

Annual Report and Consolidated Financial Statements

2020-01-01 – 2020-12-31

FNG Nordic AB (publ)

559175-1325

For Translation Purposes Only

ELLOS GROUP
ellos **Jotex** STAYHARD home  room

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Annual report and 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 1 Januari 2020 - 31 December 2020.

DIRECTORS' REPORT

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

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.

PERFORMANCE OF THE BUSINESS AND ITS RESULTS AND FINANCIAL POSITION (GROUP)

	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales	3 174 865	262 197
Gross profit/loss	1 502 437	132 897
Gross margin (%)	47.3	50.7
Adjusted gross profit	1 661 006	132 897
Adjusted gross margin (%)	52.3	50.7
Operating profit/loss (EBIT)	-343 368	-28 190
Operating margin (%)	-10.8	-10.8
Adjusted EBITA	290 175	37 427
Adjusted EBITA-margin (%)	9,1	14.3
EBITDA	-156 438	-11 123
Adjusted EBITDA	381 501	46 528
Depreciation/amortisation and impairment for the year	186 930	17 066
Profit/loss for the year	-493 711	-53 409
Cash flow from operations	131 447	32 890
Operating cash flow	95 092	-903 788

The comparison period covers only the period 2019-11-26--2019-12-31 because the parent company, FNG Nordic AB (publ.) acquired the Ellos Group Holding AB Group on November 26, 2019.

See Note 38 for definitions.

Net sales

Net sales for the period amounted to SEK 3,174.9 (262.2) million and the development during the year has been positive in the area of home and interior design, which has been the case for a long time, but in 2020 the category has received an extra boost from the Covid-19 pandemic which has made many customers spend a lot of time at home. The sports and electronics categories have also been successful categories during the year. Clothing and fashion have been negatively affected by Covid-19, mainly in festive categories such as dresses and tops. Sales of swimwear have been challenging as travel abroad has fallen sharply. Although everyday clothes and products in a relaxed style with high comfort, together with sports and leisure clothes have performed well during the year, it is not enough to compensate for the decline in sales in the categories of festive dresses and tops and swimwear and beachwear.

Gross profit - adjusted gross profit

Gross profit for the year amounted to SEK 1,502.4 (132.9) million and the gross margin to 47.3 (50.7) percent, while the adjusted gross profit amounted to SEK 1,661.0 (132.9) million and the adjusted gross margin amounted to 52.3 (50.7) percent. The gross margin includes a provision, which has been adjusted in the adjusted gross margin, by SEK 158.6 (-) million. This provision refers to an intended purchasing collaboration within the FNG NV Group, which could not be implemented when the FNG NV Group's subsidiaries, with the exception of the FNG Nordic Group and its parent company, went bankrupt during the summer of 2020. (See further information under "Significant events during the financial year")

Operating profit (EBIT) - Adjusted EBITA and Adjusted EBITDA

Operating profit amounted to SEK 343.4 (-28.2) million and was negatively affected by the above-mentioned provision of SEK 158.6 million and by the provision for settlement amount of SEK 401.4 million that has been made and is reported as other costs and refers to the claim that Ellos Group's previous owners have on the Group. (See further information note 8). Operating profit includes administrative expenses amounting to SEK 343.1 (79.1) million and selling expenses amounting to SEK 1,134.0 (90.8) million. Administrative expenses have been positively affected as a result of a received credit note amounting to SEK 25.7 million regarding acquisition-related costs. The costs had previously affected the result in 2019.

Adjusted EBITA amounts to SEK 290.2 (37.4) million and has, compared with EBIT, been positively affected by the above-mentioned provision of SEK 158.6 (-) million, acquisition-related depreciation of SEK 95.6 (8.0) million, provision for settlement amount SEK 401.4 (0) million as above and negatively by acquisition-related costs - SEK 23.1 (56.5) million.

Adjusted EBITDA amounts to SEK 381.5 (46.5) million and has, compared with EBIT, been positively affected by the above-mentioned provision of SEK 158.6 million and provision for

settlement amount of SEK 401.3 million and depreciation of SEK 186.9 (17.1) million and negatively by acquisition-related costs -23.1 (56.5) MSEK.

Financial income/expense

Financial income amounted to SEK 8.7 (1.3) million and financial expenses amounted to SEK 163.3 (12.7) million. Financial income primarily includes, interest income from older short-term receivables, previously transferred to debt collection companies. (see note 21). The financial costs mainly includes interest, SEK 104.9 (8.7) million, linked to the Group's issued bond and interest for the Group's leasing liabilities SEK 14.9 (1.3) million and bank expenses SEK 15.9 (2.6) million. Financial items amounted to SEK -154.7 (-11.4) million.

Tax

The Group's tax for the period amounts to SEK 4.3 (-13.9) million and refers to current and deferred tax.

Profit/loss for the year

Loss for the year amounted to SEK -493.7 (-53.4) million.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 131.4 (32.9) million. A positive impact of SEK 67.3 (27.3) million came from changes in working capital and cash flow from operating activities also had a positive impact of SEK 64.2 (5.6) million. Cash flow from operating activities includes interest payments of SEK 104.6 (-) million regarding the Group's bond loan. SEK 158.6 million paid during 2020 for the intended purchasing collaboration with FNG NV Group has also affected the cash flow from operating activities.

Cash flow from investing activities amounted to SEK -36.3 (-936.7) million and in 2020 mainly referred to investments in the IT structure for the Group's development projects and investments in logistics. Last year's investments mainly concerned the parent company's investment in Ellos Group.

Cash flow from financing activities amounted to SEK -46.5 (-4.9) million and pertained to amortization of the Group's leasing debt.

Cash flow for the period amounted to SEK 48.6 (-908.7) million.

The Group has a good financial position through cash and the revolving credit that the Group has with banks. The credit amounts to SEK 350 (350) million and on the balance sheet date the credit space was only used for guarantees provided by the bank amounting to SEK 116.2 (53.6) million. The Group's net debt (see definition note 38) amounted to SEK 1,133.8 (1,171.5) million and includes the Group's bond with a nominal value of SEK 1,500 million.

Cash and cash equivalents amounted to SEK 320.7 (272.0) million.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

COVID-19

For Ellos Group, with its already strong position in the market, Covid-19 has affected the sales positively when it comes to home interior and some other categories connected to the customers spending more time in their homes such as Electronics, Leisure, Sportswear and Beauty. In line with the whole Retail sector, Ellos Group is experiencing an overall negative impact on Apparel and Shoes. Even if casual comfortable clothes and sleepwear, together with sport and leisure have had a strong year, it's not enough to compensate for the negative impacts in party related categories such as dresses and tops together with swim and beach wear.

In terms of our operations the impact has been limited. In line with the recommendations from The Swedish Public Health Agency and other authorities, Ellos Group promptly implemented extensive measures to ensure a safe work environment whilst staying operational. Among other things, Ellos Group introduced a work from home policy for employees who have the opportunity to do so, and strongly encouraged employees to stay at home when sick. On October 30, the day after the Swedish Public Health Agency tightened the general guidelines in the Västra Götaland region, Ellos Group also tightened its approach accordingly. The Ellos Group is maintaining an ongoing dialogue with all employees to continuously inform them about the situation.

When it comes to the supply chain, we already from the start of the pandemic implemented a close cooperation with our diversified network of suppliers to maintain a continuous supply of products. The global sourcing platform has a balanced geographic exposure which combined with relevant stock levels has contributed to a stable availability of goods so far. During the second half of the year we have seen delays in deliveries to our warehouse but without any material impact on sales.

We monitor the entire delivery situation and right now we are experiencing disturbances, especially in India and Europe, which is why we have a special focus on these regions now. So far, there is only a minor and fully manageable impact on Ellos Group, but depending on how the situation develops, it may change. We are for that reason looking for and contracting alternative suppliers in other areas for specific categories. Regarding the overall supply situation, the close cooperation with partners is critical to succeed. The Ellos Group top of mind awareness is to protect both flow of goods as well as the people involved in production. At the end of last year a challenging situation arose when the demand for freight from Asia for quarter 1 widely surpassed the supply. The lack of capacity was primarily driven by a lack of containers in Asia. After an intense search for solutions, the situation is now under control and the transports which were intended to leave port before the Chinese

New Year have to a large extent done so, however, with some delays and to significantly higher prices.

Even though Ellos Group so far has had limited negative impact from covid-19 and the business is developing very positively, the situation continues to be characterized by a high degree of uncertainty. Despite this, Ellos Group has a positive view on the business.

OTHER EVENTS

A new warehouse for furniture and large home interiors products in Viared, Borås has been inaugurated in January 2020 and a new outlet store opened in February in the same premises. The new warehouse will provide opportunities for continued growth, more efficient working methods, facilitating consolidation of warehouse space and a better service offering to customers.

The Group has during the first quarter developed a new function for Financial Services, Elpy, which is a digital, mobile and scalable FS platform that facilitates the purchase and payments of goods. The Elpy brand has been introduced for Homeroom and Stayhard in the countries in which the Group operates, which enables these brands to generate revenue from financial services as well. Elpy is available for the Ellos and Jotex brands so far in Denmark and Finland.

During the second quarter, the Group launched new upgraded e-commerce sites for the Ellos and Jotex brands, and during the third quarter, Homeroom got a new site. The sites maintain a high technical standard and are among the fastest on the market with a response time of less than two seconds. Customers are offered increased user-friendliness and personalization that improves the relevance for the customer. The sites are designed for mobile.

As of 28 August 2020, Paul Lembrechts is the new CEO of FNG Nordic AB (publ). Paul Lembrechts is also CEO and board member of FNG NV and has previously been CEO of VRT and BKCP Bank. At an Extraordinary General Meeting on August 28, 2020 it was decided to elect Ricardo Turk as the new Chairman of the Board and Paul Lembrechts as a board member of FNG Nordic AB (publ) through new elections. Ricardo Turk was the CEO of FNG Group Netherlands and a board member of FNG NV. Anja Maes and Dieter Penninckx have resigned from the board.

The Group has started a launch in Europe with the Jotex brand. On the first of December, Jotex opened in Germany and on December 15, the business was started in Poland.

A framework agreement with FNG Group NV regarding purchasing was signed in May 2020. This agreement stipulated a collaboration in the FNG NV Group regarding purchasing. The FNG Nordic Group paid EUR 5.0 million in advance to be

part of this collaboration and to use the Group's purchasing platform and EUR 10 million in advance for deliveries of goods, a total of SEK 158.6 million. During the month of July, several of the Belgian and Dutch companies within the FNG NV Group filed for bankruptcy. FNG Nordic AB (publ) with its subsidiaries within the Ellos Group and FNG NV are not affected by these proceedings. As a result of the bankruptcies of the FNG NV Group, the cooperation that the Group had agreed on regarding purchasing would not be able to be implemented. Due to this, the FNG Nordic Group has made a provision of SEK 158.6 million. This provision has affected the cost of goods sold.

In previous reports, the Group has informed that FNG Nordic AB is a party of an ongoing arbitration procedure. After the balance sheet date, the Group has entered into a settlement agreement. See further information in Note 8.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

For significant events after the end of the financial year please see note 39.



Sustainability Report

This Sustainability Report covers the full year 2020 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 20.

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 2020, 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 less than 1% of the company's incoming transport in 2020. 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. Since 2019, Ellos Group has been compensating for climate emissions caused by all transports.

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 551 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 2.1 million active customers in 2020 and delivered 5.4 million packages to customers in Sweden, Finland, Norway, Denmark, Germany and Poland. 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	2020	2019	2018	2017	2016
Sustainable materials					
Sustainable cotton, proportion of total cotton	90%	87%	81%	69%	44%
Suppliers					
Compliance with Ellos Group's Code of Conduct for suppliers					
Proportion of suppliers with approved audit protocols	100%	98%	98%	84%	77%
Environment					
Energy consumption, MWh	11 860	10 977	10 575	10 097	11 487
Proportion of renewable energy	100%	100%	100%	100%	100%
Greenhouse gases, tonnes CO ₂	6 648	6 986	6 163	6 971	6 189
Recycled waste in offices and warehouses	93%	88%	88%	88%	89%
Gender equality					
The gender ratio in 2020 in Ellos Group was 63% women and 37% men					
All managers women/men	48%/52%	43%/57%	47%/53%	52%/48%	46%/54%
Senior executives women/men	42%/58%	33%/67%	31%/69%	33%/67%	14%/86%

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.ellogroup.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 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 has 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 87% in 2019 to 90% in 2020. 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 Group 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 2020, the proportion of female staff in the company was 66% (62), in the senior management team 42% (33) and in the Board of Directors 33% (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.

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 61 in 2019 for students and from place 148 to place 45 among young professionals during the same period.

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 2020 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. In 2020, however, these language lunches could not be carried out due to Covid-19.

Ellos Group has for many years had extensive and long-standing cooperation with the Swedish Childhood Cancer Fund. In 2020, Ellos also started a major collaboration with the Cancer Foundation and the Pink Ribbon.

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 100% in 2020. 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 2020, no violations were reported via the whistleblower system.

OTHERS RISKS AND UNCERTAINTIES IN OPERATIONS

The group is exposed to a number of risks that can impact the business and the result. Work is constantly underway to identify, assess and evaluate risks that may occur. The Group works proactively to reduce risks. Most risk areas can be managed through internal routines while others are controlled by external factors.

With Covid-19, the group has made a further review of previously identified risks in order to ascertain whether any change in position is required. Particular attention has been paid to risks in the supply chain, valuation of inventories and credit losses. The group currently assesses minor manageable disruptions in deliveries from certain locations. The supply of containers in Asia together with the development of shipping costs are areas that the group monitors. Inventories are current, at a satisfactory level and the proportion of older obsolete inventory is low. No increased credit losses or credit risks have been noticed.

Main operational risks related to the Group or the industry that have been identified and that are deemed to have a significant impact on the Group are reported below. The financial risks are dealt with in Note 4.

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 and other conditions when purchasing goods

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. During the latter part of 2020, the shortage of containers for imports from Asia has become relevant and can be seen as a risk with delayed and significantly more expensive deliveries of goods.

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.

The Annual General Meeting was held May 27, 2020 i Borås. 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 are updated as needed and some documents have been updated during 2020.

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.

THE 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 due to the positive development of sales in 2020 but also due to the launch of websites in new markets at the end of 2020. The Group opened sites in Germany and Poland in December 2020 and in The Netherlands and Austria in early 2021 and has thus begun an expansion in Europe. The Group invests resources in the development of IT systems and logistics.

Proposed appropriation of profits

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

Retained earnings	627 757 046
Profit/loss for the year	-504 653 634
	123 103 412

The Board of Directors proposes that profits be appropriated as follows

carried forward	123 103 412
	123 103 412

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.

Consolidated income statement

Amount in SEK thousands	Note	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales	5	3 174 865	262 197
Cost of goods sold	6	-1 672 428	-129 300
Gross profit/loss		1 502 437	132 897
Selling expenses		-1 133 970	-90 790
Administrative expenses		-343 123	-79 087
Other income	7	40 569	8 791
Other costs	8	-409 281	0
Operating profit/loss	9, 10, 11,12,13	-343 368	-28 190
Financial income/expense			
Financial income	14	8 688	1 305
Financial expense	14	-163 350	-12 676
Total financial income/expense		-154 662	-11 371
Profit/loss before tax		-498 031	-39 561
Income tax	15	4 320	-13 849
Profit/loss for the year		-493 711	-53 409
Attributable to:			
Parent Company's shareholders		-493 711	-53 409

Consolidated statement of comprehensive income

Amount in SEK thousands	Note	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Profit/loss for the year		-493 711	-53 409
Items not reversed in the income statement:			
Actuarial gains/losses	32	4 618	1 228
Tax effect	15	-951	-253
Total items not reversed in profit or loss		3 667	975
Items that will later be reversed in the income statement:			
Translation differences for the year	28	12 997	-725
Cash flow hedges - changes in value	28	-57 618	-20 499
Cash flow hedges reversed in profit or loss		21 622	679
Tax effect	15	7 257	4 241
Total items to be reversed in profit or loss		-15 742	-16 303
Total other comprehensive income		-505 785	-68 738
Of which attributable to Parent Company's shareholders		-505 785	-68 738

Consolidated statement of financial position

Amount in SEK thousands	Note	2020-12-31	2019-12-31
ASSETS			
Non-current assets			
Goodwill	16	677 039	661 489
Trademarks	16	447 294	448 333
Customer relationships	16	559 567	654 141
Development expenditure	16	109 767	108 533
		1 793 666	1 872 496
Right-of-use assets		549 929	601 163
Equipment, tools, fixtures and fittings	17	26 112	28 460
Investments in leased property	18	75 765	78 233
Construction in progress within property, plant and equipment	19	7 141	799
		658 946	708 655
Non-current receivables		3 366	3 069
Deferred tax assets	31	57 204	31 678
		60 570	34 747
Total non-current assets		2 513 182	2 615 898
Current assets			
Inventories	22	528 885	511 243
Returns assets	22	22 371	18 194
Accrued income	23	31 229	36 044
Trade receivables	21	37 065	59 488
Current receivables from Group companies		12 838	7 677
Current tax assets		89 526	17 803
Derivative instruments	4	27 276	16 968
Other current receivables		3 208	3 353
Prepaid expenses	24	45 890	27 256
Cash and cash equivalents	25	320 683	272 039
		1 118 970	970 065
TOTAL ASSETS		3 632 153	3 585 963

Amount in SEK thousands	Note	2020-12-31	2019-12-31
EQUITY AND LIABILITIES			
<i>Equity attributable to parent company's shareholders</i>			
Share capital	26	500	500
Additional paid-in capital	27	679 900	664 340
Reserves	28	-32 045	-16 303
Retained earnings including the profit/loss for the year		-585 728	-95 684
Total equity		62 627	552 852
<i>Non-current liabilities</i>			
Bond issue	30	1 454 458	1 443 502
Non-current lease liability	10	482 915	525 648
Other non-current liabilities		37 709	10 746
Deferred tax liabilities	31	208 784	228 870
Provisions for pensions	32,35	165 236	169 981
Other provisions	33	401 372	0
		2 750 474	2 378 747
<i>Current liabilities</i>			
Interest-bearing liabilities	29	0	0
Current lease liability	10	63 424	65 316
Trade payables		288 494	222 452
Current liabilities to Group companies		61	61
Current tax liabilities		78 165	19 165
Derivatives	4	65 091	18 146
Other current liabilities		86 258	66 044
Repayment liability		46 682	36 252
Accrued expenses	34	190 876	226 927
		819 052	654 363
Total liabilities		3 569 526	3 033 110
TOTAL EQUITY AND LIABILITIES		3 632 153	3 585 963

Consolidated statement of changes in Equity

Amount in SEK thousands	Share capital	Additional paid-in capital	Translation reserve	Hedging reserve	Retained earnings including profit/loss for the year	Total equity
Opening balance as at 26 November 2019	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		663 340			0	664 340
Closing balance as at 31 December 2019	500	664 340	-725	-15 578	-95 684	552 852

*) The consolidated accounts for 2019 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.

Consolidated statement of changes in Equity

Amount in SEK thousands	Share capital	Additional paid-in capital	Translation reserve	Hedging reserve	Retained earnings including profit/loss for the year	Total equity
Opening balance as at 1 January 2020	500	664 340	-725	-15 578	-95 684	552 852
Comprehensive income						
Profit/loss for the year					-493 711	-493 711
Other comprehensive income:						
Cash flow hedges						
Change in fair value for the year				-57 618		-57 618
Transferred to the income statement				21 622		21 622
Translation differences			12 997			12 997
Actuarial gains and losses					4 618	4 618
Tax attributable to items in other comprehensive income				7 257	-951	6 306
Total other comprehensive income, after tax			12 997	-28 739	3 667	-12 075
Total comprehensive income			12 997	-28 739	-490 044	-505 785
Transactions with shareholders:						
Contribution received in connection with acquisition of subsidiary		15 560				15 560
Dividends					0	0
Total transactions with shareholders		15 560			0	15 560
Closing balance as at 31 December 2020	500	679 900	12 272	-44 317	-585 728	62 627

Consolidated statement of cash flows

Amount in SEK thousands	Note	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Cash flow from operating activities			
Operating profit		-343 368	-28 190
Adjustments for non-cash items:			
Other provisions		401 372	0
Depreciation/amortisation and impairment	12	186 930	17 066
Post-employment benefits and payments to plans		-126	3 069
Interest received		8 692	1 305
Interest paid		-124 307	-1 412
Other financial items paid		-16 960	-904
Income tax paid		-48 040	14 636
		64 191	5 570
Increase/decrease in inventories		-21 819	8 931
Increase/decrease in trade receivables		27 238	1 018
Increase/decrease in other current receivables		-23 656	-11 274
Increase/decrease in trade payables		66 042	23 010
Increase/decrease in other current liabilities		19 448	5 634
Cash flow from operating activities		131 446	32 890
Investing activities			
Acquisition of subsidiaries	36	0	-929 800
Acquisitions of property, plant and equipment	17,18,19	-14 927	-1 866
Acquisition of intangible assets	16	-21 130	-1 943
Acquisition of financial assets		-297	-3 069
Cash-flow from investing activities		-36 354	-936 678
Financing activities			
Payment of fees for raising loans		-1 913	0
Payment of lease liability	10	-44 626	-4 850
Cash flow from financing activities		-46 538	-4 850
Cash flow for the year		48 554	-908 638
Cash and cash equivalents at beginning of year		272 039	1 180 663
Exchange rate difference in cash and cash equivalents		90	15
Cash and cash equivalents at end of year	25	320 683	272 039

Parent company income statement

Amount in SEK thousands	Note	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Net sales	5	20 486	491
Gross profit/loss		20 486	491
Administrative costs	9,11,13	-19 898	-4 843
Other costs	8	-401 372	0
Operating profit/loss		-400 784	-4 352
Financial income/expense			
Interest income	14	11 634	1 502
Interest expense	14	-136 050	-49 293
Total financial income/expense		-124 416	-47 791
Profit/loss after net financial items		-525 200	-52 143
Year-end appropriations			
Received Group contribution		20 025	0
Profit/loss before tax		-505 174	-52 143
Income tax	15	521	0
Profit/loss for the year		-504 654	-52 143

Parent company statement of comprehensive income

Amount in SEK thousands	Note	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Profit/loss for the year		-504 654	-52 143
Other comprehensive income		0	0
Total other comprehensive income		-504 654	-52 143

Parent company's balance sheet

Amounts in SEK thousand	Note	2020-12-31	2019-12-31
TILLGÅNGAR			
Non-current assets			
Financial assets			
Shares in subsidiaries	20,35	1 669 288	1 679 383
Non-current receivables		2 034	0
Deferred tax assets		521	0
		1 671 843	1 679 383
Total non-current assets		1 671 843	1 679 383
Current assets			
Current receivables			
Receivables from Group companies		364 499	457 782
Current tax assets		157	0
Other current receivables		6	0
Prepaid expenses	24	130	70
Cash and cash equivalents	25	4 834	800
		369 626	458 652
Total current assets		369 626	458 652
TOTAL ASSETS		2 041 469	2 138 035
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	26	500	500
		500	500
Non-restricted equity			
Profit brought forward		627 757	664 340
Profit/loss for the year		-504 654	-52 143
		123 103	612 197
Total equity		123 603	612 697
Non-current liabilities			
Bond issue	30,35	1 454 398	1 443 502
Other non-current liabilities		36 054	0
Other provisions	33	401 372	0
		1 891 824	1 443 502
Current liabilities			
Other current liabilities		247	166
Accrued expenses and deferred income	34	25 795	81 668
		26 042	81 835
TOTAL EQUITY AND LIABILITIES		2 041 469	2 138 035

Parent company statement of changes in Equity

Amounts in SEK thousand	Restricted equity	Non-restricted equity		Total equity
	Share capital	Retained earnings	Profit/loss for the year	
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

Amounts in SEK thousand	Restricted equity	Non-restricted equity		Total equity
	Share capital	Retained earnings	Profit/loss for the year	
Opening balance as at 1 January 2020	500	664 340	-52 143	612 697
Transfer of previous year's profit/loss		-52 143	52 143	0
Comprehensive income				
Profit/loss for the year			-504 654	-504 654
Total other comprehensive income, after tax			-504 654	-504 654
Total comprehensive income			-504 654	-504 654
Transactions with shareholders				
Paid in capital				0
Contribution received in connection with acquisition of subsidiary		15 560		15 560
Dividends			0	0
Total transactions with shareholders	0	15 560	0	15 560
Closing balance as at 31 December 2020	500	627 757	-604 653	123 603

Parent company statement of cash flow

Amounts in SEK thousand	Note	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Cash flow from operating activities			
Operating profit/loss		-400 784	-4 352
Adjustments for non-cash items:			
Other provisions		401 372	0
Interest received		11 041	26
Interest paid		-105 806	-25 876
Bank charges etc		-16 960	0
Tax paid		-157	0
		-111 294	-30 202
Change in trade receivables		110 457	-512 934
Change in trade liabilities		7 337	63 626
Cash flow from operating activities		6 500	-479 509
Acquisition of subsidiary		0	-958 557
Cash-flow from investing activities		0	-958 557
Financing activities			
Borrowings		0	1 500 000
Transaction costs for borrowings		-2 466	-61 634
Share capital received		0	500
Cash flow from financing activities		-2 466	1 438 866
Cash flow for the year		4 033	800
Cash and cash equivalents at beginning of year		800	0
Cash and cash equivalents at end of year	25	4 834	800



Note 1 General information

The annual report and consolidated financial statements include the Swedish parent company FNG Nordic AB (publ), corporate identity number 559175-1325 and its subsidiaries. The Group's main operations include e-commerce under the Ellos, Jotex, Homeroom and Stayhard brands. The business activities are carried out in Sweden, Norway, Finland, Denmark and from December 2020 also through websites in Germany and Poland.

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 Ödegårdsgatan 6, 504 64 Borås.

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

The consolidated financial statements of FNG NV are available at their webpage: <https://www.fngnv.com>.

Note 2 Significant accounting policies

COMPLIANCE WITH STANDARDS AND LEGISLATION

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 (IFRIC).

Hereafter the Annual Report refers to the FNG Nordic AB group as "Ellos", "Ellos Group" alternatively "The 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.

The comparative figures for the Group refer to the period 26 November 2019 to 31 December 2019. 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. The Parent Company FNG Nordic AB's financial statements comprise the period 12 October 2018 until 31 December 2019.

New or amended IFRS standards and new interpretations

The changes that have entered into force and that apply from 1 January 2020 have not had any significant impact on the Group's financial reports. The Group applied the amendments to IFRS 9, IFRS 7 and others in advance and the Interest Rate Benchmark Reform PHASE 1 already in the previous financial year. The Group hedges only currency exposure, which is why the reference interest rate reform has limited significance in practice.

New or amended IFRS standards and new interpretations not yet effective

Amendments in IFRS 9, IAS 39, IFRS 7, IFRS 4 och IFRS 16: Interest Rate Benchmark Reform PHASE 2

In short, the changes mean that it enables companies to reflect the effects of switching from reference rates such as STIBOR to other reference rates without giving rise to accounting effects that would not provide useful information to users of financial reports.

The Group is affected by the reference interest rate reform mainly in the exposure to STIBOR in its external bond borrowing. The principles on modification of financial liabilities allow for an exception which means that modifications that are a direct effect of the reference interest rate reform are reported by updating the effective interest rate instead of leading to recalculation of reported amounts. All other modifications are reported in accordance with existing principles for modifications and cancellations in IFRS 9. The external bond loan has a so-called "Fall-back clauses" which means that the bond terms already contain conditions on how interest rate setting when STIBOR is replaced is to be handled in practice.

The Group does not hedge interest rate exposure, only currency exposure and thereby has a limited effect of this interest rate reform in terms of hedge accounting.

The above change applies from 1 January 2021. Management believes that no other standards or interpretations that have not entered into force are expected to have any significant impact on the Group.

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 influence (subsidiaries).

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.

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 sport 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 an 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 websites.

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; and
- 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

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. Rental income from the Group's subletting of premises is also reported as other income distributed over the time the premises are leased. In addition, exchange rate gains that arise in the Group from the elimination of intra-group income and expenses as well as the revaluation of operating receivables and operating liabilities are reported.

Other costs

Primarily refers to exchange differences that arise in the Group in connection with elimination of intra-Group revenues and costs and revaluation of operating receivables and operating liabilities. In 2020, the provision made for settlement amount is also reported as other costs. See note 8 for further information.

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.

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. Thereafter, they are valued at acquisition value after deductions for accumulated depreciation and accumulated impairment.

The Groups right-of-use assets are depreciated over 3-13 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 do not need to be separated from lease components, and instead leases 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.

The Group has offered certain employees to subscribe for synthetic options. A synthetic option gives the holder a right to a future cash payment based on the market value of the option at maturity. For these synthetic options, the holder has paid a premium corresponding to the market value of the option at the time of acquisition. The premium received is initially reported as a liability, which means that it initially did not involve any cost for the company. The debt is revalued on an ongoing basis to fair value, which is done through the application of an option valuation model, taking into account the applicable terms, the changes in value and changes in value are reported in the profit for the year.

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 if this legal entity does not have sufficient assets to pay the remuneration to the Group's employees, for their work with the Group, for the current or previous periods. 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;
- Revaluations

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

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 and starting in December 2020 also in Germany and Poland. 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 år
Right-of-use assets	3-13 år
Investments in leased property	20 år

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 asset 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 expenses 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
- Trade receivables

Financial assets at fair value

- Trade receivables that are sold daily to Resurs Bank
- Derivatives
- Currency forwards used for hedging purposes
- Currency forwards not used for hedging purposes

Liabilities at amortised cost

- Liabilities at amortised cost
- Borrowings

Financial liabilities at fair value

- Derivatives
- Currency forwards used for hedging purposes
- Currency forwards not used for hedging purpose

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 accrued income 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.

Non-current and current liabilities

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**Changed accounting principles**

The amendments to RFR 2 Accounting for Legal Entities that have entered into force and apply for the financial year 2020 have not had any significant impact on the Parent Company's financial reports. The parent company is also covered by the amendments to IFRS 9, IFRS 7, etc. and relating to the reference interest rate reform, see further description regarding this for the Group above.

Amendments to RFR 2 not yet effective

The parent company is also covered by the amendments to IFRS 9, IFRS 7, etc. and relating to the reference interest rate reform, see further description regarding this for the Group above. Management believes that other amendments to RFR 2, which have not yet entered into force, are not expected to have a material impact on the parent company's financial statements when they are applied for the first time.

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 16 contains information about the estimates made and the parameters used for calculation of recoverable value. The Group has identified brands that have an indefinite useful life and the motivation for why these brands have an indefinite useful life is reported in Note 2. 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 (445) million, while goodwill totalled SEK 677 (661) million. No impairment was recognised in the financial year. The value of the Group's goodwill changed in 2020 due to a change in the acquisition analysis prepared in connection with FNG Nordic AB's acquisition of Ellos Group. See further information in note 36.

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 560 (654) million. During the year, amortisation amounted to SEK 95 (8) million while the Group acquired customer relationships of SEK 0 (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. 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 are recognised under Provisions for pensions. For further information, see Note 32 Employee Benefits.

Calculation of tax

In the Group's subsidiary Ellos AB, a provision has been made, regarding the intended cooperation regarding purchases and the advance payment made, due to the bankruptcies made within the FNG NV Group. See further information in Director's report - Significant events during the financial year. The provision made amounts to SEK 158.6 million and the total amount has been regarded as a deductible expense for the 2020 financial year when calculating current tax. Ellos AB, like other companies in the Group, has submitted claims to the bankruptcy estate, but considers the probability of receiving a repayment to be very low. If deductions were not allowed for the 2020 financial year, the Group's estimated tax would increase by SEK 34 million.

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.



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 integrated Treasury team. 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 team. The CFO delegates management of other financial risks to the Treasury team. They identifies and analyses risks and proposes measures to limit risks to the CFO. The treasury team acts on the CFO's 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. During December 2020, the Group started selling, in each country's currency, to customers in Germany and Poland. Through its international trading the Group is 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	2020-01-01 -2020-12-31		2019-11-26 -2019-12-31	
	Outflow SEK thousand	Inflow SEK thousand	Outflow SEK thousand	Inflow SEK thousand
USD	11 475	510 399	3 116	34 714
EUR	383 470	157 096	41 968	17 074
NOK	431 663	28 456	40 019	2 186
DKK	167 002	6 689	21 955	544
Other Import currencies	296	21 985	0	407
Total	993 905	724 626	107 058	54 925

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. The Swedish business also sells from December 2020 in EUR to customers in Germany and in PLN to customers in Poland. 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 -37.8 (-1.2) million.

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 2020 and 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 90 (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

Estimated impact on operating profit/loss of +10% change in SEK against the currencies listed below

Currency	2020		2019	
	Before hedging SEK thousand	After hedging SEK thousand	Before hedging SEK thousand	After hedging SEK thousand
USD	-3 109	-363	-2 203	-445
EUR	2 297	245	1 741	355
NOK	3 454	384	2 279	468
DKK	1 275	136	1 074	214
HKD	-112	-13	-459	-92
Other currencies	-19	-2	-11	-2
	3 786	387	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 3.8 (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 0.4 (0.5) million, based on a hedging level of 90 (80)% which is the calculated level as of the balance sheet date.

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, it 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 13.0 (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. To ensure effective and good risk control, borrowing

is handled centrally by the Group's Treasury team. 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 (issued 2019-07-24) 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 2020 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 2020, none of the Group's corporate customers accounted for more than 10.0 (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		Parent company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Trade receivables	68 294	95 532	0	0
Receivables from Group companies	12 838	7 677	364 499	457 782
Derivatives with positive market values	27 276	16 968	0	0
Other assets	3 208	3 353	6	0
Cash and cash equivalents	320 683	272 039	4 834	800
Maximum exposure to credit risk	432 299	395 569	369 399	458 582

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. Credit risk provisions on accounts receivable are stated in Note 21. Other assets are mainly receivables relating to VAT where there is no credit risk.

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 6.5 % of the Groups sales of goods, SEK 177 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 committed 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 116.2 (53.6) million.

Total used revolving credit (excluding bank guarantees) as at the balance sheet date amounted to SEK 0.0 (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 2020, the Group had unused credit facilities of SEK 233.8 (296.4) million and cash and cash equivalents of SEK 320.7 (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 29 and Note 30. Net outflows are managed through inflows from customers.

FNG Nordic AB (publ) has entered into a settlement agreement regarding the previously published arbitration procedure and as part of this agreement, a strategic review will be initiated with the aim of giving Ellos Group the best possible conditions, capital structure and future opportunities.

As part of the settlement in the settlement agreement, the Group has agreed to pay an amount of EUR 40 million. The Group's payment of any part of the settlement amount is entirely dependent on the implementation of the strategic review that will be carried out. Therefore, the settlement agreement does not currently lead to any payment for the Group.

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 3-3.5 years from the balance sheet date and the Group's forecasted 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	227 813	1 651 875	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	227 813	1 651 875	2 550 758

31 December 2020	Within 3 months	3-12 months	1-3 years	4-5 years	Total
Interest-bearing liabilities	25 313	75 938	227 813	1 550 625	1 879 688
Recognised negative derivatives, inflow	6 514	2 386			8 900
Recognised negative derivatives, outflow	6 126	50 064			56 190
Other financial liabilities	612 309				612 309
	650 261	128 388	227 813	1 550 625	2 557 087

Interest-bearing liabilities

The Group's interest-bearing loans consist partly of a bond with a nominal value of SEK 1,500 million and partly of revolving

credit facilities of SEK 350 million. 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 2020 (SEK thousand)
Long-term borrowings					
2019-2024	Bond	SEK	1 500 000	1 500 000	1 454 458
Totalt				1 500 000	1 454 458
Kortfristiga lån					
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
Totalt			0	0	0
Total borrowings				1 500 000	1 454 458

The amounts in the table refer to both bond and revolving credit facilities included in financing agreements for 2019. The average weighted interest rate at the end of 2020 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 38). 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. The Group has on all reporting occasions been within the limits of what is permitted for the covenants according to the agreement.

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)	Nominal amount SEK thousand	+10% effect in SEK thousand
EUR	-31 600	-317 084	-31 708
USD	73 230	598 820	59 882
HKD	11 970	12 624	1 262
NOK	-433 000	-414 969	-41 497
DKK	-118 460	-159 747	-15 975
Total		-280 356	-28 035
Tax effect 21,4%			5 999

A negative amount represents a hedged inflow and a positive amount a hedged outflow. All currency forwards will mature in 2021. 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 2020 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 less 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 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		Parent company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Financial assets at amortised cost				
- trade receivables and accrued income	60 162	95 532	0	0
- other assets measured at amortised cost	3 208	3 353	364 505	457 782
- cash and cash equivalents	320 683	272 039	4 834	800
Financial assets at fair value				
- trade receivables and accrued income	8 132	0	0	0
- derivatives				
- currency forwards used for hedging purposes	27 104	13 620	0	0
- currency forwards not used for hedging purposes	172	3 348	0	0
Total financial assets	419 461	387 893	363 339	458 582

Currency forwards not used for hedging purposes are held to reduce currency risk in intra-Group flows. Accounts receivable that are reported at fair value as of December 31, 2020 refer to accounts receivable that are sold daily to Resurs Bank.

	Group		Parent company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Liabilities at amortised cost				
- trade payables and other liabilities	612 309	551 674	62 094	81 835
- borrowings	1 454 458	1 443 502	1 454 458	1 443 502
Financial assets at fair value				
- derivatives:				
- currency forwards used for hedging purposes	60 396	13 223	0	0
- currency forwards not used for hedging purposes	4 965	4 923	0	0
Total financial liabilities	2 131 858	2 013 323	1 516 552	1 525 337

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

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

	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Fair value via the income statement:		
Interest income from trade receivables and accrued income	8 364	453
Interest expenses on trade payables and other liabilities	-121	-24
Interest expense on borrowings	-104 918	-8 736
Interest income for derivatives used for hedging purposes	-944	834
Interest income for derivatives not used for hedging purposes	-457	305
Net gain/loss	-98 077	-7 167

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 2019-12-31	Maturity					TOTAL
	-1 month	1-3 month	3-6 month	6-9 month	9-12 month	
EUR (nom. amount)	-4 000 000	-3 010 000	-7 590 000	-2 700 000	-11 400 000	-28 700 000
EUR (average forward rate)	-10,4522	-10,5247	-10,6586	-10,8267	-10,625	
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
DKK (average 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 forward rate)	9,2428	9,2535	9,3088	9,5737	9,4840	
HKD (nom. amount)	5 960 000	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		
PLN (nom. amount)		115 000				115 000
PLN (average forward rate)		2,3919				
GBP (nom. amount)	90 000	42 000				132 000
GBP (average forward rate)	12,3422	12,0927				

Currency forwards 2020-12-31	Maturity					TOTAL
	-1 month	1-3 month	3-6 month	6-9 month	9-12 month	
EUR (nom. amount)	-5 150 000	-3 300 000	-8 250 000	-2 850 000	-12 050 000	-31 600 000
EUR (average forward rate)	-10,2431	-10,7963	-10,8342	-10,4228	-10,4264	
NOK (nom. amount)	-41 300 000	-70 320 000	-131 680 000	-80 550 000	-109 150 000	-433 000 000
NOK (average forward rate)	-0,9610	-0,9553	-0,9536	-0,9606	-0,9545	
DKK (nom. amount)	-6 200 000	-16 500 000	-38 000 000	-17 600 000	-40 160 000	-118 460 000
DKK (average forward rate)	-1,3797	-1,4555	-1,4486	-1,4019	-1,4001	
USD (nom. amount)	7 810 000	19 300 000	9 570 000	26 750 000	9 800 000	73 230 000
USD (average forward rate)	-9,4132	-9,2276	-8,6953	-8,7811	-8,5619	
HKD (nom. amount)	1 530 000	6 120 000		3 970 000	350 000	11 970 000
HKD (average forward rate)	-1,3304	-1,2115		-1,1343	-1,1245	

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
As at 31 December 2020				
Currency forwards with positive/negative value		-37 815	Derivative instruments	-57 618

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
As at 31 December 2020		
Very probable projected sale/purchasing	-57 618	-44 317

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
2020					
Very probable projected sale/cost of goods sold	-57 618	-	-	21 622	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
2020-12-31	Amounts recognised in balance sheet	Financial instruments	Net amount
Assets			
Recognised positive derivatives	27 276	-65 091	-37 815
Liabilities			
Recognised negative derivatives	65 091	-65 091	0
Total	92 368	-130 183	-37 815

Note 5 Revenue

Net sales

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

Distribution of net sales	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Revenue from agreements with customers	2 863 854	233 969
Additional purchase price Resurs Bank	311 011	28 228
Total	3 174 865	262 197

Revenue from external customers by geographical market

	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Sweden	1 793 952	154 742
Norway	566 392	40 875
Finland	539 709	44 174
Denmark	248 501	21 957
Other countries	26 311	449
Total	3 174 865	262 197

Information about geographical areas

The Group operates in four main geographical areas - Sweden (the company's headquarters), Norway, Finland and Denmark.

Some B2B sales take place in Europe, mainly in Germany, and by the end of 2020, the Group has also started selling to consumers in Germany and Poland. These sales are reported in the table below under other countries.

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

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	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Sweden	768 713	817 188
Total	768 713	817 188

The Group's intangible assets like 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 Group.

All of the Parent Company's income is generated within the Group.

Note 7 Other revenue

	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Rental income	4 980	341
Royalties	11 954	2 983
Exchange gain	20 943	0
Other	2 692	5 467
Total	40 569	8 791

Note 6 Cost of goods sold

In 2020, the Group started a collaboration with the FNG NV Group, where FNG Nordic entered into an agreement on collaboration on a purchasing platform. FNG Nordic paid SEK 158.6 million as initial cost for this collaboration regarding an initial fee and for prepaid purchases of goods. When most companies within the FNG NV Group went bankrupt in the summer of 2020, this collaboration could not continue and FNG Nordic has reserved for the total sum of SEK 158.6 million. This reservation has been charged to Cost of goods sold in 2020.

Note 8 Other costs

	Group		Parent company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Exchange loss	7 014	0	0	0
Settlement amount	401 372	0	401 372	0
Other	895	0	0	0
Total	409 281	0	401 372	0

FNG Nordic AB (publ) and its group parent company FNG NV have entered into a settlement agreement relating to the previously published arbitration procedure where the previous owners of Ellos Group had made claims against FNG NV and FNG Nordic AB for violation of certain conditions in the acquisition documents according to FNG's acquisition of Ellos Group. As part of this agreement, FNG NV and FNG Nordic AB have agreed to pay an amount of EUR 100 million to the previous owners which consist of an unpaid cash deposit from FNG NV to an amount of EUR 60 million and an amount of EUR 40 million relating to certain claims from previous owners of Ellos Group in relation to the acquisition documents. FNG Nordic AB will at a later stage under certain conditions be liable for payment of EUR 40 million, which is why these have been booked in the company and reported in Other costs as settlement amount SEK 401,372 thousand and as an Other provision.

Note 9 Disclosure of auditor's remuneration and expenses

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
EY				
audit assignment	1 537	83	597	150
audit work other than audit assignment	262	0	138	0
other	591	0	0	0
Total	2 390	83	735	150

Audit assignment means the auditor's payment for the statutory audit. The work includes review of the annual report and accounts, the Board of Directors and the CEO's management and the remuneration of audit advice provided in connection with the audit assignment. Audit activities in addition to the audit assignment relates to other services.

Note 10 Leasing

The Group is the lessee in leases relating mostly to offices, warehouses and a small number of 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 sales volume based rent is used for retail premises. The variable fee associated with premises leases is property tax.

Lease liability	Group	
	2020-12-31	2019-12-31
Short-term debt	63 424	65 316
Long-term debt	482 915	525 648
Total	546 339	590 964

Right-of-use assets	Byggnader	Byggnader
Opening balance aquisition cost	606 014	0
"Additional right-of-use assets following acquisition of line of business"	0	488 110
Additional right-of-use assets	0	117 904
Effects of adjusted rent	7 679	0
Total	613 693	606 014

Accumulated depreciation		
Opening balance	-4 850	0
Depreciation for the year	-58 914	-4 850
Total accumulated depreciation	-63 764	-4 850
Carrying amount	549 929	601 163

Revenues and expenses reported from leasing agreements	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Income from subletting	4 452	341
Lease income in operating profit/loss	4 452	341
Lease cost:		
Variasble lease expenses	2 741	0
Short-term leases	1 066	112
Leases of assets of low value	303	30
Depreciation of right-of-use assets	58 914	4 850
Lease costs in operating profit/loss	63 023	4 992
Interest costs on lease liabilities	14 943	1 278

Note 11 Costs by type of cost

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Goods for resale	1 573 637	120 103	0	0
Costs of employee benefits (Note 13)	354 459	26 134	14 518	464
Depreciation/amortisation and impairment (Note 16, 17, 18)	128 016	12 216	0	0
Costs of operating leases (Note 10)	63 023	4 992	0	0
Marketing costs	507 181	32 048	0	0
Shipping and packaging	311 415	24 471	0	0
Postage cost	12 403	4 983	0	0
Other costs	199 387	74 230	5 380	4 379
Total cost of goods sold, sales and administration	3 149 522	299 177	19 898	4 843

Note 12 Depreciation/amortisation and impairment by function

	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Cost of goods sold	44 408	3 913
Selling expenses	100 967	9 702
Administrative expenses	41 555	3 451
Total depreciation/amortisation and impairment	186 930	17 066



Note 13 Number of employees, salaries, other remuneration and social security costs

Number of employees	2020-12-31		2019-12-31	
	Number employees	Of which number of men	Number employees	Of which number of men
Parent company	2	2	2	2
Subsidiaries	549	200	515	192
Total	551	202	517	194

Breakdown of senior executives as at balance sheet date	Group		Parent company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Women:				
directors	0	1	0	1
other management roles including CEOs	2	3	0	0
Men:				
directors	3	2	3	2
other management roles including CEOs	4	4	0	0
Total	9	10	3	3

Salaries, remuneration, etc.	2020-01-01 -2020-12-31		2019-11-26 -2019-12-31	
	Salaries and other remuneration	Social sec. costs (of which pension costs)	Salaries and other remuneration	Social sec. costs (of which pension costs)
The parent company	10 284	4 234 (1 678)	357	107 (0)
Subsidiaries	240 840	99 101 (23 097)	18 306	7 364 (995)
Total	251 124	103 335 (24 775)	18 663	7 471 (995)

Salaries and remuneration by country and divided between Board members, etc. and other employees	2020-01-01 -2020-12-31		2019-11-26 -2019-12-31	
	The Board and CEO (of which bonuses etc.)	Other employees	The Board and CEO (of which bonuses etc.)	Other employees
Parent Company	10 284 (0)	0	357 (0)	0
Subsidiaries	4 064 (0)	236 776 (0)	508 (0)	17 798 (0)
Total	14 348	236 776	865	17 798

Of the Group's pension costs, SEK 2,105,000 (325,000) relate to the Board and CEOs.

Of the Group's recognised pension liability, SEK 130,000 (124,000) relates to the Group's CEOs.

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 four 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 of Ellos Group.

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.

The Group's CEO is employed by a company outside the FNG Nordic AB Group.

	Basic salary/ Board fee	Variable compensation	Other benefits	Pension costs	Synthetic options	Total
2019						
Chairman of the Board Emmanuel Bracke	0	0	0	0	0	0
CEO Dieter Penninckx	0	0	0	0	0	0
Board member Anja Maes	0	0	0	0	0	0
Other senior executives (7 people)	484	0	23	376	0	883
Total	484	0	23	376	0	883
2020						
Chairman of the board Ricardo Turk	0	0	0	0	0	0
CEO Paul Lembrechts	0	0	0	0	0	0
Board member Emmanuel Bracke	0	0	0	0	0	0
Other senior executives (6 people)	9 730	0	439	3 136	10 609	23 914
Total	9 730	0	439	3 136	10 609	23 914

The CEO of Ellos Group has a retirement age of 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.

Synthetic options

In total, liabilities relating to synthetic options in the Group amount to SEK 33.5 (7.7) million. During the year, the Group's earnings were affected by SEK 17.0 (0) million regarding synthetic options, of which SEK 10.6 (0) million pertained to the group of senior executives. This cost has been reported in the financial result.

The Group values synthetic options based on an accepted valuation model (Black & Scholes). Decisive parameters in the option valuation are assumed market values for the company's share, the exercise price, the share's volatility and how long the remaining term of the option is.

Note 14 Financial income/expense

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Financial income				
Interest income	8 457	1 305	11 631	1 477
Other financial income	231	0	4	26
Total	8 688	1 305	11 634	1 502

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

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Financial expense				
Interest expense	124 607	10 093	106 089	44 156
Exchange rate loss	2 223	22	0	0
Bank charges	19 561	0	13 001	0
Other financial expense	16 960	2 561	16 960	5 137
Total	163 350	12 676	136 050	49 293

All interest costs are attributable to financial liabilities valued at amortised cost. Other financial costs relate primarily to valuation of synthetic options. See further information in note 13.

Note 15 Income tax

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Current tax				
Tax on profit/loss for the year	-33 568	12 146	0	0
Adjustments recognised in the current year relating to the tax of prior years.	-1 749	0	0	0
Total	-35 317	12 146	0	0

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Deferred tax				
Uppskjuten skatt hänförlig till temporära skillnader:				
Changes in untaxed reserves	184	5	0	0
Market valuation derivatives	201	-1 576	0	0
Depreciation customer relationships and trademarks	20 459	1 705	0	0
Pension costs	148	-11	521	0
Changes in unused loss carryforwards	16 832	2 061	0	0
Accrued expenses	1 727	0	0	0
Other	86	0	0	0
Other, reversal of preliminarily recognised deferred tax as at Nov.	0	-28 179	0	0
Total	39 637	-25 995	521	0
Total tax	4 320	-13 849	521	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:

	Group		Parent Company	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31	2020-01-01 -2020-12-31	2018-10-12 -2019-12-31
Reconciliation of tax expense for the year				
Profit/loss before tax	-498 031	-39 561	-505 174	-52 143
Tax expense for the year	4 320	-13 849	0	0
Tax calculated in accordance with Swedish tax rate (21.4%)	106 579	8 466	108 107	11 159
Tax effect foreign subsidiaries	1 003	0	0	0
Tax effect of non-deductible costs	-86 600	-482	-86 037	0
Tax effect of non-taxable revenues	839	122	1	0
Tax effect of used negative net interest income/expense from Group companies	3 607	2 389	0	0
Tax effect of reversal of non-deductible interest	-25 230	-18 207	-22 996	-10 227
Tax effect depreciation intangible assetsd	2 536	0	0	0
Tax effect of previously unutilized loss carryforwards	0	0	925	0
Other	3 335	-6 136	0	-931
Total	6 069	-13 849	0	0
Adjustments recognised in the current year relating to current tax in prior years	-1 749	0	0	0
Recognised tax expense for the year	4 320	-13 849	0	0

Tax recognised in other comprehensive income

	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Deferred tax		
Actuarial gains and losses	-951	-253
Cash flow hedges		
Changes in value	11 711	4 387
Reversed to the income statement	-4 454	-145
Total	6 306	3 988



Note 16 Intangible assets

	Group	
	2020-12-31	2019-12-31
Goodwill		
Opening aquisition value	661 489	0
Acquisitions through business combinations	15 549	661 489
Closing aquisition value	677 038	661 489
Reported value carried forward	677 038	661 489
Trademarks		
Opening aquisition value	448 608	0
Acquisitions through business combinations	0	448 608
Disposal	-180	0
Closing aquisition value	448 428	448 608
Opening amortisation	-95	0
Amortisation for the year	-1 039	-95
Closing accumulated amortisation	-1 134	-95
Opening impairment	-180	0
Impairment for the year	0	-180
Disposal	180	0
Closing accumulated impairment	0	-180
Reported value carried forward	447 294	448 333

Capitalized expenses mainly pertain to the Group's IT-related development projects.

In connection with FNG Nordic's acquisition of Ellos Group, part of the price has been allocated to customer relationships, brands and goodwill and a calculation of this was made in connection with the acquisition. Customer relationships are amortized on a straight-line basis over a seven-year period, while brands with a definable useful life are amortized on a straight-line basis over a three-year period. Trademarks and goodwill with an indefinite useful life come annually and if there are indications of need, they are tested regarding impairment.

Calculation of the value in use is based on estimated future cash flows that cover a 5-year period and thereafter on discounted perpetual cash flows. The significant assumptions used in the assessment of future cash flows is budgeted operating margin, discount rate and long-term growth rate.

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

The discount rate amounts to 12.0 (14.3) percent before tax and

	Group	
	2020-12-31	2019-12-31
Customer relations		
Opening aquisition value	662 652	0
Acquisitions through business combinations	0	662 648
Disposal	-627	0
Exchange effect	-3	5
Closing aquisition value	662 022	662 652
Opening amortisation	-7 885	0
Amortisation for the year	-94 571	-7 885
Closing accumulated amortisation	-102 455	-7 885
Opening impairment	-627	0
Exchange effect	0	-4
Disposal	627	0
Impairment for the year	0	-623
Closing accumulated impairment	0	-627
Reported value carried forward	559 567	654 141
Capitalised expenditure		
Opening aquisition value	223 790	0
Acquisitions through business combinations	0	222 573
Aquisition for the year	21 130	1 943
Impairment for the year	-7 622	-727
Closing aquisition value	237 298	223 790
Opening amortisation	-115 257	0
Additions through business combinations	0	-113 654
Amortisation for the year	-19 516	-1 604
Impairment for the year	7 242	0
Closing accumulated amortisation	-127 531	-115 257
Reported value carried forward	109 767	108 533
Total value carried forward	1 793 666	1 872 495

the calculation of which is based on the weighted average cost of capital (WACC).

The discount rate reflects market assessments of the time value of money and the asset's specific risks. With the assumptions reported above, the value in use exceeds the carrying amount of the cash-generating unit.

Budgeted growth rate is based on history and the growth plans that exist for the business. Growth during periods that extend beyond the 5-year period is estimated to amount to 2.0 (2.0) percent. Growth assumptions do not exceed the long-term growth rate for the industry.

Other operating expenses and operating income refer to sales expenses, administrative expenses and other income. These are determined based on experience of previous outcomes in combination with management's expectations.

Sensitivity analysis

Sensitivity analyzes are calculated to evaluate whether possible unfavorable changes could lead to a need for impairment. Reducing the long-term growth rate by one percentage point and reducing the operating margin by one percentage point would not entail a need for impairment.

Note 17 Equipment, tools, fixtures and fittings

	Group	
	2020-12-31	2019-12-31
Opening acquisition value	135 665	0
Acquisitions through business combinations	0	123 490
Acquisition for the year	2 889	0
Reclassifications	3 327	12 175
Disposals for the year	-6 237	0
Closing acquisition value	135 644	135 665
Opening depreciation	-107 205	0
Additions through business combinations	0	-106 510
Depreciation for the year	-8 181	-694
Disposals for the year	5 853	0
Closing accumulated depreciation	-109 533	-107 205
Reported value carried forward	26 112	28 460

Note 18 Investments in leased property

	Group	
	2020-12-31	2019-12-31
Opening acquisition value	92 991	0
Acquisitions through business combinations	0	88 224
Investments for the year	285	0
Reclassifications	1 952	4 767
Closing acquisition value	95 228	92 991
Opening depreciation	-14 758	0
Additions through business combinations	0	-14 370
Depreciation for the year	-4 705	-387
Closing accumulated depreciation	-19 463	-14 758
Reported value carried forward	75 765	78 233

Note 19 Construction in progress within property, plant and equipment

	Group	
	2020-12-31	2019-12-31
Opening acquisition value	799	0
Acquisitions through business combinations	0	15 875
Investments for the year	11 621	1 866
Reclassifications	-5 278	-16 942
Closing acquisition value	7 141	799
Reported value carried forward	7 141	799

Note 20 Participations in Group companies

			Parent Company	
			2020-12-31	2019-12-31
Opening aquisition value			1 679 383	0
Acquisition of subsidiaries			-10 095	1 679 383
Reported value carried forward			1 669 288	1 679 383
Ellos Group Holding AB	556857-8511	Stockholm	100%	100%
FNG Nordic Buying Platform BV	0739.663.008	Mechelen, Belgien	100%	100%
The Group also includes the following sub-subsidiaries				
Sub-subsidiary	Corporate identity number	Registered office	Equity share %	Equity share %
Ellos Holding AB	556831-9114	Stockholm	100%	100%
Ellos Group AB	556217-1925	Borås	100%	100%
Ellos AB	556044-0264	Borås	100%	100%
Jotex Sweden AB	556249-7106	Borås	100%	100%
Ellos Finland OY	1442131-6	Helsinki, Finland	100%	100%
Ellos Finland OY filial	516411-6237			
Ellos Norway Holding AS	879478642	Oslo, Norway	100%	100%
Ellos Norway AS	832005622	Oslo, Norway	100%	100%
Ellos Norway AS filial	516411-6278			
Ellos Denmark A/S	24927814	Copenhagen, Denmark	100%	100%
Ellos Denmark A/S filial	516411-6153			
Stayhard Holding AB	556783-8858	Borås	100%	100%
Stayhard AB	556713-8077	Borås	100%	100%
Stayhard AS	990698481	Oslo, Norway	100%	100%
FAAD AB	559027-6407	Borås	100%	100%

Note 21 Trade receivables

	Group	
	2020-12-31	2019-12-31
Trade receivables, gross	37 775	59 667
Provision for uncertain receivables	-710	-179
Total	37 065	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	
	2020-12-31	2019-12-31
Provision for doubtful receivables at the beginning of the year	-179	0
Realised doubtful debts, net	-531	-179
Total	-710	-179

Group 2019

Age analysis trade receivables	Trade receivables gross	Provision doubtful trade receivables	Trade receivables net
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

Group 2020

Age analysis trade receivables	Trade receivables gross	Provision doubtful trade receivables	Trade receivables net
Not due	26 805	-127	26 678
Past due 30 days	68	-17	50
Past due 31-60 days	1 008	-16	992
Past due 61-90 days	461	-11	450
Past due > 90 days	9 433	-538	8 895
Total	37 775	-710	37 065

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 split payment 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 20,0 (31.5) million, refers to receivables in Resurs Bank of which SEK 8,1 (15,4) million 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 split payment receivables for the brands Ellos and Jotex, excluding receivables transferred to collection agencies, to Resurs Bank AB and the Group sells the invoice and split payment receivables arising in the e-commerce business 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 9,3 (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 Inventory

	Group	
	2020-12-31	2019-12-31
Goods in transit	112 946	82 153
Goods for resale	415 939	429 090
Total	528 885	511 243

The inventory carrying cost in December amounted to SEK 1 573.6 (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.

Return assets are reported as a separate item in the balance sheet, which is an estimated inventory asset based on what has been estimated that customers will return in 2021 for sales reported in 2020. This return right asset amounts to SEK 22.4 (18.2) million.

Note 23 Accrued income

	Group	
	2020-12-31	2019-12-31
Accrued income	31 229	36 044
Total	31 229	36 044

The items recognised as accrued income 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.

Note 24 Accrued expenses

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Prepaid trade payables	42 132	17 731	191	0
Accrued forward points	1 053	2 672	0	0
Other	2 705	6 853	0	70
Total	45 890	27 256	191	70

Note 25 Cash and cash equivalents

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Cash at bank	320 683	272 039	4 834	800
Total	320 683	272 039	4 834	800

The Group's cash and cash equivalents refer to funds with banks, of which SEK 663 (727) thousand relates to blocked funds in bank accounts.

Note 26 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 27 Other contributed capital - Group

When FNG Nordic AB acquired the Ellos Group, this acquisition took place partly through cash and partly through 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. A change in the calculation of the acquisition price was made after the end of the financial year 2019-12-31. This change has entailed an increase in the shareholder contribution of SEK 15.560 thousand, which means that the total contributed capital amounts to SEK 679.900 thousand.

Note 28 Reserves - 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 29 Current borrowings -interest-bearing

Current liabilities to credit institutions of SEK 0.0 million refer to the utilized part of the Group's revolving credit facility with bank. The credit was not used as at 31 December 2020 nor 31 December 2019.

The total limit for this credit facility is SEK 350 million. See Note 30 for further information.

Note 30 Non- current borrowings -interest-bearing

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 116,2 (53.6) million, which are included in the credit facility. Unused facility at balance sheet date was SEK 233.8 (294.6) million.

Note 29 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 35 contains information on collateral.

Note 31 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	
	2020-12-31	2019-12-31
Deferred tax assets		
Pension obligations	19 998	20 802
Accrued expenses	2 502	850
Tax loss carryforwards	26 500	9 934
Derivatives - cash flow hedges	6 671	0
Other	1 533	92
Total	57 204	31 678
Deferred tax liabilities		
Intangible assets - trademarks and customer relationships	207 402	227 872
Derivatives - cash flow hedges	0	786
Untaxed reserves	0	184
Other	1 382	28
Total	208 784	228 870
Total deferred tax assets and liabilities, net	-151 580	-197 192

Tax loss carryforwards were measured at SEK 26.5 (9.9) million and relate to losses accrued in the Group up until the balance sheet date. A deferred tax asset has been reported as the assessment is that these losses can be used against taxable surpluses, in addition to surpluses due to the reversal of existing taxable temporary differences, in the foreseeable future. The losses were primarily incurred in Sweden.

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

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

Group	Deferred tax asset					
	Pension obligations	Accrued costs	Derivative cash flow hedges	Unused loss carryforwards	Other	Total
Changes to deferred taxes						
Opening balance 1 January 2020	20 802	850	0	9 934	92	31 678
Transferred from deferred tax liability	0	0	-786	0	0	-786
Recognised in the income statement	148	1 727	201	16 832	1 441	20 349
Recognised in other comprehensive income	-951	0	7 257	0	0	6 305
Currency translation differences	0	-75	0	-267	0	-342
Closing balance 31 december 2020	19 998	2 502	6 671	26 500	15 33	57 204

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
Closing balance 31 december 2019	227 872	786	184	28	228 870

Group	Deferred tax liability				
Changes to deferred taxes	Intangible assets	Derivative cash flow hedges	Untaxed reserves	Other	Total
Opening balance 1 January 2020	227 872	786	184	28	228 870
Recognised in other comprehensive income, adjustment of opening balance	-11	0	0	0	-11
Transferred to deferred tax asset	0	-786	0	0	-786
Recognised in the income statement	-20 459	0	-184	1 354	-19 289
Closing balance 31 december 2019	207 402	0	0	1 382	208 784

Note 32 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 defined contribution plans for the financial year amounted to SEK 12 (1) million.

Defined benefit pension plans that cover several employers - The Alecta plan:

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for old-age and family pensions are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed by insurance in Alecta, this is a defined benefit plan that covers several employers. For the financial year 2020, the company did not have access to information in order to be able to report its proportionate share of the plan's obligations, plan assets and costs, which meant that the plan was not possible to report as a defined benefit plan. The ITP 2 pension plan, which is secured through insurance with Alecta, is therefore reported as a defined contribution plan. The premium for the defined-benefit old-age and family pension is calculated individually and is, among other things, dependent on salary, previously earned pension and the expected remaining period of service. Expected fees next financial year for ITP 2 insurances taken out with Alecta amount to approximately SEK 6 (7) million. The Group's share of the total fees to the plan and the Group's share of the total number of

active members in the plan amounts to an insignificant share.

The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 175 percent. In order to strengthen the level of consolidation if it is deemed to be too low, one measure may be to increase the agreed price for new subscriptions and extensions of existing benefits. If the consolidation level exceeds 150 percent, premium reductions can be introduced. At the end of 2020, Alecta's surplus in the form of the collective consolidation level¹ amounted to 148 percent (148 percent).

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 2020, one income base amount was SEK 68,200 (66,800). 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.

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

	Group	
	2020	2019
Discount rate	1,20%	1,50%
Expected salary increase	0,00%	0,00%
Inflation	1,50%	1,80%
Income base amount increase/decrease	0,00%	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	
	2020	2019
Employment costs during the current period	0	0
Employment costs from previous periods	0	0
Effects of adjustments	0	0
Net interest costs	2 226	354
The defined benefit costs recognised in profit/loss for the year	2 226	354

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

Amounts recognised in other comprehensive income	Group	
	2020	2019
Remeasurement of the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	0	0
Actuarial gains and losses arising from changes to demographic assumptions	0	0
Actuarial gains and losses arising from changes to financial assumptions	133	-49
Actuarial gains and losses arising from changes to experience	-3 677	-926
Total amount recognised in other comprehensive income	-3 545	-975
Total	-1 319	-621

Amounts recognised in the balance sheet for defined benefit pension obligations

	2020	2019
Unfunded pension obligations including payroll tax	165 240	169 981
Net unfunded and funded pension obligations	165 240	169 981

Net changes in the defined benefit obligation for the period:

	Group	
	2020	2019
Defined benefit obligations at the beginning of period	169 985	0
Assumed obligations from business combinations	0	171 202
Employment costs during the current period		
Net interest expense	2 226	354
Actuarial gains (-) and losses related to:	-4 618	-1 224
Effects of adjustments		
Pension payments	-2 352	-347
Defined benefit obligations at the end of the period	165 240	169 985

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	
	2020	2019
Change in discount rate + 0.5%	-14 527	-14 711
Change in discount rate -0.5%	16 740	18 394
Change in inflation + 0.5%	16 411	17 395
Change in inflation -0.5%	-14 382	-15 202
Change in life expectancy assumption + 1 year	5 615	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 2.4 (2.2) million in premiums in the following year in respect of the Group's defined benefit plan.

Note 33 Provisions

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Settlement amount	401 372	0	401 372	0
Total	401 372	0	401 372	0

FNG Nordic AB (publ) and its group parent company FNG NV has entered into a settlement agreement relating to the previously published arbitration proceedings in which the previous owners of Ellos Group had made claims against FNG NV and FNG Nordic AB for breach of certain conditions in the acquisition documents regarding FNG's acquisition of Ellos Group. FNG Nordic AB will at a later stage be liable for payment of EUR 40 million, which is why these have been booked in the company and reported in Other costs as settlement amount of SEK 401,372 thousand and as a provision in the balance sheet. (See further information in Note 8)

Note 34 Accrued expenses

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accrued salaries	21 402	2 672	4 399	0
Accrued holiday pay	41 164	39 033	1 821	1 931
Accrued social security contributions	7 097	5 879	155	107
Accrued liability, specifically payroll tax	6 229	6 891	249	0
Accrued custom liabilities	14 655	17 064	0	0
Accrued freight costs	15 561	13 825	0	0
Accrued marketing cost	37 352	32 796	0	0
Accrued interest expenses	18 580	18 295	18 563	18 281
Costs on acquisition of subsidiary	0	48 373	0	54 598
Costs incurred on obtaining credit	0	6 225	0	6 225
Other invoices allocated over time, etc.	28 836	35 873	608	526
Total	190 876	226 927	25 795	81 668

Note 35 Pledged assets and contingent liabilities

	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Pledged assets				
Pledged shares in subsidiaries	253 526	433 590	1 669 286	1 679 383
Corporate mortgages	11 024 657	0	0	0
Other	663	727	50	50
Total	11 278 846	434 317	1 669 336	1 679 433
	Group		Parent Company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Contingent liabilities				
Guarantee to PRI	1 442	1 426	0	0
Total	1 442	1 426	0	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. As security for these credits, the parent company and the group have pledged the shares in all the group's subsidiaries and sub-subsidiaries. The Group's companies have also provided a general unlimited guarantee of SEK 119,546,645. In addition, there are corporate mortgages in some of the Group's companies.

After the closing date, the Group has received a decision following an ongoing tax audit in the subsidiary Ellos Finland OY. The remark refers to whether VAT is to be levied on the company's financial operations and refers to the years 2018 and 2019. The Finnish Tax Agency has imposed VAT on the company for the two years with a total of EUR 1.2 million (SEK 11.7 million). If the corresponding approach were to be applied to 2020 revenues, it would mean that additional VAT of EUR 0.4 million (SEK 4.3 million) would have to be paid. This decision will be appealed and the Group believes that there are good opportunities for a positive outcome.

Note 36 Business combinations

2020

Adjustment of purchase price and goodwill on acquisition of subsidiaries

On 26 November 2019 FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB. The purchase price was initially valued at SEK 1,615 million but has been recalculated to SEK 1,630 million from the previous SEK 1,615 million

through an updated valuation of the underlying instruments included as payment of the acquisition. A total of SEK 951 million was paid in cash and SEK 680 million was paid through, among other things, shares in FNG NV and other instruments, which were received as shareholder contributions in FNG Nordic AB. The increase that the updated valuation gave rise to SEK 15 million was reported as shareholder contributions during the second quarter of 2020. The changed calculation has entailed an increase in goodwill by SEK 15 million from earlier SEK 662 million to the current 677 million.

2019

Acquisition of subsidiary

On 26 November 2019, FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB for SEK 1,615,028 thousand. The acquisition of Ellos Group was a part of the FNG NV group's growth strategy, which was 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. FNG NV Group's intention was to create an omnichannel company comprising leading brands in fashion and home in the Benelux countries and the Nordic region. FNG NV's assessment was that the companies complemented each other to a significant degree and that synergies could 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 during 2019. In 2020, a credit note was received regarding the acquisition-related expenses. This credit note amounted to SEK 25.7 million.

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 37 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 13 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 13.

The company has issued an option program for people in senior positions. The options are acquired at market value. See further information in Note 13.

Other

No dividends were paid out during the financial years 2019 and 2020.

Parent Company

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

Note 38 Alternative key figures - motivation, derivation and definition

MOTIVATION

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. Below is a reconciliation of the alternative key indicators with the nearest reconcilable item. Management believes that these financial performance measures facilitate analysis and evaluation of this report and provide valuable information to increase the ability to make comparisons between periods. This information should be regarded as complementing, rather than replacing, financial reporting according to IFRS. FNG Nordic group's definitions of these financial performance measures may differ from other companies' definitions of the same terms.

DERIVATION

GROSS PROFIT, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales	3 174,9	262,2
Cost of good sold	-1 672,4	-129,3
Gross Profit	1 502,4	132,9

Gross profit shows the difference between net sales and cost of goods sold. Gross profit depends among the others on price development, costs development and product mix.

GROSS MARGIN %	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Gross Profit in MSEK	1 502,4	132,9
Net sales in MSEK	3 174,9	262,2
Gross margin	47,3	50,7

Gross margin shows the difference between net sales and cost of goods sold in percentage to net sales. Gross margin depends among the others on price development, costs development and product mix.

ADJUSTED GROSS PROFIT, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales	3 174,9	262,2
Cost of goods sold	-1 672,4	-129,3
Gross Profit	1 502,4	132,9
Non-recurring items		
Reserve of cooperation regarding purchasing	158,6	0,0
Adjusted gross profit	1 661,0	132,9

Adjusted gross profit shows the difference between net sales and cost of goods sold adjusted for non-recurring items which refers to items that not occur yearly and are separated from usual business.

ADJUSTED GROSS MARGIN, %	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Adjusted gross profit in MSEK	1 661,0	132,9
Net sales in MSEK	3 174,9	262,2
Adjusted gross margin	52,3	50,7

Adjusted gross margin shows adjusted gross profit in percentage to net sales.

OPERATING PROFIT/LOSS, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Profit/loss before tax, in MSEK	-498,0	-39,6
Financial items, in MSEK	-154,7	-11,4
Operating profit/loss	-343,4	-28,2

Operating profit/loss shows the result for the operating activities and this is an important KPI that Ellos Group follows.

OPERATING MARGIN %	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Operating profit/loss, in MSEK	-343,4	-28,2
Net sales in MSEK	3 174,9	262,2
Operating margin	-10,8	-10,8

Operating margin shows the operating profitability through the relationship of operating profit/loss to net sales.

EBITA AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Operating profit/loss	-343,4	-28,2
Amortization and impairment of acquisition-related intangible assets (Trademarks, Customer relationships)	95,6	8,0
EBITA	-247,8	-20,2

EBITA shows the operating profit/loss before amortization of intangible assets caused by acquisition-related activities.

EBITDA, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Operating profit/loss	-343,4	-28,2
Amortization, depreciation and impairment	186,9	17,1
EBITDA	-156,4	-11,1

EBITDA shows the operating profit/loss before amortization, depreciation and impairment.

ADJUSTED EBITA, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Operating profit/loss	-343,4	-28,2
Amortization and impairment of acquisition-related intangible assets (Trademarks, Customer relationships)	95,6	8,0
Non-recurring items		
Strategic cost	0,0	1,1
Acquisition-related cost	-23,1	56,5
Reserve of cooperation regarding purchasing	158,6	0,0
Provision for settlement amount	401,4	0,0
Unused storage areas	1,1	0,0
Adjusted EBITA	290,2	37,4

Adjusted EBITA shows the operating profit/loss before amortization, of acquisition-related intangible assets adjusted for non-recurring items. Non-recurring items: refer to the items that not occur yearly and are separated from usual business. Management believes that non-recurring items should be shown as they otherwise make comparability between periods more difficult.

ADJUSTED EBITDA, AMOUNTS IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Operating profit/loss	-343,4	-28,2
Amortization of acquisition-related intangible assets	186,9	17,1
EBITDA	-156,4	-11,1
Non-recurring items		
Strategic cost	0,0	1,1
Acquisition-related cost	-23,1	56,5
Reserve of cooperation regarding purchasing	158,6	0,0
Provision for settlement amount	401,4	0,0
Unused storage areas	1,1	0,0
Adjusted EBITA	381,5	46,5

Adjusted EBITDA shows the operating profit/loss before amortization, depreciation and impairment adjusted for non-recurring items. Non-recurring items: refer to the items that not occur yearly and are separated from usual business. Management believes that non-recurring items should be shown as they otherwise make the comparability between periods more difficult.

ADJUSTED EBITA MARGIN, %	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales, amount in MSEK	3 174,9	262,2
Adjusted EBITA amount in MSEK	290,2	37,4
Adjusted EBITA-margin	9,1	14,3

Adjusted EBITA-margin shows the relationship between adjusted EBITA and net sales.

ADJUSTED EBITDA MARGIN, %	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Net sales, amount in MSEK	3 174,9	262,2
Adjusted EBITDA amount in MSEK	381,5	45,6
Adjusted EBITDA-margin	12,0	17,7

Adjusted EBITDA-margin shows the relationship between adjusted EBITDA and net sales.

NET DEBT, AMOUNT IN MSEK	Group	
	2020-12-31	2019-12-31
Interest-bearing liabilities, long-term, excluding pension liabilities and lease liabilities	1 454,5	1 443,5
Interest-bearing liabilities, short-term	0,0	0,0
Cash and cash equivalents	-320,7	-272,0
Net debt	1 133,8	1 171,5

Net debt/net asset comprises interest-bearing long-term and short-term liabilities excluding pension liabilities and lease liabilities. Management manages the measures net debt and debt / equity ratio to analyze that the Group meets its debt indebtedness targets. The debt/net asset indicates the extent to which the group is willing to indebt its business.

OPERATING CASH FLOW, AMOUNT IN MSEK	Group	
	2020-01-01 -2020-12-31	2019-11-26 -2019-12-31
Cash flow from operating activities	131,4	32,9
Cash flow from investments	-36,4	-936,7
Operating cash flow	95,1	-903,8

Operating cash flow shows cash flow from operating activities before the cash flow from investment activities.

DEFINITIONS/GLOSSARY

Number of employees: Number of employees, expressed as full-time equivalents, at the end of the year.

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

Gross Profit: Net sales less cost of goods sold.

EBITDA: Operating profit/loss before depreciation/amortization and impairment.

Financial items: Financial items is the net amount of financial income and financial expense.

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

Adjusted gross profit/loss: Net sales less costs of goods sold and non-recurring items.

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

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

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

Adjusted EBITDA-margin: Adjusted EBITDA as a percentage of net sales.

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

Netdebt/net asset: Interest-bearing liabilities (excluding pension liabilities and lease liabilities) less cash and cash equivalents and interest-bearing assets at the end of the period.

Non-recurring item: Items that are not occur yearly and are separated from usual business.

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

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

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

Note 39 Events after the balance sheet date

The European launch has continued with The Netherlands, where the Jotex site was opened on January 19 2021, followed by Austria which was launched on February 2.

At an Extraordinary General Meeting on April 13, 2021, it was decided to elect Geert Jacobs as a board member of FNG Nordic AB (publ) through new elections. Geert Jacobs has held several leading financial positions in retail and logistics companies in Belgium. Emanuel Bracke has resigned from the board.

On April 19, 2021, FNG Nordic AB (publ) issued a press release informing that FNG Nordic AB (publ) and its group parent company FNG NV has entered into a settlement agreement relating to the previously published arbitration proceedings in which the previous owners of Ellos Group had made claims against FNG NV and FNG Nordic AB for breach of certain conditions in the acquisition documents regarding FNG's acquisition of Ellos Group. (see further information in note 8)

Note 40 Appropriation of the company's profit or loss

Amount at the disposal of the Annual General Meeting:
Retained earnings of SEK 627,757,046 and loss for the year of SEK - 504,653,634.
The Board of Directors proposes that SEK 123,103,412 be carried forward.

Note 41 Approval of financial statements

The Annual Report was adopted by the Board of Directors and approved for publication on 30 April 2021.

Borås den 30 april 2021.

Ricardo Turk
Chairman of the Board

Paul Lembrechts
CEO

Geert Jacobs
Board member

Hans Lindau
Employee representative

Åsa Tobrant
Employee representative

We submitted our Auditor's Report on 30 April 2021.

Ernst & Young Aktiebolag

Andreas Mast
Authorised Public Accountant



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 13-14 and the statutory sustainability report on pages 7-12 for the financial year 2020. The annual accounts and consolidated accounts of the company are included on pages 2-6 and 14-66 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 2020 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 2020 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 13-14 and the statutory sustainability report on pages 7-12. 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.

Revenue recognition and valuation of returns

Description	How our audit addressed this key audit matter
<p>As indicated in the income statement of the accompanying consolidated financial statements, the Group's net sales during fiscal year 2020 amounted to 3174,9 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 2020 amounted to SEK 46,7 MSEK. As a result of the high level of assumptions used calculating the returns in conjunction with the large amount we have assessed that revenue recognition and valuation of returns is a key audit matter.</p> <p>The Group's accounting principles regarding revenue are set out in Note 2.</p>	<p>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.</p> <p>We have reviewed the information disclosed in the annual report.</p>

Valuation of inventory

Description	How our audit addressed this key audit matter
<p>As indicated in note 22 to the accompanying consolidated financial statements, the value of the Group's inventories at 2020 Year-End was 528,9 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.</p> <p>The Group's accounting principles regarding inventories are disclosed in note 2. Information on inventories is also found in Note 22.</p>	<p>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.</p> <p>We have reviewed the information disclosed in the annual report.</p>

Valuation of goodwill and trademarks

Description	How our audit addressed this key audit matter
<p>Goodwill and trademarks amount to 1 124,3 MSEK for the year ended December 31, 2020, equal to 31,0 percent of total assets for the company. The company prepares an impairment test yearly and if any indication of impairment, that the book value does not exceed the fair value. Fair value amount is calculated for each cash generating unit based on discounted future cash flows. The calculations include a number of assumptions as result, growth rate and discount rate.</p> <p>A change in assumptions can lead to a significant impact of the fair value and therefore the assumptions used have significant impact on the fair value calculation. Therefore, we have assessed valuation of goodwill and trademarks to be a key audit matter.</p> <p>The impairment test procedures performed by the company is presented in note 16 "Intangible assets".</p>	<p>In our audit, we have assessed and tested the company's impairment test, including assessment of the accuracy of prior year's forecasts and assumptions.</p> <p>We have compared with other companies to assess the reasonableness of estimated cash flow and growth rates, and by using EY valuation experts we have tested used discount rate and growth rates.</p> <p>We have also tested the company's impairment model and method to prepare the impairment test and sensitivity analysis.</p> <p>We have audited the accuracy of the related disclosures.</p>

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 7-14. 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 2020 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 13-14 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 7-12, 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 May 27, 2020 and has been the company's auditor since November 26, 2019.

Göteborg, April 30, 2021

Ernst & Young AB

Andreas Mast
Authorized Public Accountant