# Annual Report

and

# Consolidated Financial Statements

2021-01-01 – 2021-12-31

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 2021 - 31 December 2021.

## DIRECTORS' REPORT

FNG Nordic AB is a wholly owned subsidiary of FNG Finance Belgium BV, 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 performed administration and management services for the Group's other companies. As of october 2021, management services have been transferred to the subsidiary Ellos Group AB.

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)**

| | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 | 2019-11-26 -2019-12-31 |
|---|---|---|---|
| Net sales | 3 589 121 | 3 174 865 | 262 197 |
| Gross profit/loss | 1 843 519 | 1 502 437 | 132 897 |
| Gross margin (%) | 51.4 | 47.3 | 50.7 |
| Adjusted gross profit | 1 843 519 | 1 661 006 | 132 897 |
| Adjusted gross margin (%) | 51.4 | 52.3 | 50.7 |
| Operating profit/loss | 43 577 | -343 368 | -28 190 |
| Operating margin (%) | 1.2 | -10.8 | -10.8 |
| Adjusted EBITA | 161 359 | 290 175 | 37 427 |
| Adjusted EBITA-margin (%) | 4.5 | 9.1 | 14.3 |
| EBITDA | 236 246 | -156 438 | -11 123 |
| Adjusted EBITDA | 257 479 | 381 501 | 46 528 |
| Depreciation/amortisation and impairment for the year | 192 669 | 186 930 | 17 066 |
| Profit/loss for the year | -148 155 | -493 711 | -53 409 |
| Cash flow from operations | -16 251 | 131 447 | 32 890 |
| Operating cash flow | -74 377 | 95 092 | -903 788 |

*The comparison period for 2019 covers only one month, 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 39 for definitions.*

### *Net sales*
Net sales for the period amounted to SEK 3 589.1 (3 174.9) million, which is an increase of 13.0 %. Exchange rates have affected net sales negatively by 0.5 %. Both categories home and interior design had growth, a trend that has lasted throughout the year.

### *Gross profit - adjusted gross profit*
Gross profit for the period amounted to SEK 1 843.5 (1 502.4) million which is an increase of 341.1 million compared to last year. Last year, the gross margin was negatively affected by a write-down of SEK 158.6 linked to a previous purchasing collaboration within the FNG NV Group.
The gross margin was 51.4 (47.3) percent. Cost of goods sold has been negatively affected by, in relation to a normal level, increased shipping costs per unit.

Adjusted gross profit for the period amounts to SEK 1 843.5 (1 661.0) million and adjusted gross margin to 51.4 (52.3) %.

### *Operating profit - Adjusted EBITA and Adjusted EBITDA*
The operating profit/loss for the period amounted to SEK 43.6 (-343.4) million. Last year, operating profit was affected by a settlement amount amounting to SEK -401.4 million. Selling expenses amounted to SEK 1 406.6 (1 134.0) and administrative expenses amounted to SEK 417.0 (343.1) million. Sales costs have increased mainly as a result of increased marketing costs, which are partly driven by a price increase in the market. The investment in Europe and in Homeroom also increases marketing costs in relation to sales. Administrative expenses have increased compared with the previous year primarily due to non-recurring items.

Adjusted EBITA amounted to SEK 161.4 (290.2) million and has been adjusted through a reversal of amortization and impairment of acquisition-related intangible assets of SEK 96.5 (95.6) million and non-recurring items of SEK 21.2 (537.9) million.

Adjusted EBITDA amounted to SEK 257.5 (381.5) million and has been adjusted through a reversal of amortization, depreciation and impairment of SEK 192.7 (186.9) million and non-recurring items of SEK 21.2 (537.9) million.

### *Financial income/expense*
Financial income amounted to SEK 7.9 (8.7) million and financial expenses amounted to SEK 185.0 (163.4) million. Financial income primarily included, interest income from older partial payment or invoicing receivables, previously transferred to debt collection companies. (see note 21). The financial costs mainly included interest, SEK 102.4 (105.3) million, linked to the Group's issued bond, interest on the group's provision for settlement agreement 44.9 (0) and interest for the Group's leasing liabilities SEK 13.6 (14.9) million as well as bank expenses SEK 16.1 (15.9) million. Financial items amounted to SEK -177.1 (-154.7) million.

### *Tax*

The Group's tax for the period amounted to SEK -14.7 (4.3) million and refers to current and deferred tax.

### *Profit/loss for the year*
Loss for the year amounted to  SEK -148.2 (-493.7) million.

### *Cash flow and financial position*
Cash flow from operating activities amounted to SEK -16.3 (131.4) million. A negative impact of SEK -99.1 (67.3) million came from changes in working capital and cash flow from operating activities also had a positive impact of SEK 82.8 (64.2) million. Cash flow from operating activities included interest payments of SEK 102.4 (105.3) million regarding the Group's bond loan.

Cash flow from investing activities amounted to SEK -58.1 (-36.4) million and in 2021 mainly referred to investments in the IT structure for the Group's development projects and investments in logistics.

Cash flow from financing activities amounted to SEK -50.1 (-46.5) million and mostly related to amortization of the Group's leasing debt SEK -53.5 (-44.6) million.

Cash flow for the period amounted to SEK -124.5 (48.6) million.

The Group has a good financial position through cash and the revolving credit that the Group has with banks. The credit amounted 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 155.2 (116.2) million. The Group's net debt (see definition note 39) amounted to SEK 1,1270.9 (1,133.8) million and includes the Group's bond with a nominal value of SEK 1,500 million.

Cash and cash equivalents on the balance sheet date amounted to SEK 196.3 (320.7) million.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### *Other events*
On 17 August 2021, Robert Furuhjelm and Morten Faye Eriksen took over as members of FNG Nordic AB's (publ) board, while Richard Turk and Geert Jacobs left the board. In a press release on October 28, it was informed that Paul Lembrechts has informed the board of FNG Nordic AB (publ) that he is leaving his duties as board member and CEO. The background is his decision to leave all assignments for FNG NV. As of December 31, 2021, Alain Hellebaut is the new CEO and board member of FNG Nordic AB (publ). Alain Hellebaut has extensive experience from retail and he has been a member of the board of FNG NV since June 2021 and chairman of the board since October 2021.

The board of FNG Nordic AB (publ) then consists of Robert Furuhjelm (chairman of the board), Alain Hellebaut and Morten Faye Eriksen.

The Annual General Meeting 2021-05-25 in FNG Nordic AB decided on a bonus issue by revaluation of shares in subsidiaries of SEK 700 million. During the autumn of 2021, a corresponding write-down of the share capital in the Parent Company was made.

In the spring of 2021, the group management decided to expand the groups premises for home furnishings and the property owner of the logistics center that Ellos Group rents has expanded the current premises by an additional 20,000 square meters. After the extension, the total area amounts to 55,000 square meters. The new premises will be relocated in January 2022.

On 19 April 2021, FNG Nordic AB (publ) issued a press release informing that FNG Nordic AB (publ) and its group parent company FNG NV have entered into a settlement agreement relating to the previously published arbitration proceedings where 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. In the annual report for 2020, a provision for the settlement was reported in the settlement agreement amounting to SEK 401.4 million, see further information in Note 8 and Note 34. In 2021, interest was calculated on this provision for the settlement agreement at SEK 44.9 million.

The European launch has continued in 2021 with the Netherlands where the site for Jotex opened on 19 January followed by Austria which started on 2 February.

## SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

For significant events after the end of the financial year please see note 40.

# Sustainability Report

This Sustainability Report covers the full year 2021 for FNG Nordic AB (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 home interiors in the Nordic market. For information on all legal entities included in the Group, see Note 2020.

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. Ellos Group joined the PFAS movement in 2021, and works to reduce the use of highly fluorinated substances in its own products and external brands in the range. 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) , and since 2020 reports its full climate footprint in Scope 1, Scope 2 and Scope 3. 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 2021, 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 95% of volumes), with road freight used for shorter distances. Use of air freight is rare and stood alone for 0.4% of the company's incoming transport in 2021. The climate impact from the Group's transports has increased sharply (+ 49%). This is due to an increased amount of goods that have been transported from suppliers to Ellos Group's warehouses, but also to an increase in customer transports to Europe. Transport to Ellos Group's customers takes place primarily by truck from the warehouse in Viared. All transport is handled by external logistics companies. The most important sustainability issues in terms of transport are climate impact. The goal is for all transport to the customer to take place with fossil-free deliveries by 2030. 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. At year-end, Ellos Group had a total of 604 employees.

Key environmental issues in the company's own operations are energy, emissions and waste management. As employer, Ellos Group has a big responsibility with regard to working conditions, occupational health and safety and employee satisfaction. Gender equality and diversity are important to Ellos Group, to harness differences and thus enable the company to better represent its customer base and be a more attractive employer.

### *Customers*

Ellos Group's e-commerce sites had 1.9 million active customers in 2021 and delivered 5.9 million packages to customers in Sweden, Finland, Norway, Denmark, Germany, Poland, Netherlands and Austria.

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 2020, 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 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| ***Sustainable materials*** | | | | | |
| Sustainable cotton, proportion of total cotton | 95% | 90% | 87% | 81% | 69% |
| Share of recycled polyester and polyamide | 20% | 10% | 1% | - | - |
| PShare of FSC-certified wooden furniture | 13% | 2% | - | - | - |
| Share of sustainable products as a share of textile sales | 35% | 29% | 19% | 14% | 9% |
| ***Suppliers*** | | | | | |
| Compliance with Ellos Group's Code of Conduct for suppliers | | | | | |
| Proportion of suppliers with approved audit protocols | 100% | 100% | 98% | 98% | 84% |
| ***Environment*** | | | | | |
| Energy consumption, MWh | 11 229 | 11 860 | 10 977 | 10 575 | 10 097 |
| Proportion of renewable energy | 100% | 100% | 100% | 100% | 100% |
| Greenhouse gases, tonnes CO2 | 9 820 | 6 648 | 6 986 | 6 163 | 6 971 |
| Scope1 | 73 | 9 | 163 | 59 | - |
| Scope 2 | 264 | 290 | 247 | 243 | - |
| Scope 3* | 9 483 | 6 349 | 6 576 | 5 861 | - |
| Recycled waste in offices and warehouses | 98% | 93% | 88% | 88% | 88% |
| **Transport and travel, not purchased products* | | | | | |
| ***Gender equality*** | | | | | |
| The gender ratio in 2021 in Ellos Group was 63% women and 37% men | | | | | |
| All managers women/men | 48%/52% | 48%/52% | 43%/57% | 47%/53% | 52%/48% |
| Senior executives women/men | 36%/64% | 42%/58% | 33%/67% | 31%/69% | 33%/67% |

## INFORMATION ABOUT SUSTAINABILITY REPORTING

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

## ELLOS GROUP AND THE GREEN TAXONOMY

Taxonomy Regulation (EU) 2020/852, adopted in June 2020 and constitutes a framework regulation to facilitate sustainable investment. Ellos Group is covered by the taxonomy and must provide information on the proportion of economic activities that are covered by the taxonomy, and are not covered by the taxonomy, in their total turnover and their total capital and operating expenses.
Initially, the taxonomy's technical review criteria cover the following sectors: Forestry, Environmental protection and restoration measures, Manufacturing, Energy, Water supply; sewage treatment, waste management and remediation, Transport, Construction and real estate activities, Information and communication activities, Activities in law, economics, science and technology, Finance and insurance activities, Education, Care and nursing; social services and Culture, entertainment and leisure.
Ellos Group has investigated whether we are covered by the taxonomy, and has concluded that our operations are not included in any of these sectors, and therefore has no share of our operations covered by the taxonomy to report on.

## SUSTAINABILITY AREAS – POLICIES, RISKS AND MANAGEMENT

### *General policy*

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

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

### *Environment*

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

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

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

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

### *Environmental risks and management of these risks*

#### *Own operations:*

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

#### *Suppliers:*

Production of Ellos Group's products, which is carried out by the company's suppliers, contains many environmental risks. Important risks include consumption of water and oil, use of dangerous chemicals, emissions into air and water, energy, emissions of greenhouse gases and destruction of products that do not meet quality and safety requirements or which have been damaged by moisture during transportation.
Ellos Group manages these risks through several steps in the value chain, primarily by specifying requirements such as chemical controls, environmental requirements and quality requirements in Ellos Group's Supplier manual. Every year, suppliers must sign a certificate of compliance with the company's Supplier manual. Ellos Group also requires its suppliers to maintain an audit protocol to ensure compliance with Ellos Group's Code of Conduct for suppliers.
Ellos Group har identified material choices that have a less negative environmental impact, such as cotton through Better

Cotton Initiative, (BCI), which involves less consumption and better management of water and chemicals. In 2015, the Group joined the Better Cotton Initiative (BCI) in order to support more sustainable cotton production. Goals have been set to increase the proportion of more sustainable material choices. The proportion of organic and BCI cotton is measured and followed up, and increased from 90% in 2020 to 95% in 2021. 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 2021, the proportion of female staff in the company was 63% (66), in the senior management team 36% (42) and in the Board of Directors 0% (33) 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.

### *Change work during the year*

In 2021, there were no major changes in roles and functions.

### *Increasingly attractive employer*

Ellos Group works actively to be an attractive employer for its employees. In 2021, the result on our employee satisfaction index was 93%.

In recent years, Ellos Group has become an increasingly attractive employer in Universum's survey among students and young professionals. Since 2015, the Group has increased its positions year by year from place 102 for 2015 to place 55 for 2021 among economics students.

### *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. 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 2021, however, these language lunches could not be carried out due to Covid-19.
Ellos Group has also had a large and far-reaching collaboration with the Childhood Cancer Foundation for many years.

## 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 Code of Conduct describes Ellos Group's requirements of suppliers. Suppliers must read and sign the Code 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 2021. 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 2021, 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 the Covid-19 pandemic that has been going on for two years, the Group has specifically focused on this pandemic when the Group has updated its review of previously identified risks in order to ascertain whether any change in position is required. In particular, risks in the supply chain, valuation of inventories and credit losses have been taken into account. The Group assesses that there are currently minor and manageable disruptions in deliveries from certain locations. Shipping costs have increased during 2021. Inventories are current, at a satisfactory level and the proportion of older obsolete stocks 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 the sale of rare goods such as clothing and home furnishing products online is highly competitive with both local and international players with their origins in both e-commerce and other retail. Any major player can establish itself, which can lead to major changes in market conditions. Increased competition may mean that the Group's market share decreases and that the Group's profit margins fall. During the pandemic, there is a strong increase for e-commerce, which has been positive for the Group, but now that restrictions have been lifted, there may be a risk that retail sales will take a larger share of the market. The Group has a mix of internal and external brands, which is an advantage from a competition point of view, and the Group constantly focuses on strengthened and improved 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.

### *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.

### *Marketing*

During 2021, the prices of marketing activities have generally increased, which means that the Group needs to closely monitor and evaluate the effectiveness of the various marketing channels used. The Group is dependent on external players in its marketing activities and there is a risk that the cost of using different channels will not live up to the efficiency that the Group wants.

### *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.

### *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 the company 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 25, 2021 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 2021.

### *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 process
- Purchasers process
- Stock process
- The salary process
- Closing process
- IT process

### *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 any action plans are monitored continuously.

The Parent Company carried out administration and management services for the companies in the Group during 2021. The parent company owns and manages shares in the subsidiaries. During the autumn of 2021, the Group's subsidiary Ellos Group AB took over responsibility for the management services.

***Anticipated future performance***

The FNG Nordic Group is positive about the future. Developments in the Nordic region and for the new sites in Europe with sales in Germany, the Netherlands, Austria and Poland are going well and new collaborations have begun.
The Group invests resources in the development of IT systems and logistics facilities to be at the forefront when it comes to taking advantage of the customer's interests in order to achieve the best possible customer satisfaction.

***Proposed appropriation of profits***

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

| | |
|---|---|
| Retained earnings | 823 103 412 |
| Profit/loss for the year | -147 941 920 |
| | **675 161 492** |

The Board of Directors proposes that profits be appropriated as follows

| | |
|---|---|
| carried forward | 675 161 492 |
| | **675 161 492** |

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 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| Net sales | 5 | 3 589 121 | 3 174 865 |
| Cost of goods sold | 6 | - 1 745 602 | -1 672 428 |
| **Gross profit/loss** | | **1 843 519** | **1 502 437** |
| | | | |
| Selling expenses | | -1 406 615 | -1 133 970 |
| Administrative expenses | | -417 004 | -343 123 |
| Other income | 7 | 36 129 | 40 569 |
| Other costs | 8 | -12 452 | -409 281 |
| **Operating profit/loss** | 9, 10, 11,12,13 | **43 577** | **-343 368** |
| | | | |
| ***Financial income/expense*** | | | |
| Financial income | 14 | 7 935 | 8 688 |
| Financial expense | 14 | -185 004 | -163 350 |
| **Total financial income/expense** | | **-177 069** | **-154 662** |
| | | | |
| **Profit/loss before tax** | | **-133 492** | **-498 031** |
| | | | |
| Income tax | 15 | -14 663 | 4 320 |
| | | | |
| **Profit/loss for the year** | | **-148 155** | **-493 711** |
| | | | |
| **Attributable to:** | | | |
| Parent Company's shareholders | | -148 155 | -493 711 |

# Consolidated statement of comprehensive income

| Amount in SEK thousands | Note | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| Profit/loss for the year | | -148 155 | -493 711 |
| | | | |
| ***Items not reversed in the income statement:*** | | | |
| Actuarial gains/losses | 33 | 1 371 | 4 618 |
| Tax effect | 15 | -282 | -951 |
| **Total items not reversed in profit or loss** | | **3 667** | **3 667** |
| | | | |
| ***Items that will later be reversed in the income statement:*** | | | |
| Translation differences for the year | 29 | -22 482 | 12 997 |
| Cash flow hedges - changes in value | 29 | 55 940 | -57 618 |
| Cash flow hedges reversed in profit or loss | | -822 | 21 622 |
| Tax effect | 15 | -11 354 | 7 257 |
| **Total items to be reversed in profit or loss** | | **21 282** | **-15 742** |
| | | | |
| **Total other comprehensive income** | | **-125 784** | **-505 785** |
| Of which attributable to Parent Company's shareholders | | -125 784 | -505 785 |

# Consolidated statement of financial position

| Amount in SEK thousands | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| ASSETS | | | |
| ***Non-current assets*** | | | |
| Goodwill | 16 | 677 039 | 677 039 |
| Trademarks | 16 | 445 311 | 447 294 |
| Customer relationships | 16 | 464 992 | 559 567 |
| Development expenditure | 16 | 104 164 | 109 767 |
| | | **1 691 507** | **1 793 666** |
| Right-of-use assets | 10 | 491 015 | 549 929 |
| Equipment, tools, fixtures and fittings | 17 | 57 237 | 26 112 |
| Investments in leased property | 18 | 72 698 | 75 765 |
| Construction in progress within property, plant and equipment | 19 | 51 | 7 141 |
| | | **621 001** | **658 946** |
| Non-current receivables | | 6 360 | 3 366 |
| Deferred tax assets | 32 | 29 826 | 57 204 |
| | | **36 186** | **60 570** |
| **Total non-current assets** | | **2 348 694** | **2 513 182** |
| ***Current assets*** | | | |
| Inventories | 22 | 738 641 | 528 885 |
| Returns assets | 22 | 12 640 | 22 371 |
| Accrued income | 23 | 32 866 | 31 229 |
| Trade receivables | 21 | 43 990 | 37 065 |
| Current receivables from Group companies | | 12 838 | 12 838 |
| Current tax assets | | 83 895 | 89 526 |
| Derivative instruments | 4 | 44 515 | 27 276 |
| Other current receivables | 24 | 47 817 | 3 208 |
| Prepaid expenses | 25 | 32 260 | 45 890 |
| Cash and cash equivalents | 26 | 196 302 | 320 683 |
| | | **1 245 764** | **1 118 970** |
| **TOTAL ASSETS** | | **3 594 458** | **3 632 153** |

| Amount in SEK thousands | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| | | | |
| ***Equity attributable to parent company's shareholders*** | | | |
| Share capital | 27 | 500 | 500 |
| Additional paid-in capital | 28 | 679 900 | 679 900 |
| Reserves | 29 | -10 763 | -32 045 |
| Retained earnings including the profit/loss for the year | | -729 433 | -585 728 |
| Total equity | | -59 796 | 62 627 |
| | | | |
| ***Non-current liabilities*** | | | |
| Bond issue | 31 | 1 467 168 | 1 454 458 |
| Non-current lease liability | 10 | 432 212 | 482 915 |
| Other non-current liabilities | | 42 634 | 37 709 |
| Deferred tax liabilities | 32 | 195 693 | 208 784 |
| Provisions for pensions | 33,36 | 162 938 | 165 236 |
| | | 2 300 645 | 2 349 102 |
| | | | |
| ***Current liabilities*** | | | |
| Interest-bearing liabilities | 30 | 0 | 0 |
| Current lease liability | 10 | 60 883 | 63 424 |
| Trade payables | | 421 003 | 288 494 |
| Current liabilities to Group companies | | 61 | 61 |
| Current tax liabilities | | 49 018 | 78 165 |
| Other provisions | 34 | 446 238 | 401 372 |
| Derivatives | 4 | 23 633 | 65 091 |
| Other current liabilities | | 114 347 | 86 258 |
| Repayment liabilities | | 27 181 | 46 682 |
| Accrued expenses | 35 | 211 245 | 190 876 |
| | | 1 353 609 | 1 220 424 |
| | | | |
| Total liabilities | | 3 654 254 | 3 569 526 |
| | | | |
| TOTAL EQUITY AND LIABILITIES | | 3 594 458 | 3 632 153 |

# 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 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 2021 | 500 | 679 900 | 12 272 | -44 317 | -585 728 | 62 627 |
| | | | | | | |
| ***Comprehensive income*** | | | | | | |
| Profit/loss for the year | | | | | -148 155 | -148 155 |
| ***Other comprehensive income:*** | | | | | | |
| Cash flow hedges | | | | | | |
| Change in fair value for the year | | | | 55 940 | | 55 940 |
| Transferred to the income statement | | | | -822 | | -822 |
| Translation differences | | | -22 482 | | | -22 482 |
| Actuarial gains and losses | | | | | 1 371 | 1 371 |
| Tax attributable to items in other comprehensive income | | | | -11 354 | -282 | -11 636 |
| **Total other comprehensive income, after tax** | | | **-22 482** | **43 764** | **1 089** | **22 371** |
| **Total comprehensive income** | | | **-22 482** | **43 764** | **-147 066** | **-125 784** |
| | | | | | | |
| Transactions with shareholders: | | | | | | |
| Contribution received in connection with drawing of options | | | | | 3 361 | 3 361 |
| Dividends | | | | | 0 | 0 |
| **Total transactions with shareholders** | | | | | **3 361** | **3 361** |
| | | | | | | |
| **Closing balance as at 31 December 2021** | **500** | **679 900** | **-10 210** | **-553** | **-729 433** | **-59 796** |

# Consolidated statement of cash flows

| Amount in SEK thousands | Note | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| ***Cash flow from operating activities*** | | | |
| Operating profit | | 43 577 | -343 368 |
| Adjustments for non-cash items: | | | |
| Other provisions | | 0 | 401 372 |
| Depreciation/amortisation and impairment | 12 | 192 669 | 186 930 |
| Post-employment benefits and payments to plans | | 0 | -126 |
| Interest received | | 7 925 | 8 692 |
| Interest paid | | -119 218 | -124 307 |
| Other financial items paid | | -6 870 | -16 960 |
| Income tax paid | | -35 254 | -48 040 |
| | | 82 829 | 64 191 |
| Increase/decrease in inventories | | -200 025 | -21 819 |
| Increase/decrease in trade receivables | | -8 562 | 27 238 |
| Increase/decrease in other current receivables | | -31 388 | -23 656 |
| Increase/decrease in trade payables | | 132 509 | 66 042 |
| Increase/decrease in other current liabilities | | 8 386 | 19 448 |
| Cash flow from operating activities | | -16 251 | 131 446 |
| ***Investing activities*** | | | |
| Acquisition of subsidiaries paid purchase price in cash | 20 | -500 | 0 |
| Acquisitions of property, plant and equipment | 17,18,19 | -35 985 | -14 927 |
| Acquisition of intangible assets | 16 | -18 649 | -21 130 |
| Acquisition of financial assets | | -2 993 | -297 |
| Cash-flow from investing activities | | -58 127 | -36 354 |
| ***Financing activities*** | | | |
| Payment of fees for raising loans | | 0 | -1 913 |
| Payment of lease liability | 10 | -53 480 | -44 626 |
| Payment for warrants | | 3 361 | 0 |
| Cash flow from financing activities | | -50 119 | -46 538 |
| Cash flow for the year | | -124 497 | 48 554 |
| Cash and cash equivalents at beginning of year | | 320 683 | 272 039 |
| Exchange rate difference in cash and cash equivalents | | 116 | 90 |
| Cash and cash equivalents at end of year | 26 | 196 302 | 320 683 |

# Parent company income statement

| Amount in SEK thousands | Note | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| Net sales | 5 | 13 168 | 20 486 |
| **Gross profit/loss** | | **13 168** | **20 486** |
| | | | |
| Administrative costs | 9,11,13 | -13 911 | -19 898 |
| Other costs | 8 | 0 | -401 372 |
| **Operating profit/loss** | | **-743** | **-400 784** |
| | | | |
| ***Financial income/expense*** | | | |
| Interest income | 14 | 12 879 | 11 634 |
| Interest expense | 14 | -161 620 | -136 050 |
| **Total financial income/expense** | | **-148 741** | **-124 416** |
| | | | |
| **Profit/loss after net financial items** | | **-149 484** | **-525 200** |
| | | | |
| **Year-end appropriations** | | | |
| Received Group contribution | | 2 063 | 20 025 |
| **Profit/loss before tax** | | **-147 421** | **-505 174** |
| | | | |
| Income tax | 15 | -521 | 521 |
| **Profit/loss for the year** | | **-147 942** | **-504 654** |

# Parent company statement of comprehensive income

| Amount in SEK thousands | Not | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| | | | |
| **Profit/loss for the year** | | -147 942 | -504 654 |
| Other comprehensive income | | 0 | 0 |
| | | | |
| **Total other comprehensive income** | | **-147 942** | **-504 654** |

# Parent company´s balance sheet

| Amounts in SEK thousand | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| TILLGÅNGAR | | | |
| | | | |
| ***Non-current assets*** | | | |
| Financial assets | | | |
| Shares in subsidiaries | 20,36 | 2 369 788 | 1 669 288 |
| Non-current receivables | | 0 | 2 034 |
| Deferred tax assets | | 0 | 521 |
| | | **2 369 788** | **1 671 843** |
| | | | |
| Total non-current assets | | **2 369 788** | **1 671 843** |
| | | | |
| ***Current assets*** | | | |
| Current receivables | | | |
| Receivables from Group companies | | 272 800 | 364 499 |
| Current tax assets | | 81 | 157 |
| Other current receivables | | 42 | 6 |
| Prepaid expenses | 25 | 452 | 130 |
| Cash and cash equivalents | 26 | 3 161 | 4 834 |
| | | **276 536** | **369 626** |
| | | | |
| Total current assets | | **276 536** | **369 626** |
| | | | |
| TOTAL ASSETS | | **2 646 324** | **2 041 469** |
| | | | |
| EQUITY AND LIABILITIES | | | |
| ***Equity*** | | | |
| ***Restricted equity*** | | | |
| Share capital | 27 | 500 | 500 |
| | | **500** | **500** |
| ***Non-restricted equity*** | | | |
| Profit brought forward | | 823 103 | 627 757 |
| Profit/loss for the year | | -147 942 | -504 654 |
| | | **675 161** | **123 103** |
| | | | |
| Total equity | | **675 661** | **123 603** |
| | | | |
| ***Non-current liabilities*** | | | |
| Bond issue | 31,36 | 1 467 106 | 1 454 398 |
| Other non-current liabilities | | 34 733 | 36 054 |
| | | **1 501 839** | **1 490 452** |
| Current liabilities | | | |
| Accounts payable | | 857 | 0 |
| Liabilities to group companies | | 1 894 | 0 |
| Other provisions | 34 | 446 238 | 401 372 |
| Other current liabilities | | 292 | 247 |
| Accrued expenses and deferred income | 35 | 19 543 | 25 795 |
| | | **468 824** | **427 414** |
| | | | |
| TOTAL EQUITY AND LIABILITIES | | **2 646 324** | **2 041 469** |

# Parent company statement of changes in Equity

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

| | Restricted equity | Non-restricted equity | | |
|---|---|---|---|---|
| Amounts in SEK thousand | Share capital | Retained earnings | Profit/loss for the year | Total equity |
| **Opening balance as at 1 January 2021** | 500 | 627 757 | -504 653 | 123 603 |
| **Transfer of previous year´s profit/loss** | | -504 653 | 504 653 | 0 |
| ***Comprehensive income*** | | | | |
| Profit/loss for the year | | | -147 942 | -147 942 |
| **Total other comprehensive income, after tax** | | | **-147 942** | **-147 942** |
| **Total comprehensive income** | | | **-147 942** | **-147 943** |
| ***Transactions with shareholders*** | | | | |
| Bonus issue | | 700 000 | | 700 000 |
| Dividends | | | 0 | 0 |
| **Total transactions with shareholders** | **0** | **700 000** | **0** | **700 000** |
| **Closing balance as at 31 December 2021** | **500** | **823 103** | **-147 942** | **675 661** |

# Parent company statement of cash flow

| Amounts in SEK thousand | Note | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|---|
| ***Cash flow from operating activities*** | | | |
| Operating profit/loss | | -743 | -400 784 |
| Adjustments for non-cash items: | | | |
| Other provisions | | 0 | 401 372 |
| Interest received | | 13 193 | 11 041 |
| Interest paid | | -103 287 | -105 806 |
| Bank charges etc | | -1 208 | -16 960 |
| Tax paid | | -81 | -157 |
| | | **-92 126** | **-111 294** |
| Change in trade receivables | | 75 256 | 110 457 |
| Change in trade liabilities | | -4 328 | 7 337 |
| **Cash flow from operating activities** | | **-21 198** | **6 500** |
| Acquisition of subsidiary | | -500 | 0 |
| **Cash-flow from investing activities** | | **-500** | **0** |
| ***Financing activities*** | | | |
| Transaction costs for borrowings | | 0 | -2 466 |
| Group contribution received | | 20 025 | 0 |
| **Cash flow from financing activities** | | **20 025** | **-2 466** |
| **Cash flow for the year** | | -1 673 | 4 033 |
| **Cash and cash equivalents at beginning of year** | | 4 834 | 800 |
| **Cash and cash equivalents at end of year** | 26 | **3 161** | **4 834** |

## 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 the Nordic countries in Sweden, Norway, Finland, Denmark as well as in Germany, Poland, Austria and the Netherlands in the rest of Europe.

FNG Nordic AB (publ), corporate identity number 559175-1325, is a limited company registered in Sweden domiciled in Borås. The address of the head office is Ödegärdsgatan 6, 504 64 Borås.

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

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

## Note 2 Material accounting standards

**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 (IFR IC).

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 standards applied are described below.

***New or amended IFRS standards and new interpretations***

The changes that have entered into force and that apply from 1 January 2021 have not had any significant impact on the Group’s financial reports.

***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.

***New or amended IFRS standards and new interpretations not yet effective***

***Amendments to IAS 1 - Classification of liabilities as current and non-current***

The amendment to IAS 1 only affects the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of the recognition of assets, liabilities, income or expenses, or the disclosure requirements surrounding them. Management believe that this change will have an impact on disclosure of accounting standards in the company’s financial reports.

***Amendments to IAS 1 - Disclosure of Accounting Principles***

The amendments affect the requirements in IAS 1 regarding disclosure of accounting principles. By applying the changes, a company discloses its material accounting principles, instead of its significant accounting principles. Further amendments to IAS 1 are to explain how a company can identify a material accounting principle. Management believe that this change will have an impact on disclosure of accounting standards in the company’s financial reports.

***Amendments to IAS 8 - Definition of estimates, not yet approved for application***

IAS 8 is amended to replace the definition of changes in estimates with a definition of estimates. The new definition means that estimates are ”monetary amounts in the financial statements that are subject to uncertainty in the valuation”. Management believe that this change will have an impact on information in the company’s financial reports.

### *Amendment to IAS 12 - Deferred tax attributable to assets and liabilities arising in connection with an individual transaction, not yet approved for application*

The amendment makes an additional exception from the previously applicable exception in the first recognition of an asset or a liability (Initial recognition exemption). The change means that a company shall not apply the exemption from reporting deferred tax attributable to a transaction where the same amount of deductible and taxable temporary differences arises in terms of amount, but report both deferred tax assets and tax liabilities. Such transactions also include Right-of-use assets and lease liabilities that are reported under IFRS 16 as well as provisions and assets reported in connection with restitution obligations. Management does not believe that this change will have a major impact on the company's financial reports.

## CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated financial statements

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

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 standards for subsidiaries have been adjusted where necessary in order to ensure consistent application of the Group's accounting standards. 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 Group is one segment which is also shown in the internal report structure and this means that no separately segment reporting is presented.

**NET SALES**

***Revenue from contracts with customers***

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 as income from agreement with customer in Net sales. Net sales are reported on 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 as income from agreement with customer in Net sales. Sales are reported when the customer takes out insurance via 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 relative sales 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. The calculation of these items are based on the Group's experience of the past transactions and using historical returns data. 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 license revenues 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 opreting liabilities. Losses on the disposal of fixed assets are also reported as other expenses.

***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 3-12 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 is not 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.

***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 75 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 also recent in Germany, Poland, Austria and the Netherlands. 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 | 3-12 år |
| Investmensts 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 asses consists of the difference between any net income on disposal and the carrying amount of the asset and is recognised in the income statement when the asset is derecognised from the statement of financial position.

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

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

The recoverable value is the fair value less selling 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 STANDARDS**

***Changed accounting principles***
There have been no changes in accounting rules that have had any significant impact on the Parent Company's financial reports. The parent company is covered by the amendments to IFRS 9, IFRS 7, etc. relating to the reference interest rate reform, see further description regarding this for the Group above.

***Amendments to RFR 2 not yet effective***
Amendments to IAS 1 - Disclosure of accounting standards
Amendments to IAS 8 - Definition of estimates
Amendments to IAS 12 - Deferred tax attributable to assets and liabilities arising in connection with an individual transaction. 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 standards are unchanged compared with the previous year. The differences between the Parent Company's and the Group's accounting standards 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. Impairment testing is performed annually on the carrying amount of shares in subsidiaries.

***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 standards 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 goodwil***
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 (677) 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 preliminary acquisition analysis prepared in connection with FNG Nordic AB's acquisition of Ellos Group. See further information in note 37.

***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 465 (560) million. During the year, amortisation amounted to SEK 95 (95) million and no customer relationships have been acquired. 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 33 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 note 6. 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. During 2021 and 2022, Ellos AB received questions from the Swedish Tax Agency related to the provision, but no decision on changed or approved taxation has yet been made by the Swedish Tax Agency.

## ASSUMPTIONS USED IN APPLYING THE GROUP'S ACCOUNTING STANDARDS

***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. 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. Starting in December 2020 the group has started sales, in each country's currency, to consumers in Germany and Poland and then start up in Austria and the Netherlands in early 2021. 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 | 2021-01-01 -2021-12-31 | | 2020-01-01 –2020-12-31 | |
|---|---|---|---|---|
| Currency | Outflow SEK thousand | Inflow SEK thousand | Outflow SEK thousand | Inflow SEK thousand |
| USD | 16 386 | 909 545 | 11 475 | 510 399 |
| EUR | 594 275 | 264 138 | 383 470 | 157 096 |
| NOK | 563 350 | 42 598 | 431 663 | 28 456 |
| DKK | 207 045 | 11 149 | 167 002 | 6 689 |
| Other Import currencies | 21 849 | 27 120 | 296 | 21 985 |
| **Total** | **1 402 905** | **1 254 550** | **993 905** | **724 626** |

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 in EUR to customers in Germany, Austria and the Netherlands as well as 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 20.9 (-37.8) 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 2021 and 2020, 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 95 (90)%. 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 against the currencies listed below +10% change in SEK

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Currency | Before hedging SEK thousand | After hedging SEK thousand | Before hedging SEK thousand | After hedging SEK thousand |
| USD | 3 715 | 285 | -3 109 | -363 |
| EUR | 1 571 | 79 | 2 297 | 245 |
| NOK | 655 | 34 | 3 454 | 384 |
| DKK | -6 791 | -324 | 1 275 | 136 |
| HKD | -304 | -14 | -112 | -13 |
| Other currencies | -39 | -2 | -19 | -2 |
| | **-1 193** | **-53** | **3 786** | **387** |

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 -1.2 (3.8) million based on translation of trade payables and external and internal trade receivables in foreign currency as at the balance sheet date. Calculated tax amounts to SEK 0.2 (-0.8) million and the impact on equity will be -0.9 (3.0) MSEK. The corresponding calculation after hedging results in an impact on profit/loss before tax of SEK -0.1 (0.4) million, based on a hedging level of 95 (90)% which is the calculated level as of the balance sheet date. Estimated tax amounts to SEK 0.0 (-0.1) million and the impact on equity will be -0.0 (0.3) MSEK.

### *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 -22.4 (13.0) 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 2021 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 2021, none of the Group's corporate customers accounted for more than 6.4 (4.0) % 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 | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Accrued income | 32 866 | 31 229 | 0 | 0 |
| Trade receivables | 43 990 | 37 055 | 0 | 0 |
| Receivables from Group companies | 12 838 | 12 838 | 272 800 | 364 499 |
| Derivatives with positive market values | 44 515 | 27 276 | 0 | 0 |
| Other receivables | 47 817 | 3 208 | 0 | 6 |
| Cash and cash equivalents | 196 302 | 320 683 | 3 161 | 4 834 |
| **Maximum exposure to credit risk** | **378 328** | **432 299** | **275 961** | **369 399** |

**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 203 (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 155.2 (116.2) 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 2021, the Group had unused credit facilities of SEK 194.8 (233.8) million and cash and cash equivalents amounting to SEK 196.3 (320.7) 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 30 and Note 31. Net outflows are managed through inflows from customers.

***Capital structure and capital management***

The Group's objective is to have a capital structure (equity and liabilities) that safeguards the long-term future of the business and generates returns for shareholders and benefit for other stakeholders. This is achieved by means of equity and the Group's SEK 350 million financing agreement with an external bank and a bond of SEK 1,500 million. The Group continuously monitors net debt, which is defined as interest-bearing liabilities, excluding pension liabilities and lease liabilities, less cash and cash equivalents and other interest-bearing assets, see Note 39. The financing agreement is due for payment 2-2.5 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.

***Interest-bearing liabilities***

| 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 | 1 879 689 |
| Recognised negative derivatives, inflow | 6 514 | 2 386 | | | 8 900 |
| Recognised negative derivatives, outflow | 6 126 | 50 064 | | | 56 190 |
| Trade payables | 288 494 | | | | 288 494 |
| Current liabilities to Group companies | 61 | | | | 61 |
| Other current liabilities | 86 258 | | | | 86 258 |
| Repayment liability | 46 682 | | | | 46 682 |
| Accrued expenses | 190 876 | | | | 190 876 |
| | **650 324** | **128 388** | **227 813** | **1 550 625** | **2 557 150** |

| 31 December 2021 | Within 3 months | 3-12 months | 1-3 years | 4-5 years | Total |
|---|---|---|---|---|---|
| Interest-bearing liabilities | 25 313 | 75 938 | 1 677 188 | | 1 778 439 |
| Recognised negative derivatives, inflow | 5 761 | 35 | | | 5 796 |
| Recognised negative derivatives, outflow | 190 | 17 648 | | | 17 838 |
| Trade payables | 421 003 | | | | 421 003 |
| Current liabilities to Group companies | 61 | | | | 61 |
| Other current liablilites | 114 347 | | | | 114 347 |
| Repayment liability | 27 181 | | | | 27 181 |
| Accrued expenses | 211 245 | | | | 211 245 |
| | **805 101** | **93 621** | **1 677 188** | **0** | **2 575 910** |



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, (see also Note 31).

| Maturity | Type of loan | Currency | Nominal amount (in currency) | Nominal amount (SEK thousand) | Carrying amount 2021 (SEK thousand) |
|---|---|---|---|---|---|
| **Long-term borrowings** | | | | | |
| 2019-2024 | Bond | SEK | 1 500 000 | 1 500 000 | 1 467 168 |
| Totalt | | | | 1 500 000 | 1 467 168 |
| | | | | | |
| **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** | **1 467 168** |

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 2021 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 39). 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 was first reported in February 2020 and has been reported continuously every quarter since then. 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 | -56 440 | -578 527 | -57 853 |
| USD | 91 095 | 824 431 | 82 443 |
| HKD | 11 230 | 13 031 | 1 303 |
| NOK | -583 260 | -598 529 | -59 853 |
| DKK | -177 560 | -244 748 | -24 475 |
| PLN | -12 200 | -27 204 | -2 720 |
| **Total** | | **-611 545** | **-61 153** |
| Tax effect 20.6% | | | 12 598 |

A negative amount represents a hedged inflow and a positive amount a hedged outflow. All currency forwards will mature in 2022. 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 2021 and that the fair value as at the balance sheet date therefore corresponded to the nominal amount.

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

The Group's derivatives instruments 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 | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Financial assets at amortised cost | | | | |
| - trade receivables and accrued income | 70 018 | 60 162 | 0 | 0 |
| - other assets measured at amortised cost | 47 817 | 3 208 | 272 842 | 364 505 |
| - cash and cash equivalents | 196 302 | 320 683 | 3 161 | 4 834 |
| Financial assets at fair value | | | | |
| - trade receivables and accrued income | 6 838 | 8 132 | 0 | 0 |
| - derivatives | | | | |
| - currency forwards used for hedging purposes | 43 934 | 27 104 | 0 | 0 |
| - currency forwards not used for hedging purposes | 581 | 172 | 0 | 0 |
| **Total financial assets** | **365 491** | **419 461** | **276 003** | **363 339** |

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, 2021 refer to accounts receivable that are sold daily to Resurs Bank.

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Liabilities at amortised cost | | | | |
| - trade payables and other liabilities | 773 774 | 612 309 | 57 318 | 62 094 |
| - borrowings | 1 467 168 | 1 454 458 | 1 467 106 | 1 454 458 |
| Financial assets at fair value | | | | |
| - derivatives: | | | | |
| - currency forwards used for hedging purposes | 22 529 | 60 396 | 0 | 0 |
| - currency forwards not used for hedging purposes | 1 104 | 4 965 | 0 | 0 |
| **Total financial liabilities** | **2 264 574** | **2 131 858** | **1 524 425** | **1 516 552** |

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

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

| | Group | |
|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Fair value via the income statement: | | |
| Interest income from trade receivables and accrued income | 7 425 | 8 364 |
| Interest expenses on trade payables and other liabilities | -52 | -121 |
| Interest expense on borrowings | -101 494 | -104 918 |
| Interest income for derivatives used for hedging purposes | 421 | -944 |
| Interest income for derivatives not used for hedging purposes | -107 | -457 |
| **Net gain/loss** | **-93 807** | **-98 077** |

### *Currency forwards*

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

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

### *Hedge accounting and derivatives*

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

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



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

| Currency forwards | | | Maturity | | | |
|---|---|---|---|---|---|---|
| 2020-12-31 | -1 month | 1-3 month | 3-6 month | 6-9 month | 9-12 month | TOTAL |
| 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 | |

| Currency forwards | | | Maturity | | | |
|---|---|---|---|---|---|---|
| **2021-12-31** | **-1 month** | **1-3 month** | **3-6 month** | **6-9 month** | **9-12 month** | **TOTAL** |
| EUR (nom. amount) | -2 970 000 | -5 650 000 | -17 580 000 | -9 480 000 | -20 760 000 | -56 440 000 |
| EUR (average forward rate) | -10,2312 | -10,1649 | -10,2059 | -10,1211 | -10,1388 | |
| NOK (nom. amount) | -44 600 000 | -85 650 000 | -178 150 000 | -106 020 000 | -168 840 000 | -583 260 000 |
| NOK (average forward rate) | -1,0069 | -0,9940 | -0,9990 | -0,9973 | -0,9983 | |
| DKK (nom. amount) | -14 300 000 | -27 425 000 | -56 275 000 | -23 640 000 | -55 920 000 | -177 560 000 |
| DKK (average forward rate) | -1,3761 | -1,3675 | -1,3705 | -1,3626 | -1,3632 | |
| USD (nom. amount) | 8 200 000 | -24 125 000 | 17 250 000 | 27 520 000 | 14 000 000 | 91 095 000 |
| USD (average forward rate) | -8,6236 | -8,4583 | -8,4625 | -8,6772 | -8,6358 | |
| HKD (nom. amount) | 3 380 000 | 2 440 000 | 1 610 000 | 3 040 000 | 760 000 | 11 230 000 |
| HKD (average forward rate) | -1,0828 | -1,0511 | -1,0947 | -1,1076 | -1,1155 | |
| PLN (nom. amount) | 0 | -1 400 000 | -2 100 000 | -3 480 000 | -5 220 000 | -12 200 000 |
| PLN (average forward rate) | 0,0000 | -2,2128 | -2,2218 | -2,1348 | -2,1063 | |

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 2020*** | | | | |
| Currency forwards with positive/negative value | | -37 815 | Derivative instruments | -57 618 |
| ***As at 31 December 2021*** | | | | |
| Currency forwards with positive/negative value | | 20 882 | Derivative instruments | 55 940 |

Effect of hedged item on consolidated balance sheet:

| | Change in fair value for measurement of ineffectiveness | Hedging reserve |
|---|---|---|
| ***As at 31 December 2020*** | | |
| Very probable projected sale/purchasing | -57 618 | -44 317 |
| ***As at 31 December 2021*** | | |
| Very probable projected sale/purchasing | 55 940 | -552 |

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 |
|---|---|---|---|---|---|
| ***2020*** | | | | | |
| Very probable projected sale/cost of goods sold | -57 618 | - | - | 21 622 | Sales/Cost of goods sold |
| ***2021*** | | | | | |
| Very probable projected sale/cost of goods sold | 55 940 | - | - | -822 | 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.

| 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 |

| 2021-12-31 | Amounts recognised in balance sheet | Financial instruments | Net amount |
|---|---|---|---|
| ***Assets*** | | | |
| Recognised positive derivatives | 44 515 | -23 633 | -20 882 |
| ***Liabilities*** | | | |
| Recognised negative derivatives | 22 633 | -23 633 | 0 |
| Total | 68 148 | -47 266 | -20 882 |



## Note 5 Revenue

### *Net sales*

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

| Distribution of net sales | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|
| Revenue from agreements with customers | 3 267 248 | 2 863 854 |
| Additional purchase price Resurs Bank | 321 873 | 311 011 |
| **Total** | **3 174 865** | **3 174 865** |

### *Information about geographical areas*

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

At the end of 2021, the Group began sales to consumers in Germany and Poland, to be expanded in January 2021 with Austria and the Netherlands. In addition, some B2B sales take place in Europe, mainly in Germany.

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

| Revenue from external customers by geographical market | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|
| Sweden | 1 957 648 | 1 793 952 |
| Norway | 622 835 | 566 392 |
| Finland | 544 541 | 539 709 |
| Denmark | 277 143 | 248 501 |
| Other Europe | 186 954 | 26 311 |
| **Total** | **3 589 121** | **3 174 865** |

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 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
|---|---|---|
| Sweden | 725 166 | 768 713 |
| **Total** | **725 166** | **767 713** |

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 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 7 Other revenue

| | Group | |
|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Rental income | 4 687 | 4 980 |
| Licenses | 16 526 | 11 954 |
| Exchange gain | 11 116 | 20 943 |
| Other | 3 800 | 2 692 |
| **Total** | **36 129** | **40 569** |

## Note 8 Other costs

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Exchange loss | 10 733 | 7 014 | 0 | 0 |
| Settlement amount | 0 | 401 372 | 0 | 401 372 |
| Other | 1 719 | 895 | 0 | 0 |
| **Total** | **12 452** | **409 281** | **0** | **401 372** |

On 19 April 2021, FNG Nordic AB (publ) and its group parent company FNG NV entered into a settlement agreement, which was reported as a provision in the annual accounts 2020, 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, see page 5.

## Note 9 Disclosure of auditor's remuneration and expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| EY | | | | |
| audit assignment | 1 599 | 1 537 | 627 | 597 |
| audit work other than audit assignment | 1 439 | 262 | 541 | 138 |
| other | 345 | 591 | 0 | 0 |
| **Total** | **3 383** | **2 390** | **1 168** | **735** |

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. The Group also leases vehiclesand office equipment. 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.

| | Group | |
|---|---|---|
| **Lease liability** | **2021-12-31** | **2020-12-31** |
| Short-term debt | 60 883 | 63 424 |
| **Long-term debt** | 432 212 | 482 915 |
| Total | **493 095** | **546 339** |

| **Right-of-use assets** | **Byggnader** | **Byggnader** |
|---|---|---|
| Opening balance aquisition cost | 613 693 | 606 014 |
| Additional right-of-use assets following acquisition of line of business | 0 | 0 |
| Additional right-of-use assets | 0 | 0 |
| Effects of adjusted rent | 0 | 7 679 |
| Total | **613 693** | **613 693** |

| **Accumulated depreciation** | | |
|---|---|---|
| Opening balance | -63 764 | -4 850 |
| Depreciation for the year | -58 914 | -58 914 |
| Total accumulated depreciation | **-122 678** | **-63 764** |
| Carrying amount | **491 015** | **549 929** |

| **Revenues and expenses reported from leasing agreements** | **2021-01-01 -2021-12-31** | **2020-01-01 -2020-12-31** |
|---|---|---|
| Income from subletting | 4 142 | 4 452 |
| **Lease income in operating profit/loss** | **4 142** | **4 452** |
| Lease cost: | | |
| Variasble lease expenses | 3 170 | 2 741 |
| Short-term leases | 2 574 | 1 066 |
| Leases of assets of low value | 210 | 303 |
| Depreciation of right-of-use assets | 58 914 | 58 914 |
| **Lease costs in operating profit/ loss** | **64 868** | **63 023** |
| Interest costs on lease liabilities | **13 572** | **14 943** |

The total cashflow during the year amounts to SEK 66.8 (67.1) million.

## Note 11 Costs by type of cost

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Goods for resale | 1 630 323 | 1 573 637 | 0 | 0 |
| Costs of employee benefits (Note 13) | 362 691 | 354 459 | 7 756 | 14 518 |
| Depreciation/amortisation and impairment (Note 16, 17, 18) | 133 755 | 128 016 | 0 | 0 |
| Costs of operating leases (Note 10) | 64 868 | 63 023 | 0 | 0 |
| Marketing costs | 702 639 | 507 181 | 0 | 0 |
| Shipping and packaging | 361 775 | 311 415 | 0 | 0 |
| Postage cost | 13 801 | 12 403 | 0 | 0 |
| Other costs | 299 368 | 199 387 | 6 155 | 5 380 |
| **Total cost of goods sold, sales and administration** | **3 569 221** | **3 149 522** | **13 911** | **19 898** |

## Note 12 Depreciation/amortisation and impairment by function

| | Group | |
|---|---|---|
| | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Cost of goods sold | 46 897 | 44 408 |
| Selling expenses | 100 959 | 100 967 |
| Administrative expenses | 44 813 | 41 555 |
| **Total depreciation/amortisation and impairment** | **192 669** | **186 930** |

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

| Number of employees | 2021-12-31 Number employees | 2021-12-31 Of which number of men | 2020-12-31 Number employees | 2020-12-31 Of which number of men |
|---|---|---|---|---|
| Parent company | 2 | 2 | 2 | 2 |
| Subsidiaries | 602 | 223 | 549 | 200 |
| **Total** | **604** | **225** | **551** | **202** |

| | Group | | Parent company | |
|---|---|---|---|---|
| Breakdown of senior executives as at balance sheet date | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| ***Women:*** | | | | |
| directors | 0 | 0 | 0 | 0 |
| other management roles including CEOs | 5 | 2 | 0 | 0 |
| ***Men:*** | | | | |
| directors | 3 | 3 | 3 | 3 |
| other management roles including CEOs | 9 | 4 | 2 | 0 |
| Totalt | **17** | **9** | **5** | **3** |

| | 2021-01-01 -2021-12-31 | | 2020-01-01 -2020-12-31 | |
|---|---|---|---|---|
| Salaries, remuneration, etc. | 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 | 3 650 | 4 016 | 10 284 | 4 234 |
| | | (1 894) | | (1 678) |
| Subsidiaries | 240 016 | 108 919 | 240 840 | 99 101 |
| | | (29 551) | | (23 097) |
| Total | 249 666 | 113 025 | 251 124 | 103 335 |
| | | (31 445) | | (24 775) |

| | 2021-01-01 -2021-12-31 | | 2020-01-01 -2020-12-31 | |
|---|---|---|---|---|
| Salaries and remuneration by country and divided between Board members, etc. and other employees | The Board and CEO (of which bonuses etc.) | Other employees | The Board and CEO (of which bonuses etc.) | Other employees |
| Parent Company | 3 650 | 0 | 10 284 | 0 |
| | (0) | | (0) | |
| Subsidiaries | 12 839 | 233 177 | 4 064 | 236 776 |
| | (0) | (0) | (0) | (0) |
| **Total** | **16 489** | **233 177** | **14 348** | **236 776** |

Of the Group's pension costs, SEK 7,188,000 (3,136,000) relate to the Board, CEOs and other executives.
Of the Group's recognised pension liability, SEK 136,000 (130,000) 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. Other senior executives refer to the 11 people who, together with the CEOs of Ellos Group AB and Jotex Sweden AB, Hans Ohlsson and Peter Keerberg, make up the Group management. Hans Ohlsson is also CEO.

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

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

| 2020 | Basic salary/ Board fee | Variable compensation | Other benefits | Pension costs | Synthetic options | Total |
|---|---|---|---|---|---|---|
| Chairman of the board Ricardo Turk | 0 | 0 | 0 | 0 | 0 | 0 |
| Board member Emmanuel Bracke | 0 | 0 | 0 | 0 | 0 | 0 |
| CEO Paul Lembrechts | 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** |

| 2021 | Basic salary/ Board fee | Variable compensation | Other benefits | Pension costs | Synthetic options | Total |
|---|---|---|---|---|---|---|
| Chairman of the board Ricardo Turk from 2020-08-28 to 2021-08-17 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chairman of the Board Robert Furuhjelm from 2021-08-17 | 0 | 0 | 0 | 0 | 0 | 0 |
| Board member Emmanuel Bracke until 2021-04-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| Board member Geert Jacobs from 2021-04-13 to 2021-08-17 | 0 | 0 | 0 | 0 | 0 | 0 |
| Board member Morten Faye Eriksen from 2021-08-17 | 0 | 0 | 0 | 0 | 0 | 0 |
| CEO Paul Lembrechts from 2020-08-28 to 2021-12-31 | 0 | 0 | 0 | 0 | 0 | 0 |
| CEO Alain Hellbaut from 2021-12-31 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other senior executives (13 people) | 15 718 | 0 | 772 | 7 188 | 1 266 | 24 944 |
| | **15 718** | **0** | **772** | **7 188** | **1 266** | **24 944** |

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.

### *Syntethic options*

In total, liabilities relating to synthetic options in the Group amount to SEK 34.7 (33.5) million. During the year, the Group's earnings were affected by SEK 1.2 (17.0) million regarding synthetic options, of which SEK 1.3 (10.6) 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

| Financial income | Group 2021-01-01 -2021-12-31 | Group 2020-01-01 –2020-12-31 | Parent Company 2021-01-01 -2021-12-31 | Parent Company 2020-01-01 –2020-12-31 |
|---|---|---|---|---|
| Interest income | 7 926 | 8 457 | 12 879 | 11 631 |
| Other financial income | 9 | 231 | 0 | 4 |
| **Total** | **7 935** | **8 688** | **12 879** | **11 634** |

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

| Financial expense | Group 2021-01-01 -2021-12-31 | Group 2020-01-01 –2020-12-31 | Parent Company 2021-01-01 -2021-12-31 | Parent Company 2020-01-01 –2020-12-31 |
|---|---|---|---|---|
| Interest expense | 164 093 | 124 607 | 147 580 | 106 089 |
| Exchange rate loss | 1 032 | 2 223 | 0 | 0 |
| Bank charges | 18 672 | 19 561 | 12 833 | 13 001 |
| Other financial expense | 1 207 | 16 960 | 1 207 | 16 960 |
| **Total** | **185 004** | **163 350** | **161 620** | **136 050** |

Interest expenses are attributable to financial liabilities valued at amortised cost and interest expenses for the provision made for a settlement agreement in 2020 (see further information in Note 8) SEK 44.9 million. Other financial costs relate primarily to valuation of syntethic options. see further information in note 13.

## Note 15 Income tax

| Current tax | Group 2021-01-01 -2021-12-31 | Group 2020-01-01 –2020-12-31 | Parent Company 2021-01-01 -2021-12-31 | Parent Company 2020-01-01 –2020-12-31 |
|---|---|---|---|---|
| Tax on profit/loss for the year | -14 623 | -33 568 | 0 | 0 |
| Adjustments recognised in the current year relating to the tax of prior years. | -2 885 | -1 749 | 0 | 0 |
| **Total** | **-11 738** | **-35 317** | **0** | **0** |

| Deferred tax | Group 2021-01-01 -2021-12-31 | Group 2020-01-01 –2020-12-31 | Parent Company 2021-01-01 -2021-12-31 | Parent Company 2020-01-01 –2020-12-31 |
|---|---|---|---|---|
| Uppskjuten skatt hänförlig till temporära skillnader: | | | | |
| Changes in untaxed reserves | 0 | 184 | 0 | 0 |
| Market valuation derivatives | 87 | 201 | 0 | 0 |
| Depreciation customer relationships and trademarks | 20 459 | 20 459 | 0 | 0 |
| Pension costs | 609 | 148 | -521 | 521 |
| Changes in unused loss carryforwards | -21 595 | 16 832 | 0 | 0 |
| Accrued expenses | 1 819 | 1 727 | 0 | 0 |
| Other | -4 304 | 86 | 0 | 0 |
| **Total** | **-2 925** | **39 637** | **-521** | **521** |
| | | | | |
| **Total tax** | **-14 663** | **4 320** | **-521** | **521** |

Income tax in Sweden is calculated at 20.6 (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 | |
|---|---|---|---|---|
| **Reconciliation of tax expense for the year** | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Profit/loss before tax | -133 491 | -498 031 | -147 421 | -505 174 |
| Tax expense for the year | -14 663 | 4 320 | 0 | 0 |
| Tax calculated in accordance with Swedish tax rate (20,6% 21,4%) | 27 499 | 106 579 | 30 369 | 108 107 |
| Tax effect foregin subsidiaries | -497 | 1 003 | 0 | 0 |
| Tax effect of non-deductible costs | -775 | -86 600 | -244 | -86 037 |
| Tax effect of non-taxable revenues | 62 | 839 | 0 | 1 |
| Tax effect of used negative net interest income/expense from Group companies | 3 125 | 3 607 | 0 | 0 |
| Tax effect of reversal of non-deductible interest | -39 706 | -25 230 | -30 392 | -22 996 |
| Tax effect depeciation intangible assetsd | 2 367 | 2 536 | 0 | 0 |
| Tax effect of previously unutilized loss carryforwards | -7 331 | 0 | 267 | 925 |
| Other | -2 290 | 3 335 | 0 | 0 |
| **Total** | **-17 548** | **6 069** | **0** | **0** |
| Adjustments recognised in the current year relating to current tax in prior years | -2 885 | -1 749 | 0 | 0 |
| **Recognised tax expense for the year** | **-14 663** | **4 320** | **0** | **0** |

Tax recognised in other comprehensive income

| | Group | |
|---|---|---|
| **Deferred tax** | 2021-01-01 -2021-12-31 | 2020-01-01 –2020-12-31 |
| Actuarial gains and losses | -282 | -951 |
| Cash flow hedges | | |
| Changes in value | -11 523 | 11 711 |
| Reversed to the income statement | 169 | -4 454 |
| **Total** | **-11 636** | **6 306** |

# Note 16 Intangible assets

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| **Goodwill** | | |
| Opening aquisition value | 677 039 | 661 489 |
| Acquisitions through business combinations | 0 | 15 550 |
| Closing aquisition value | 677 039 | 677 039 |
| **Reported value carried forward** | **677 039** | **677 039** |
| | | |
| **Trademarks** | | |
| Opening aquisition value | 448 428 | 448 608 |
| Disposal | 0 | -180 |
| Closing aquisition value | 448 428 | 448 428 |
| Opening amortisation | -1 134 | -95 |
| Amortisation for the year | -1 039 | -1 039 |
| Closing accumulated amortisation | -2 173 | -1 134 |
| Opening impairment | 0 | -180 |
| Impairment for the year | -944 | 0 |
| Disposal | 0 | 180 |
| Closing accumulated impairment | -944 | 0 |
| **Reported value carried forward** | **445 311** | **447 294** |

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| **Customer relations** | | |
| Opening aquisition value | 662 022 | 662 652 |
| Disposal | 0 | -627 |
| Exchange effect | 0 | -3 |
| Closing aquisition value | 662 022 | 662 022 |
| Opening amortisation | -102 455 | -7 885 |
| Amortisation for the year | -94 575 | -94 571 |
| Closing accumulated amortisation | -197 030 | -102 455 |
| Opening impairment | 0 | -627 |
| Disposal | 0 | 627 |
| Closing accumulated impairment | 0 | 0 |
| **Reported value carried forward** | **464 992** | **559 567** |
| | | |
| **Capitalised expenditure** | | |
| Opening aquisition value | 237 298 | 223 790 |
| Aquisition for the year | 18 649 | 21 130 |
| Impairment for the year | -3 657 | -7 622 |
| Closing aquisition value | 252 290 | 237 298 |
| Opening amortisation | -127 531 | -115 257 |
| Amortisation for the year | -23 379 | -19 516 |
| Impairment for the year | 2 785 | 7 242 |
| Closing accumulated amortisation | -148 124 | -127 531 |
| **Reported value carried forward** | **104 165** | **109 767** |
| | | |
| **Total value carried forward** | **1 691 507** | **1 793 666** |



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 trademarks with a definable useful life have been written down to zero. 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 11.9 (12.0) percent after tax and 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 increasing the WACC by one percentage point would not entail a need for impairment.

## Note 17 Equipment, tools, fixtures and fittings

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening aquisition value | 135 644 | 135 665 |
| Aquisition for the year | 7 087 | 2 889 |
| Reclassifications | 34 278 | 3 327 |
| Sold this year | -1 413 | 0 |
| Disposals for the year | -4 917 | -6 237 |
| Closing aquisition value | 170 679 | 135 644 |
| Opening depreciation | -109 533 | -107 205 |
| Depreciation for the year | -9 044 | -8 181 |
| Sold this year | 306 | |
| Disposals for the year | 4 829 | 5 853 |
| Closing accumulated depreciation | -113 442 | -109 533 |
| **Reported value carried forward** | **57 237** | **26 112** |

## Note 18 Investments in leased property

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening aquisition value | 95 228 | 92 991 |
| Investments for the year | 0 | 285 |
| Reclassifications | 1 707 | 1 952 |
| Closing aquisition value | 96 935 | 95 228 |
| Opening depreciation | -19 463 | -14 758 |
| Depreciation for the year | -4 774 | -4 705 |
| Closing accumulated depreciation | -24 237 | -19 463 |
| **Reported value carried forward** | **72 698** | **75 765** |

## Note 19 Construction in progress within property, plant and equipment

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening aqusition value | 7 141 | 799 |
| Investments for the year | 28 898 | 11 621 |
| Reclassifications | -35 986 | -5 278 |
| Disposals for the year | -2 | 0 |
| Closing aqusition value | 51 | 7 141 |
| **Reported value carried forward** | **51** | **7 141** |

# Note 20 Participations in Group companies

| | Parent Company | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Opening aqusition value | 1 669 288 | 1 679 383 |
| Revaluation of shares in subsidiaries | 700 000 | 0 |
| Acquisition of subsidiaries | 500 | -10 095 |
| **Reported value carried forward** | **2 369 788** | **1 669 288** |

In 2021, the newly formed subsidiary Ellos Group AB was acquired and the shares in Ellos Group Holding AB were written up through a bonus issue.

| Subsidiary | Corporate identity number | Registered office | Equity share % | Equity share % |
|---|---|---|---|---|
| Ellos Group AB | 559318-3618 | Stockholm | 100% | 0% |
| Ellos Group Holding AB | 556857-8511 | Stockholm | 100% | 100% |
| FNG Nordic Buying Platform BV | 0739.663.008 | Mechelen, Belgium | 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 Sweden AB (name changed from 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% |

# Note 21 Trade receivables

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Trade receivables, gross | 44 915 | 37 775 |
| Provision for uncertain receivables | -925 | -710 |
| **Total** | 43 990 | 37 065 |

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. 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.

| | Group | |
|---|---|---|
| **Provision for doubtful debts** | 2021-12-31 | 2020-12-31 |
| Provision for doubtful receivables at the beginning of the year | -710 | -179 |
| Realised doubtful debts, net | -215 | -531 |
| **Total** | -925 | -710 |

**Group 2020**

| Age analysis trade receivables | Trade receivables gross | Provision doubtful trade receivables | Trade recivables 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 |

**Group 2021**

| Age analysis trade receivables | Trade receivables gross | Provision doubtful trade receivables | Trade recivables net |
|---|---|---|---|
| Not due | 36 005 | -199 | 35 806 |
| Past due 30 days | 608 | -12 | 596 |
| Past due 31-60 days | 74 | -5 | 69 |
| Past due 61-90 days | -51 | 0 | -51 |
| Past due > 90 days | 8 279 | -709 | 7 570 |
| **Total** | 44 915 | -925 | 43 990 |

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.

A large part of receivables not due for payment, SEK 16.1 (20.0) million, refers to receivables in Resurs Bank of which SEK 6.8 (8.1) million are paid and recognised at bank the following day. Non-overdue credit card payments SEK 7.5 (4.0) million 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 7.9 (9.3) 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 | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Goods in transit | 120 908 | 112 946 |
| Goods for resale | 617 733 | 415 939 |
| **Total** | 738 641 | 528 885 |

The inventory carrying cost in December amounted to SEK 1 630.3 (1 573.6) 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 2022 for sales reported in 2021. This return right asset amounts to SEK 12.6 (22.4) million.

## Note 23 Accrued income

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Accrued income | 32 866 | 31 229 |
| **Total** | 32 866 | 31 229 |

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 Other current receivables

During the year, the Group changed card-redeeming company and the new company retains some of the cash that goes through them as a deposit. The deposit amounts to SEK 41.8 million.

## Note 25 Prepaid expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Prepaid trade payables | 30 635 | 42 132 | 452 | 191 |
| Accrued forward points | 836 | 1 053 | 0 | 0 |
| Other | 789 | 2 705 | 0 | 0 |
| **Total** | 32 260 | 45 890 | 452 | 191 |

## Note 26 Cash and cash equivalents

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Cash and bank | 196 302 | 320 683 | 3 161 | 4 834 |
| **Total** | 196 302 | 320 683 | 3 161 | 4 834 |

Cash at bank refers to the Group's cash and cash equivalents at banks, of which 707 (663) are blocked funds in bank accounts.

## Note 27 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.

In 2021, the share capital has been increased, through a bonus issue, by SEK 700 million as a result of a revaluation of shares in subsidiaries. Thereafter, the share capital was again written down by SEK 700 million, which was transferred to retained earnings.

## Note 28 Other contributed capital - Group

When FNG Nordic AB in 2019 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 29 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 30 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 2021 nor 31 December 2020.
The total limit for this credit facility is SEK 350 million. See Note 31 for further information.

## Note 31 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 155.2 (116.2) million, which are included in the credit facility. Unused facility at balance sheet date was SEK 194.8 (233.8) million. During the year, the Group has never used the credit SEK 350 million other than for guarantees issued by the bank.
Note 30 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 36 contains information on collateral.

## Note 32 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 | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| **Deferred tax assets** | | |
| Pension obligations | 20 325 | 19 998 |
| Accrued expenses | 4 379 | 2 502 |
| Tax loss carryforwards | 5 122 | 26 500 |
| Derivatives - cash flow hedges | 0 | 6 671 |
| Other | 0 | 1 533 |
| **Total** | 29 826 | 57 204 |
| | | |
| **Deferred tax liabilities** | | |
| Intangible assets - trademarks and customer relationships | 186 943 | 207 402 |
| Derivatives - cash flow hedges | 4 596 | 0 |
| Untaxed reserves | 0 | 0 |
| Other | 4 154 | 1 382 |
| **Total** | 195 693 | 208 784 |
| | | |
| **Total deferred tax assets and liabilities, net** | -165 867 | -151 580 |

Tax loss carryforwards were measured at SEK 26.5 (26.5) 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.

The Group will for a period of five years according to plan report profits that exceeds the tax losses which is reported in the group as of December 31,2021.

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

| Group | Deferred tax asset | | | | | |
|---|---|---|---|---|---|---|
| **Changes to deferred taxes** | Pension obligations | Accrued costs | Derivative cash flow hedges | Unused loss carryforwards | Other | Total |
| Opening balance 1 January 2020 | 20 802 | 850 | 0 | 9 934 | 92 | 31 678 |
| Transfered 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** | **1 533** | **57 204** |

| Group | Deferred tax asset | | | | | |
|---|---|---|---|---|---|---|
| **Changes to deferred taxes** | Pension obligations | Accrued costs | Derivative cash flow hedges | Unused loss carryforwards | Other | Total |
| Opening balance 1 January 2021 | 19 998 | 2 502 | 6 671 | 26 500 | 1 533 | 57 204 |
| Transfered to deferred tax liability | 0 | 0 | -6 671 | 0 | -1 533 | -8 204 |
| Recognised in the income statement | 609 | 1 819 | 0 | -21 595 | 0 | -19 167 |
| Recognised in other comprehensive income | -282 | 0 | 0 | 0 | 0 | -282 |
| Currency translation differences | 0 | 58 | 0 | 217 | 0 | 275 |
| **Closing balance 31 december 2021** | **20 325** | **4 379** | **0** | **5 122** | **0** | **29 826** |

| 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 |
| Transfered 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 2020** | **207 402** | **0** | **0** | **1 382** | **208 784** |

| Group | Deferred tax liability | | | | |
|---|---|---|---|---|---|
| Changes to deferred taxes | Intangible assets | Derivative cash flow hedges | Untaxed reserves | Other | Total |
| Opening balance 1 January 2021 | 207 402 | 0 | 0 | 1 382 | 208 784 |
| Transfered from deferred tax asset | 0 | -6 671 | 0 | -1 533 | -8 204 |
| Recognised in other comprehensive income, adjustment of opening balance | 0 | 11 354 | 0 | 0 | 11 354 |
| Recognised in the income statement | -20 459 | -87 | 0 | 4 305 | -16 241 |
| **Closing balance 31 december 2021** | **186 943** | **4 596** | **0** | **4 154** | **195 693** |

## Note 33 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 13 (12) 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 2021, 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 8 (6) 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 2021, Alecta's surplus in the form of the collective consolidation level1 amounted to 172 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 2021, 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 | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate | 1,90% | 1,20% |
| Expected salary increase | 0,00% | 0,00% |
| Inflation | 2,20% | 1,50% |
| 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.

| | Group | |
|---|---|---|
| **Amounts recognised in income statement** | **2021** | **2020** |
| Employment costs during the current period | 0 | 0 |
| Employment costs from previous periods | 0 | 0 |
| Effects of adjustments | 0 | 0 |
| Net interest costs | 1 720 | 2 226 |
| **The defined benefit costs recognised in profit/loss for the year** | **1 720** | **2 226** |

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

| | Group | |
|---|---|---|
| **Amounts recognised in other comprehensive income** | **2021** | **2020** |
| 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 | -272 | 133 |
| Actuarial gains and losses arising from changes to experience | -682 | -3 677 |
| **Total amount recognised in other comprehensive income** | **-954** | **-3 545** |
| **Total** | **766** | **-1 319** |

Amounts recognised in the balance sheet for defined benefit pension obligations

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Unfunded pension obligations including payroll tax | 162 938 | 165 236 |
| **Net unfunded and funded pension obligations** | **162 938** | **165 236** |

Net changes in the defined benefit obligation for the period:

| | Group | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| Defined benefit obligations at the beginning of period | 165 236 | 169 985 |
| Assumed obligations from business combinations | 0 | 0 |
| Employment costs during the current period | | |
| Net interest expense | 1 720 | 2 226 |
| Actuarial gains (-) and losses related to: | | |
| Effects of adjustments | -1 371 | -4 618 |
| Pension payments | -2 647 | -2 356 |
| **Defined benefit obligations at the end of the period** | **162 938** | **165 236** |

***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 | |
|---|---|---|
| | 2021 | 2020 |
| Change in discount rate + 0.5% | -13 758 | -14 527 |
| Change in discount rate -0.5% | 15 790 | 16 740 |
| Change in inflation + 0.5% | 15 508 | 16 411 |
| Change in inflation -0.5% | -13 646 | -14 382 |
| Change in life expectancy assumption + 1 year | 5 518 | 5 615 |

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 3.0 (2.4) million in premiums in the following year in respect of the Group's defined benefit plan.

## Note 34 Provisions

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Settlement amount | 401 372 | 401 372 | 401 372 | 401 372 |
| Accrued interest on settlement amount | 44 866 | 0 | 44 866 | 0 |
| **Total** | **446 238** | **401 372** | **446 238** | **401 372** |

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. The debt for the settlement amount 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). The settlement amount runs with interest calculated in 2021 and booked as a financial expense.

## Note 35 Accrued expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Accrued salaries | 1 577 | 21 402 | 0 | 4 399 |
| Accrued holiday pay | 46 319 | 41 164 | 0 | 1 821 |
| Accrued social security contributions | 6 898 | 7 097 | 0 | 155 |
| Accrued liability, specifically payroll tax | 7 376 | 6 229 | 172 | 249 |
| Accrued custom liabilities | 19 540 | 14 655 | 0 | 0 |
| Accrued freight costs | 16 498 | 15 561 | 0 | 0 |
| Accrued marketing cost | 48 481 | 37 352 | 0 | 0 |
| Accrued interest expenses | 19 209 | 18 580 | 18 844 | 18 563 |
| Other invoices allocated over time, etc. | 45 347 | 28 836 | 527 | 608 |
| **Total** | **211 245** | **190 876** | **19 543** | **25 795** |

## Note 36 Pledged assets and contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Pledged assets** | **2021-12-31** | **2020-12-31** | **2021-12-31** | **2020-12-31** |
| Pledged shares in subsidiaries | 4 813 182 | 5 010 422 | 2 369 286 | 1 669 288 |
| Corporate mortgages | 10 970 443 | 11 024 657 | 0 | 0 |
| Other | 707 | 663 | 50 | 50 |
| **Total** | **15 784 332** | **16 035 742** | **2 369 336** | **1 669 338** |

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Contingent liabilities** | **2021-12-31** | **2020-12-31** | **2021-12-31** | **2020-12-31** |
| Guarantee | - | - | - | - |
| Guarantee to PRI | 1 438 | 1 442 | 0 | 0 |
| **Total** | **1 438** | **1 442** | **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 except the shares in Ellos Group AB which will be pledged in 2022. The Group's companies have also provided a general unlimited guarantee of SEK 201.0 million. In addition, there are corporate mortgages in some of the Group's companies.

In 2021, the Group received a decision following an ongoing tax audit in the subsidiary Ellos Finland OY. This decision has been appealed, but no renewed information has yet been received from the Swedish Tax Agency. The Group believes that there are good opportunities for a positive outcome. The remark refers to whether VAT is to be levied in 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 and 2021 revenues, this would mean that additional VAT of EUR 0.4 million (SEK 4.3 million) and EUR 0.3 million (SEK 3.2 million), respectively, would have to be paid.

## Note 37 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.

## Note 38 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 BV, 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.

In 2021, some senior executives acquired warrants in the subsidiary Ellos Group AB, on market terms, for SEK 3.4 million.

***Other***

No dividends were paid out during the financial years 2020 and 2021.

***Parent Company***

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

# Note 39 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

| | Group | |
|---|---|---|
| GROSS MARGIN % | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Gross Profit in MSEK | 1 843.5 | 1 502.4 |
| Net sales in MSEK | 3 589.1 | 3 174.9 |
| **Gross margin** | **51.4** | **47.3** |

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.

| | Group | |
|---|---|---|
| ADJUSTED GROSS PROFIT, AMOUNT IN MSEK | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Net sales | 3 589.1 | 3 174.9 |
| Cost of goods sold | -1 745.6 | -1 672.4 |
| **Gross Profit** | **1 843.5** | **1 502.4** |
| ***Non-recurring items*** | | |
| Reserve of cooperation regarding purchasing | 0.0 | 158.6 |
| **Adjusted gross profit** | **1 843.5** | **1 661.0** |

Adjusted gross profit shows the difference between net sales and cost of goods sold adjusted for non-recurring items. Non-recurring items refers to items that are separated from usual business.

| | Group | |
|---|---|---|
| ADJUSTED GROSS MARGIN, % | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Adjusted gross profit in MSEK | 1 843.5 | 1 661.0 |
| Net sales in MSEK | 3 589.1 | 3 174.9 |
| **Adjusted gross margin** | **51.4** | **52.3** |

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

| | Group | |
|---|---|---|
| OPERATING PROFIT/LOSS, AMOUNT IN MSEK | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Profit/loss before tax | -133.5 | -498.0 |
| Financial items | 177.1 | 154.7 |
| **Operating profit/loss** | **43.6** | **-343.4** |

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

| | Group | |
|---|---|---|
| OPERATING MARGIN % | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Operating profit/loss, in MSEK | 43.6 | -343.4 |
| Net sales in MSEK | 3 589.1 | 3 174.9 |
| **Operating margin** | **1.2** | **-10.8** |

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

| | Group | |
|---|---|---|
| EBITA AMOUNT IN MSEK | 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
| Operating profit/loss | 43.6 | -343.4 |
| Amortization and impairment of acquisition-related intangible assets (Trademarks, Customer relationships) | 96.5 | 95.6 |
| **EBITA** | **140.1** | **-247.8** |

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

| EBITDA, AMOUNT IN MSEK | Group 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Operating profit/loss | 43.6 | -343.4 |
| Amortization, depreciation and impairment | 192.7 | 186.9 |
| **EBITDA** | **236.2** | **-156.4** |

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

| ADJUSTED EBITA, AMOUNT IN MSEK | Group 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Operating profit/loss | 43.6 | -343.4 |
| Amortization and impairment of acquisition-related intangible assets (Trademarks, Customer relationships) | 96.5 | 95.6 |
| ***Non-recurring items*** | | |
| Strategic cost | 31.6 | 0.0 |
| Aquisition-related cost | 0.0 | -23.1 |
| Reserve of cooperation regarding purchasing | 0.0 | 158.6 |
| Provision for settlement amount | 0.0 | 401.4 |
| Repayment Fora | -10.4 | 0.0 |
| Unused storage areas | 0.0 | 1.1 |
| **Adjusted EBITA** | **161.4** | **290.2** |

Adjusted EBITA shows the operating profit/loss before amortization, of acquisition-related intangible assets adjusted for non-recurring items. Non-recurring items refers to the items that 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 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Operating profit/loss | 43.6 | -343.4 |
| Amortization of acquisition-related intangible assets | 192.7 | 186.9 |
| **EBITDA** | **236.2** | **-156.4** |
| ***Non-recurring items*** | | |
| Strategic cost | 31.6 | 0.0 |
| Aquisition-related cost | 0.0 | -23.1 |
| Reserve of cooperation regarding purchasing | 0.0 | 158.6 |
| Provision for settlement amount | 0.0 | 401.4 |
| Repayment FORA | -10.4 | 0.0 |
| Unused storage areas | 0.0 | 1.1 |
| **Adjusted EBITA** | **257.5** | **381.5** |

Adjusted EBITDA shows the operating profit/loss before amortization, depreciation and impairment adjusted for non-recurring items. Non-recurring items refers to the items that 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 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Net sales, amount in MSEK | 3 589.1 | 3 174.9 |
| Adjusted EBITA amount in MSEK | 161.4 | 290.2 |
| **Adjusted EBITA-margin** | **4.5** | **9.1** |

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

| ADJUSTED EBITDA MARGIN, % | Group 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Net sales, amount in MSEK | 3 589.1 | 3 174.9 |
| Adjusted EBITDA amount in MSEK | 257.5 | 381.5 |
| **Adjusted EBITDA-margin** | **7.2** | **12.0** |

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

| NET DEBT, AMOUNT IN MSEK | Group 2021-12-31 | 20202-31 |
|---|---|---|
| Interest-bearing liabilities, long-term, excluding pension liabilities and lease liabilities | 1 467.2 | 1 454.5 |
| Interest-bearing liabilities, short-term | 0.0 | 0.0 |
| Cash and cash equivalents | -196.3 | -320.7 |
| **Net debt** | **1 270.9** | **1 133.8** |

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 2021-01-01 -2021-12-31 | 2020-01-01 -2020-12-31 |
|---|---|---|
| Cash flow from operating activities | -16.3 | 131.4 |
| Cash flow from investments | -58.1 | -36.4 |
| **Operating cash flow** | **-74.4** | **95.1** |

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.

AdjJusted 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< 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 40 Events after the balance sheet date

Hans Ohlsson took over as CEO on 31 March 2022. He replaced Alain Hellebaut.

On March 29, the Group announced that the Stayhard brand will be phased out. The plan is to shut down Stayhard's operations per 31 August 2022.

FNG Nordic AB (publ) has since the outbreak of war on 24 February seen a slightly reduced frequency of visits to the Group's sites, which has also resulted in some negative impact on sales.

On 23 February, the Group announced in a press release that Nordic Capital, as the former owner of Ellos Group and the largest creditor in the Belgian parent company, as a consequence of the insolvency proceedings in Belgium, has begun a process to regain ownership of the Company and its subsidiaries within Ellos Group to create the best possible conditions and future opportunities for the Company. A change of ownership is conditional on the approval of the authorities.

FNG Nordic AB (publ) has on 17 February been informed that the company's parent company is initiating insolvency proceedings in Belgium. The Company and its subsidiaries are not part of the parent company's insolvency proceedings but continue their operations as before.

The company is currently evaluating the consequences of the parent company's insolvency. The Company and its subsidiaries are independent of the parent company and are not dependent on the parent company to conduct their business.

On 15 February 2022, FNG Nordic AB (publ) has been informed that holders of the Company's listed bond loan have requested their agent to call for a written procedure. The purpose of the procedure is to amend the terms of the bond loan so to allow for a change of control in the Company and that the bondholders waive certain rights due to such change. On 18 February 2022 the changes were approved by the bondholders. The written procedure is not expected to affect the Company other than that it will enable the Company's existing financing to remain in the event of a change of control as set out above.

## Note 41 Appropriation of the company's profit or loss

Amount at the disposal of the Annual General Meeting:
Retained earnings of SEK 823,103,412 and loss for the year of SEK -147,941,920.
The Board of Directors proposes that SEK 675,161,492 be carried forward.

# Note 42 Approval of financial statements

The Annual Report was adopted by the Board of Directors on 1 April 2022 and approved for publication on 8 April 2022.

Borås den 8 april 2022.

| | | |
|---|---|---|
| Robert Campbel Furuhjelm<br>Chairman of the Board | Hans Ohlsson<br>CEO | Morten Faye Eriksen<br>Board member |

We submitted our Auditor’s Report on 8 April 2022.

Ernst & Young Aktiebolag

Andreas Mast
Authorised Public Accountant

# Auditor's report

To the general meeting of the shareholders of FNG Nordic AB, 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 6-11 and the statutory sustainability report on pages 12-13 for the financial year 2021.

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 December 31 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 6-11 and the statutory sustainability report on pages 12-13. 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* |
|---|---|
| As indicated in the income statement of the accompanying consolidated financial statements, the Group's net sales during fiscal year 2021 amounted to 3 589 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 2021 amounted to MSEK 27,2. 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.<br>The Group's accounting principles regarding revenue are set out in Note 2. | 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.<br>We have reviewed the information disclosed in the annual report. |

***Valuation of inventory***

| *Description* | *How our audit addressed this key audit matter* |
|---|---|
| As indicated in note 22 to the accompanying consolidated financial statements, the value of the Group's inventories at 2021 Year-End was 738,6 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.<br>The Group's accounting principles regarding inventories are disclosed in note 2. Information on inventories is also found in Note 22. | 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.<br>We have reviewed the information disclosed in the annual report. |

***Valuation of goodwill and trademarks***

| *Description* | *How our audit addressed this key audit matter* |
|---|---|
| Goodwill and trademarks amount to 1 122 MSEK for the year ended December 31, 2021, equal to 31,2 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 al include a number of assumptions as result, growth rate and discount rate.<br>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 to be a key audit matter.<br>The impairment test procedures performed by the company is presented in note 16 "Intangible assets". | 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.<br>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.<br>We have also tested the company's impairment model and method to prepare the impairment test and sensitivity analysis.<br>We have audited the accuracy of the related disclosures. |

## *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 6-13. 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 the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

### *Report on the audit of the administration and the proposed appropriations of the company's profit or loss*

***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 financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (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 the Swedish Inspectorate of Auditors website. This description forms part of our auditor's report.

### *The auditor's examination of the ESEF report*

***Opinion***

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for FNG Nordic AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

*Basis for opinion*

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditors' responsibility* section. We are independent of FNG Nordic AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

*Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

## *The auditor's examination of the corporate governance statement*

The Board of Directors is responsible for that the corporate governance statement on pages 6-11 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 *The auditor´s examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

## *The auditor´s opinion regarding the statutory sustainability report*

The Board of Directors is responsible for the statutory sustainability report on pages 12-13, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor´s opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, was appointed auditor of FNG Nordic AB (publ) by the general meeting of the shareholders on May 27, 2021 and has been the company's auditor since November 26, 2019.

Göteborg, April 8, 2022

Ernst & Young AB

Andreas Mast
Authorized Public Accountant