ELLOS GROUP

FNG Nordic AB (publ) Group

YEAR-END REPORT 2019

26 NOVEMBER-31 DECEMBER 2019
(The group was founded 26th of November 2019 and the report comprises 26th of November- 31th of December)

- Net sales totalled SEK 262.2 million.
- The gross margin amounted to 50.7%.
- The operating loss amounted to SEK -28.2 million. The operating margin was -10.8%.
- Adjusted EBIT amounted to SEK 37.4 million. The adjusted EBIT margin stood at 14.3%.
- Cash flow from operating activities amounted to SEK 32.9 million. Operative cash flow, that is, cash flow from operating activities and cash flow from investing activities, totalled SEK -903.8 million.

Amount in MSEK	26 Nov-31 Dec 2019
Net sales	262.2
Gross margin, %	50.7
Operating profit	-28.2
Operating margin, %	-10.8
Adjusted EBIT	37.4
Adjusted EBIT- margin, %	14.3
Result for the period	-53.4
Cash-flow from operations	32.9
Operating cash-flow	-903.8

On November 26, 2019, FNG Nordic AB (publ) acquired all shares in the Ellos Group Holding AB Group.

Ellos Group is one of the leading companies in the Nordic market with a very attractive mix of Fashion and Home products and strong positioning of its own brands. This, together with the advanced Financial Services platform, makes Ellos Group an excellent addition to FNG and we are very enthusiastic about our future journey together with Ellos Group.

There is an obvious strategic fit between Ellos Group and FNG because the companies operate in different geographic markets and their product portfolios complement each other. Financial synergies are anticipated primarily from selling of each other's products as well as within Financial Services.

On 28 January, we took an important step forward in the development of Financial Services as Ellos Group launched its new brand: Elpy. Elpy is our new, digital, mobile and scalable FS platform. Elpy was initially launched on Homeroom.

The new furniture and large products warehouse in Borås is now operational, facilitating consolidation of warehouse space and enabling us to offer a better service to customers. On February 20, 2020 the new outlet store for Fashion and Home was opened in the same facility.

Dieter Penninckx, CEO for FNG Nordic AB (publ)

26 NOVEMBER - 31 DECEMBER 2019

SALES

Net sales for the period amounted to SEK 262.2 million, of which the bulk, 59,0%, was attributable to the Swedish market.

RESULTS

Gross profit for the period amounted to SEK 132.9 million and the gross margin was 50.7%.
The operating loss totalled SEK -28.2 million and was adversely impacted by high administrative costs, including acquisition costs of SEK 56.5 million.
Adjusted EBIT amounted to SEK 37.4 million.

CASH FLOW

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

Cash flow from investments totalled SEK -936.7 million, primarily due to FNG: s acquisition of Ellos Group.

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

Net debt amounted to SEK 1,171.5 million.

Cash flow for the period totalled SEK -908.7 million.

FINANCIAL POSITION AND LIQUIDITY

Cash and cash equivalents amounted to SEK 272.0 million.

SIGNIFICANT EVENTS

FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB as at 26 November 2019. See further information note 7.

SIGNIFICANT EVENTS IN PREVIOUS QUARTERS

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

EVENTS AFTER THE BALANCE SHEET DATE

A new brand for financial services, Elpy, was launched in January 2020.
A new warehouse for furniture and large products opened in January 2020.

NUMBER OF EMPLOYEES

As at 31 December 2019, the Group had 517 employees

RISKS AND UNCERTAINTIES

The Group is exposed to a number of risks, such as currency risk, interest rate risk, competition, fashion trends, import restrictions, weather and economic fluctuations.

PLEDGED ASSETS

The Group's assets pledged as collateral for financing from Swedbank AB (publ) and issued bond comprise shares in Ellos Group Holding AB.

PARENT COMPANY

The Parent Company's operating loss in the fourth quarter amounted to SEK -4.3 million. The Parent Company's costs primarily comprised staff costs. Net financial income/expense amounted to SEK -27.1 million and primarily comprised interest on issued bonds.

KEY FINANCIAL INDICATORS AMOUNT IN MSEK UNLESS OTHERWISE STATED	26 Nov-31 Dec 2019
Gross margin, %	50.7
Adjusted EBIT	37.4
Adjusted EBIT-margin (%)	14.3
EBITDA	-11.1
Adjusted EBITDA	46.5
Inventories, at the end of the period	529.4
Net debt, at the end of the period	1,171.5

NET SALES PER COUNTRY WHERE THE CUSTOMER IS LOCATED, AMOUNT IN MSEK	26 Nov-31 Dec 2019
Sweden	154,7
Norway	40,9
Finland	44,2
Denmark	22,0
Other	0,4
Net sales	262,2

ADJUSTED EBIT, AMOUNT IN MSEK	26 Nov-31 Dec 2019
Operating profit	-28,2
Amortisation of acquisition-related intangible assets	8,0
Non-recurring items:	
Strategic costs	1,1
Transactional related costs	56,5
Adjusted EBIT	37,4

ADJUSTED EBITDA, AMOUNT IN MSEK	26 Nov-31 Dec 2019
Operating profit	-28,2
Amortisation, depreciation and impairment	17,1
EBITDA	-11,1
Non-recurring items:	
Strategic costs	1,1
Transactional related costs	56,5
Adjusted EBITDA	46,5

NET DEBT, AMOUNT IN MSEK	31 Dec 2019
Interest-bearing liabilities, long-term, excluding pension liabilities and lease liabilities	1 443,5
Cash and cash equivalents	-272,0
Net debt	1 171,5

COSOLIDATED INCOME STATEMENT, AMOUNT IN MSEK

	26 Nov - 31 Dec 2019
Net sales	262,2
Cost of goods sold	-129,3
Gross profit	132,9
Selling expenses	-90,4
Administrative expenses	-79,1
Credit losses on financial assets and contract assets	-0,4
Other income	8,8
Operating profit	-28,2
Financial income	1,3
Financial costs	-12,7
Financial items	-11,4
Profit before tax	-39,6
Income tax	-13,8
Profit for the period	-53,4
Attributable to:	
Parent company´s shareholders	-53,4
Non-controlling interest	0,0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, AMOUNT IN MSEK

	26 Nov- 31 Dec 2019
Profit for the period	-53,4
Items not to be returned to the income statement:	
Actuarial gains/losses	1,2
Tax effect	-0,3
Items not to be returned to the income statement	1,0
Items that can later be returned to the income statement:	
Translation differences for the period	-0,7
Cash-flow hedges change in value	-20,5
Cash-flow hedges returned to the income statement	0,7
Tax effect	4,2
Items that can later be returned to the income statement	-16,3
Comprehensive income	-68,7
Attributable to:	
Parent company´s shareholders	-68,7
Non-controlling interest	0,0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AMOUNT IN MSEK

ASSETS	2019-12-31
Fixed assets:	
Intangible assets	1 872,5
Tangible fixed assets	708,6
Long-term receivables	3,1
Deferred tax receivables	31,7
Fixed assets	2 615,9
Current asset:	
Inventories	529,4
Contract assets	36,0
Account receivables	59,5
Current receivables from group companies	7,7
Other current assets	65,5
Cash & cash equivalents	272,0
Current assets	970,1
ASSETS	3 586,0

EQUITY AND LIABILITIES	2019-12-31
Equity attributable to parent company shareholders	552,9
Equity	552,9
Long-term liabilities:	
Bond	1 443,5
Long-term lease liabilities	525,6
Other long-term liabilities	10,8
Deferred tax laibilities	228,9
Provision for pensions	170,0
Long-term liabilities	2 378,8
Current liabilities:	
Current lease liabilities	65,3
Accounts payable	222,5
Other current liabilities	366,5
Current liabilities	654,3
EQUITY AND LIABILITIES	3 586,0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AMOUNT IN MSEK	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings including profit of the year	∑ Equity
OPENING BALANCE	0.0	0.0	0.0	0.0	0.0	0.0
Equity in the parent company at the formation of the Group *)	0.5				-43.2	-42.7
Comprehensive income:						
Profit for the period					-53.4	-53.4
Other comprehensive income						
Translation differences			-0.7			-0.7
Cash flow hedges						
This year´s change in real value				-20.5		-20.5
Dissolved against the income statement				0.7		0.7
Actuarial gains and losses					1.2	1.2
Tax attributable to items in other comprehensive income				4.2	-0.3	4.0
Other comprehensive income, after tax			-0.7	-15.6	1.0	-15.3
Comprehensive income			-0.7	-15.6	-52.4	-68.7
Transactions with shareholders:						
Contribution received in connection with the acquisition of subsidiaries		664.3				664.3
Dividend					0.0	0.0
Transactions with shareholders		664.3			0.0	664.3
CLOSING BALANCE AT 31 DECEMBER 2019	0.5	664.3	-0.7	-15.6	-95.7	552.9

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

CONSOLIDATED CASH FLOW STATEMENT, AMOUNT IN MSEK	26 Nov - 31 Dec 2019
Cash-flow from operations before changes in working capital	5.6
Cash-flow from changes in working capital	27.3
Cash-flow from operations	32.9
Investments:	
Acquisitions	-929.8
Acquisition of intangible fixed assets	-1.9
Acquisition of tangible fixed assets	-1.9
Acquisition of financial assets	-3.1
Cash-flow from investments	-936.7
Financing activities	
Amortisation of lease liabilities	-4.9
Cash-flow from financing activities	-4.9
Cash-flow for the period	-908.7
Cash and cash equivalents at beginning of period	1,180.7
Exchange rate difference in liquid assets	0.0
Cash and cash equivalents at end of period	272.0

FNG Nordic AB (publ.)
PO Box 961
501 10 Borås

Corporate Identity Number
559175-1325

www.ellosgroup.com
Tel. +46 (0)33 16 00 00

PARENT COMPANY INCOME STATEMENT
AMOUNTS IN MSEK

	1 Okt - 31 Dec 2019	12 Okt 2018 - 31 Dec 2019
Net sales	0,5	0,5
Gross profit	0,5	0,5
Administrative expenses	-4,8	-4,8
Operating profit/loss	4,3	-4,3
Financial items		
Interest income	1,5	1,5
Interest costs	-28,6	-49,2
Financial items	-27,1	-47,6
Profit/loss after financial costs	-31,4	-52,1
Appropriations	0,0	0,0
Profit/loss before tax	-31,4	-52,1
Income tax	0,0	0,0
Profit/loss for the period	-31,4	-52,1

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME
AMOUNTS IN MSEK

	1 okt- 31 dec 2019	12 okt 2018 - 31 dec 2019
Profit/loss for the period	-31,4	-52,1
Other comprehensive income	-31,4	-52,1

PARENT COMPANY´S BALANCE SHEET
AMOUNTS IN MSEK

	2019-12-31
ASSETS	
Fixed assets: Participations in Group companies	1 679,4
Fixed assets	1 679,4
Current assets:	
Contract assets	1,5
Receivables from Group companies	456,2
Prepayments and accrued income	0,1
Cash and bank	0,8
Current assets:	458,6
ASSETS	2 138,0
EQUITY AND LIABILITIES	
Restricted equity	0,5
Non-restricted equity	612,2
Equity	612,7
Long-term liabilities:	
Bond	1 443,5
Long-term liabilities	1 443,5
Current liabilities:	
Other current liabilities	0,1
Accrued expenses and prepaid income	81,7
CURRENT LIABILITIES	81,8
EQUITY AND LIABILITIES	2 138,0

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION
FNG Nordic AB (publ), corporate identity number 559175-1325, is a limited company registered in Sweden and whose registered office is in Stockholm. The Company's address is PO Box 961, 501 10 Borås.
FNG Nordic AB is a subsidiary of FNG Finance Belgium BVA, whose registered office is in Belgium.
Unless otherwise stated, all amounts are shown in SEK thousands.

2. SIGNIFICANT ACCOUNTING POLICIES
GENERAL INFORMATION
This is FNG Nordic AB's first financial report including consolidated financial statements. This is due to the Parent Company's acquisition of the shares in Ellos Group Holding AB on 26 November 2019. The Group's consolidated income statement therefore comprises only the Group and the Parent Company for the period 26 November 2019 until 31 December 2019. The Parent Company's income statement comprises the period 1 October 2019 until 31 December 2019.

The consolidated financial statements for FNG Nordic AB (publ) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and issued by International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFR IC). 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. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

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

BUSINESS COMBINATIONS
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. 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 the acquisition date, with the exception of deferred tax assets/tax liabilities, which are valued according to IAS 12 Income Taxes,
pension liabilities, which are valued according to IAS 19 Employee Benefits, and liabilities or equity instruments attributable to the acquired company's share-based allocations or to the exchange of the acquired company's share-based allocations for the acquirer's share-based allocations, which are valued at the acquisition date in accordance with IFRS 2 Share-based payment. Acquired leases are recognised at the present value of future lease payments. Right-of-use assets are measured at the same amount as the lease liability (adjusted for favourable/unfavourable terms in the lease contract).

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. Impairment tests are conducted on an annual basis and any impairment loss is immediately recorded as an expense and is not reversible.

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 carries on its business activities (functional currency). The consolidated financial statements

are translated to Swedish kronor (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, the assets and liabilities of foreign subsidiaries are translated to Swedish kronor at the rate in force at the balance sheet date and income statement items are translated at average exchange rates. Translation differences are recognised in other comprehensive income.

SEGMENT REPORTING
The Group has only one segment and does not present segment information.

NET SALES
The Group primarily generates revenue through online sales of fashion, home interiors and beauty to consumers, including charges paid by customers and income generated as a result of the customer's preferred payment solution.
Charges paid by customers refer to handling fees, shipping and return fees and fees for uncollected parcels. Revenues are recognised as income when the goods have been delivered or as they are realised (return fees and fees for uncollected parcels).
Customers can choose between different payment solutions. When partial payment or invoicing solutions are used, they result in the creation of trade receivables, which are sold to Resurs Bank AB at the nominal amount on a daily basis. Depending on how customers choose to settle their claims, an additional purchase consideration may subsequently arise and this is recognised in Net sales as it is realised. Resurs Bank offers Private loans to the Group's customers and uses the brand "Ellos" in its marketing, for which it pays commission that is recognised in Net sales.
The Group acts as an insurance intermediary, for which it receives remuneration from the various insurance companies. This remuneration is recognised in Net sales

The Group has contracts with customers in the form of orders, the bulk of which are received via the Group's website.
In view of the following, the Group's assessment is that the criteria for a contract under IFRS 15 are met when a customer places an order:
• the parties have approved the contract (in writing or verbally)
• the Group is able to identify the rights of each party in relation to

the goods or services to be transferred
• the payment terms have been identified
• the contract has commercial substance
• it is probable that the Group will receive the consideration that it is entitled to in exchange for the goods or services that will be transferred to the customer

These criteria are normally met when the customer has placed an order.
The Group normally has the following performance obligations:
• Sale of goods such as clothes, furniture, home interiors, etc.
• Charges for shipping or similar performance obligations such as cash on delivery, express charges, home delivery, return fees, etc.

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 elements of variable consideration, such as discounts and returns, using one of the following methods:
• the expected value, or
• the most probable value

The identified transaction price is allocated to the respective performance obligations based on the standalone selling price. The standalone selling price of goods is shown on the relevant website. However, charges represent a performance obligation where a standalone selling price must be identified.

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

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

OTHER REVENUES AND OTHER COSTS
Other revenues primarily comprise royalty revenue received from companies that use the Group’s goods collections. These revenues are recognised as the counterparty’s sales to end-consumers occur. Also refers to exchange differences that arise in the Group in connection with elimination of intra-Group revenues and costs.

LEASES
The Group applies IFRS 16 Leases. 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’s marginal borrowing rate is used. Short-term leases and low value leases are not included in the liability. 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.

Right-of-use assets comprise the amount of the initial measurement of the corresponding lease liability, lease payments paid on or before the commencement date and any initial direct costs. Subsequently, right-of-use assets are measured at cost, less accumulated depreciation and accumulated impairment. Right-of-use assets are depreciated over the lease term or the period of use of the underlying asset, whichever is the shorter. 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.

IFRS 16 provides for a practical solution under which non-lease components need not be separated from lease components, and instead lessees may account for every lease component and all associated non-lease components as one single lease component. The Group has elected not to use this practical solution.

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

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

DEFINED CONTRIBUTION PLANS
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 are recognised in profit or loss. 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, and is recognised in profit or loss. The defined benefit pension obligation that is recognised in the balance sheet corresponds to the current excess or deficit relating to the Group's defined benefit obligations. Any surpluses are recognised only to the extent they correspond to the current 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 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 carrying amount of deferred tax assets is tested at each closing date and reduced if it is no longer likely that sufficient taxable surpluses will be available to be used, in whole or in part, against the deferred tax asset.

The deferred tax is calculated according to the tax rates that are expected to apply to the period when the asset is recovered or the liability settled, based on tax rates (and tax laws) that have been decided or announced at the balance sheet date. Deferred tax assets and tax liabilities are offset when they relate to income taxes charged by the same public authority and when the Group intends to settle the tax at a net amount.

INTANGIBLE ASSETS

SEPARATELY ACQUIRED INTANGIBLE ASSETS

Goodwill and intangible assets with finite useful lives that are acquired separately are recognised at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is linear over the estimated useful life of the asset. Estimated useful lives and depreciation 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 recorded only if the conditions of IAS 38 have been met. If these conditions are not met, the costs are charged to expense. Capitalised assets are amortised over their useful lives of 3-10 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. Customer relationships identified in connection with business combinations have an estimated anticipated useful life of 7 years and are amortised 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 over 3 years. Amortisation of brands is recognised as cost of goods sold.

BRANDS WITH INDEFINITE USEFUL LIVES

ELLOS

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

JOTEX

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

HOMEROOM

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment. Depreciation is calculated using the straight-line method over a useful period of 3-10 years for Equipment, tools, fixtures and fittings and 20 years for Investments in leased property.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

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. Other assets are tested for impairment if there is an indication of a reduction in value.

The recoverable value is the fair value minus selling costs or its value in use, whichever is the higher. When calculating the value in use, estimated future cash flows are discounted to their current 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.

FINANCIAL INSTRUMENTS

Financial instruments in the Group are measured and accounted for in accordance with the requirements of IFRS 9.

Financial assets and financial liabilities that are not measured at fair value via the income statement in subsequent financial statements are recognised at fair value at initial recognition, plus or minus transaction costs. Financial assets and financial liabilities that are measured at fair value via the income statement in subsequent financial statements are recognised at fair value at initial recognition. Subsequently, financial instruments are recognised at amortised cost or at fair value depending on the initial classification under IFRS 9. 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).

TRADE RECEIVABLES

Trade receivables are classified as "Financial assets measured at amortised cost - Trade receivables". However, trade receivables have a short anticipated maturity and are consequently recognised at the nominal amount without discounting. Deductions are made for expected credit losses. Impairment of trade receivables is reported in the income statement.

BORROWINGS

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

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 futures used for hedging purposes” and “Currency futures 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 expenses 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 is discontinued 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.

PARENT COMPANY'S ACCOUNTING POLICIES

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 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 differences between the accounting policies of the Parent Company and those of the Group primarily concern format (the Parent Company applies the format set out in the Swedish Annual Accounts Act) and that acquisition-related costs for subsidiaries, which are charged to expense in the consolidated financial statements, are included as part of the cost of shares in subsidiaries in the Parent Company's financial statements.

3. SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of financial reports in accordance with IFRS requires the Company's executive management and the Board to make estimates and judgements, and also to make assumptions that affect the application of the accounting policies and the recognised assets, liabilities, income and costs. 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.

'The Group's estimates and judgements used in the preparation of financial statements primarily comprise:

- *Estimates in impairment testing of brands and goodwill*

Goodwill and brands are subject to annual impairment testing because of their indefinite useful lives. Customer relationships are subject to amortisation based on a useful life of 7 years. 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 environmental factors and circumstances change, the assumptions may be affected so that the recognised value of intangible assets is changed. Recognised value is shown in the balance sheet and is attributable to the acquisition of Ellos Group Holding AB.

- *Estimates of pension obligations*

The value of the pension obligations of the defined benefit plans are determined using actuarial estimates and are based on assumptions regarding discount rates, 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. 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.

- *Assessment of sales of invoice and instalment plan receivables*

The Group has entered into an agreement with Resurs Bank AB regarding the sale of the Group's invoice and instalment plan receivables. Ellos Group sells invoices that arise on a daily basis and receives payment on a daily basis for new receivables that are 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.

4. TRASACTIONS WITH RELATED PARTIES

*T*he Parent Company received a shareholders' contribution from its parent company during the reporting period.
The Company has launched an employee share option plan for senior executives.
No other significant transactions with related parties took place, with the exception of remuneration to senior executives

5. FAIR VALUE FINANCIAL INSTRUMENTS
The Group's financial instruments measured at fair value as at 31 December 2019 comprise currency derivatives. Derivatives contracts with positive values amounted to SEK 17.0 million and derivative contracts with negative values amounted to SEK 18.1 million. Derivatives transactions are accounted for at gross value. The fair value of the Group's bond issue was determined to be SEK 1,500 million. The assessment is based on the fact that there has been no significant change in credit margin and market rate since the bond was issued. As regards other financial assets and liabilities, recognised values are considered to be a reasonable approximation of the fair value.

Financial assets and financial liabilities valued at fair value in the balance sheet (derivatives) 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. Currency futures are valued on the basis of observable information regarding the currency rates and market interest rates as at the balance sheet date for the remaining term.

6. BORROWINGS

Amount in SEK million	31 Dec 2019
Long-term liabilities	
Bond issue	1,443.5
Total liabilities	1,443.5
Deductible cash and cash equivalents	-272.0
Net liabilities	1,171.5

The bond has a fair value of SEK 1,500,000,000 and a maturity of 5 years from issue on 25 July 2019 and the coupon is paid quarterly. The assessment is based on the fact since no significant differences occurred in the credit margin and market interest rate since the loan was issued. For other financial assets and liabilities, the reported values are considered a reasonable approximation of fair value.

The bond is to be repaid in full on the maturity date. The bond carries a nominal coupon of 3m Stibor + 6.75% and it is accounted for using the effective interest rate method at amortised cost, less transaction costs.

7. BUSINESS COMBINATIONS
ACQUISITION OF SUBSIDIARIES
On 26 November, FNG Nordic AB (publ) acquired all the shares in Ellos Group Holding AB for SEK 1,615,028,000. The acquisition of Ellos Group is part of the FNG NV group's growth strategy, which is partly based on acquisitions. The Group's intention is to create an omnichannel company comprising leading brands in fashion and home in the Benelux countries and the Nordic region. FNG's assessment is that the companies complement each other to a significant degree and that synergies can be achieved. At the acquisition a goodwill arises consisting of the synergies that are expected to become. No part of the goodwill is tax deductible.

A total of SEK 950,688,000 was paid in cash and SEK 664,340 received in the form of shareholders' contribution.
Acquisition-related expenses amounted to SEK 56,48,000, which were recognised as other costs in the income statement.

Recognised amounts as at the acquisition date for acquired net assets

Amount in SEK million	FNG Nordic AB
Fixed assets	
Intangible assets - customer relationships	661.5
Intangible assets - brands	448.3
Intangible assets - IT systems	108.9
Property, plant and equipment	106.7
Right-of-use assets	476.6
Deferred tax receivables	58.1
	1,860.1
Current assets	
Inventories	538.4
Trade receivables	96.6
Other current receivables	95.8
Cash and cash equivalents	20.9
	751.7
Long-term liabilities	
Pensions	-171.2
Deferred tax liability	-233.4
Lease liabilities	-476.6
	-881.2
Current liabilities	
Other current liabilities	-777.0
	-777.0
Total acquired net assets	953.6
Transferred consideration:	
Consideration in cash	950.7
Shareholders' contribution	664.3
	1,615.0
Goodwill	661.5

Net cash flow in business combinations

Amounts in SEK million	Ellos Group AB
Consideration paid in cash	950.7
Less: Acquired cash and cash equivalents	-20,9
Net cash flow	929,8

DEFINITIONS/GLOSSARY

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

Gross profit: Net sales less cost of goods sold. *

Gross margin: Gross profit as a percentage of net sales.

EBITDA: Operating profit before depreciation/amortisation and impairment.

EBITDA margin: EBITDA as a percentage of net sales.

Equity: Equity attributable to the Parent Company's shareholders. *

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

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

Adjusted EBIT margin: Adjusted operating profit as a percentage of net sales.
Adjusted EBITDA: Adjusted EBIT before depreciation/amortisation and impairment.

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. *

Net debt: Interest-bearing liabilities (excluding pension liabilities and lease liabilities) less cash and cash equivalents and interest-bearing assets at the end of the period.

Operating profit: Result before net financial items and tax.

Operating margin: Operating profit as a percentage of net sales.

* Definition according to IFRS

RATIONALE FOR USE OF ALTERNATIVE PERFORMANCE MEASURES

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

Adjusted EBIT and Adjusted EBITDA
Some items in this report make comparison harder using the information reported according to IFRS. Management therefore considers it appropriate to also report results adjusted for items that hamper comparison. This is done by reporting adjusted EBIT and adjusted EBITDA.

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

ASSURANCE OF TRUE AND FAIR VIEW

This Interim Report has not been reviewed by the Company's auditors.

The CEO hereby confirms that the Interim Report gives a true and fair view of the activities, financial position and financial performance of the Parent Company and of the Group, and that it describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

Borås, 28 February 2020

Dieter Penninckx
CEO

FUTURE REPORTING AND EVENTS

Annual report 2019	28 April 2020
Annual General Meeting	27 May 2020
Quarterly Report Q1 2020	29 May 2020

The annual report will be published and available at Ellos Groups webbsite www.ellosgroup.com. 28th of April 2020.

FOR FURTHER INFORMATION

CFO: Johan Stigson
Tel. +46 (0)769 49 60 96 email: johan.stigson@ellos.se

This information is information that FNG Nordic AB is legally obliged to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. Through the agency of the contact persons shown above, the information was released for publication on 28th of April 2020 at 18.00 CET.

ABOUT ELLOS GROUP

The Ellos Group, which includes Ellos, Jotex, Stayhard, and Homeroom, is the Nordic region’s leading e-commerce group. Working closely with our millions of customers, we are constantly striving to develop and offer attractive and sustainable fashion and household items for the entire family. Our focus is always on the customer. We continuously work to develop our business through innovation, creativity, and sustainability. The Ellos Group, headquartered in Borås, Sweden, and with operations in all Nordic countries, has around 550 employees. Since 2019 the Ellos Group has been part of listed fashion group FNG NV, with operations throughout Europe.

www.ellosgroup.com