinary and challenging situation. Management is constantly monitoring developments and recommendations from the responsible authorities and is preparing and adjusting plans of action on a continuous basis. The company's top priority is our customers and the health, wellbeing and safety of our employees. The company feels unsure about the future although it is still too early to be able to see the effects of the virus and the consequences of it on our business.

In January 2020, the company took an important step forward in the development of Financial Services through the launch of Ellos Group's new brand, Elpy. Elpy is a digital, mobile and scalable FS platform that was initially launched for the Homeroom brand.

In 2019, Ellos Group signed an agreement with an external party on the construction and rent of a new warehouse in Borås.The new furniture and large home interiors products warehouse in Borås has been up and running since January 2020, facilitating consolidation of warehouse space and a better service offering to customers. In February 2020, the Group opened its new outlet store in the same premises.

The group previously had a store in Stockholm, which closed in January 2020.

Note 39 Appropriation of the company's profit or loss

Amount at the disposal of the Annual General Meeting:
Retained earnings of SEK 664,339,604 and loss for the year of SEK - 52,142,647.

The Board of Directors proposes that SEK 612,196,957 be carried forward.

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Note 40 Approval of financial statements

The Annual Report was adopted by the Board of Directors and approved for publication on 28 April 2020.

Borås, 28 April 2020.

Emmanuel Bracke	Dieter Penninckx
Chairman of the Board	CEO

Anja Maes
Board member

We submitted our Auditor's Report on 28 April 2020.

Ernst & Young Aktiebolag

Andreas Mast
Authorised Public Accountant

Building a better
working world

Auditor's report

To the general meeting of the shareholders of FNG Nordic AB (publ), corporate identity number 559175-1325

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of FNG Nordic AB (publ) except for the corporate governance statement on pages 9-10 and the statutory sustainability report on pages 4-8 for the financial year 2018-10-12 - 2019-12-31 and consolidated figures for the financial year 2019-11-26 - 2019-12-31. The annual accounts and consolidated accounts of the company are included on pages 2-3 and 10-60 in this document.

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 the parent company as of 31 December 2019 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 2019 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 on pages 9-10 and the statutory sustainability report on pages 4-8. 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Revenue recognition and valuation of returns

Description	*How our audit addressed this key audit matter*
As indicated in the income statement of the accompanying consolidated financial statements, the Group's net sales during fiscal year 2019 amounted to 262,2 MSEK. Revenue is mainly generated from sales of goods to end consumers through e-commerce. Revenue is recognized when it is considered likely that payment will be received and when all risks have been transferred from seller to buyer. Revenue recognition is associated with subjective evaluation in terms of accounting for returns. The repayment debt for the Group at 31st of December 2019 amounted to SEK 36 Million and we have therefore assessed that revenue recognition and valuation of returns is a key audit matter. The Group's accounting principles regarding revenue are set out in Note 2. The distribution of revenues by country is shown in Note 5.	In response to this key audit matter we have reviewed FNG Nordic's processes and procedures for revenue recognition. We have performed analytical reviews, including historical comparisons and data analysis, as well as random checks of accruals in connection with the financial statements. We have reviewed procedures for collecting accounts receivable and handling doubtful accounts receivable. We have also reviewed assessments, calculations and estimations related to returns. We have reviewed the information disclosed in the annual report.

Valuation of inventory

Description	*How our audit addressed this key audit matter*
As indicated in note 20 to the accompanying consolidated financial statements, the value of the Group's inventories at 2019 Year-End was 529,4 MSEK. Inventories consist of clothing, furniture and other consumer goods for sale and are valued using the first-in-first-out principle, at the lower of cost and net realizable value. The value of inventory depends on management's assessments regarding slow moving and obsolete goods. Based on the above, we have assessed the valuation of inventories as a key matter of our audit. The Group's accounting principles regarding inventories are disclosed in note 2. Information on inventories is also found in Note 20.	We have reviewed the Group's procedures for monitoring and assessing slow-moving and obsolete goods. We conducted an analytical review, including historical comparisons and data analysis, to identify slow-moving and obsolete goods and evaluated the Group's assessment of a possible need for reservations. We have reviewed the information disclosed in the annual report.

Acquisition of Ellos Group

Description	*How our audit addressed this key audit matter*
In 2019, FNG Nordic AB acquired the Ellos Group and prepared an acquisition analysis. Goodwill and intangible assets amount to MSEK 1872.5 as of December 31 2019, which is in accordance with the acquisition analysis. Shares in subsidiaries are recognized in the parent company at 1 679 MSEK after the acquisition. Values in the acquisition analysis is calculated by the present value of future cash flows. The cash flows are based on assumptions of several subjective factors, such as management's business plan, forecasts and projections why we have assessed the acquisition as a key matter of our audit. The Group's accounting principles regarding business acquisitions and goodwill are presented in Note 2. Information on this is also found in Note 35 Business acquisitions and Note 15 Intangible assets.	We have reviewed the process for preparing the acquisition analysis by, among other things, checking the reasonableness of forecasts and assumptions. Furthermore, we have assessed methods for valuation and mathematically tested model for preparation. Review has been carried out with the support of our valuation specialists. We have also reviewed shares in Group subsidiaries and related acquisition costs. We have reviewed the information disclosed in the annual report.

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 4 - 10. 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 Directors 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of FNG Nordic AB (publ) for the year 2018-10-12 - 2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 9-10 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 RevU 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 4-8, and that it is prepared in accordance with the Annual Accounts Act.

My (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.

Ernst & Young AB, was appointed auditor of FNG Nordic AB (publ) by the general meeting of the shareholders on the 26 November 2019 and has been the company's auditor since the 26 November 2019.

Göteborg, April 28, 2020

Ernst & Young AB

Andreas Mast
Authorized Public Accountant