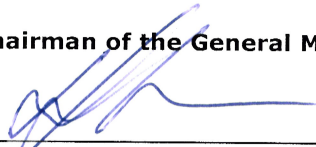


Ellos Denmark A/S
Kronprinsensgade 13
1114 Copenhagen K
Central Business Registration No
24927814

Annual report 2016

The Annual General Meeting adopted the annual report on 31.05.2017

Chairman of the General Meeting



Name: Leif Karl-Axel Johansson

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Entity details

Entity

Ellos Denmark A/S
Kronprinsensgade 13
1114 Copenhagen K

Central Business Registration No: 24927814

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Website: www.ellos.dk

Board of Directors

Bernt Johnny Eriksson
Ulf Johan Stigson
Hans Bertil Ohlsson
Leif Karl-Axel Johansson

Executive Board

Leif Karl-Axel Johansson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Ellos Denmark A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.05.2017

Executive Board



Leif Karl-Axel Johansson

Board of Directors



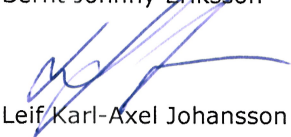
Bernt Johnny Eriksson



Ulf Johan Stigson



Hans Bertil Ohlsson



Leif Karl-Axel Johansson

Independent auditor's report

To the shareholder of Ellos Denmark A/S

Opinion

We have audited the financial statements of Ellos Denmark A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other 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 opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 31.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556


Jan Larsen
State Authorised Public Accountant

Management commentary

Primary activities

Ellos Denmark A/S is a wholly owned subsidiary of Ellos Group AB, Sweden, and is part of Ellos Group Holding AB.

The Company's business area is sale of clothing and other products for home and leisure primarily via e-commerce to the private market.

In connection with the sale, the customers are offered credit financing.

Development in activities and finances

In 2016, Ellos Denmark A/S realised a higher revenue than in 2015.

The strategic initiatives launched in 2015 have meant that Ellos has achieved a much greater visibility in Denmark.

This strong position has been reflected in a higher growth rate in visits where mobile is more than doubled, and the Company expects to continue growing in both revenue and visits.

The Parent – Ellos Group AB – has issued a letter of support from which it appears that the Parent will provide the Company with the necessary liquidity until 31.12.2017 for which reason the Company will be able to settle its obligations when falling due.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Revenue	1	149.554	147.644
Cost of sales		(47.576)	(47.921)
Other external expenses		<u>(94.682)</u>	<u>(98.766)</u>
Gross profit/loss		7.296	957
Staff costs	2	<u>(1.991)</u>	<u>(1.380)</u>
Operating profit/loss		5.305	(423)
Other financial income	3	1.921	2.033
Other financial expenses		<u>(452)</u>	<u>(404)</u>
Profit/loss before tax		6.774	1.206
Tax on profit/loss for the year		<u>0</u>	<u>0</u>
Profit/loss for the year		6.774	1.206
Proposed distribution of profit/loss			
Retained earnings		<u>6.774</u>	<u>1.206</u>
		6.774	1.206

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Trade receivables		2.793	5.166
Receivables from group enterprises		26.000	14.591
Income tax receivable		50	60
Prepayments	4	<u>3.577</u>	<u>4.725</u>
Receivables		<u>32.420</u>	<u>24.542</u>
Cash		<u>9</u>	<u>406</u>
Current assets		<u>32.429</u>	<u>24.948</u>
Assets		<u>32.429</u>	<u>24.948</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	5	500	500
Retained earnings		7.582	808
Equity		<u>8.082</u>	<u>1.308</u>
Other provisions	6	5.685	6.951
Provisions		<u>5.685</u>	<u>6.951</u>
Bank loans		4.486	0
Trade payables		2.035	1.376
Payables to group enterprises		8.684	10.626
Other payables		3.457	4.687
Current liabilities other than provisions		<u>18.662</u>	<u>16.689</u>
Liabilities other than provisions		<u>18.662</u>	<u>16.689</u>
Equity and liabilities		<u>32.429</u>	<u>24.948</u>
Related parties with controlling interest	7		
Group relations	8		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	808	1.308
Profit/loss for the year	0	6.774	6.774
Equity end of year	500	7.582	8.082

Notes

	2016	2015
	DKK'000	DKK'000
1. Revenue		
Revenue by geographical market		
Denmark	149.554	147.644
	149.554	147.644
Revenue by activity		
Mail order sales of clothing and other products in Denmark	149.552	147.643
	149.552	147.643
	2016	2015
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	1.661	1.177
Other social security costs	254	170
Other staff costs	76	33
	1.991	1.380
Average number of employees	3	2
	2016	2015
	DKK'000	DKK'000
3. Other financial income		
Financial income arising from group enterprises	471	167
Other financial income	1.450	1.866
	1.921	2.033

Notes

4. Prepayments

Prepaid expenses include prepaid costs for catalogues etc.

	<u>Number</u>	<u>Par value DKK'000</u>	<u>Nominal value DKK'000</u>
5. Contributed capital			
Ordinary shares	5.000	100	500
	5.000		500

The shares have not been divided into classes.

No changes have been made to the Company's share capital in the period 2012-2016.

6. Other provisions

Other provisions consist of provisions for returned goods and related costs.

7. Related parties with controlling interest

Ellos Group AB, Borås, Sweden wholly owns the shares of the Company and has control over the Company.

8. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Ellos Group Holding AB, Sweden

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

The accounting policies applied to these financial statements are inconsistent with those applied last year. According to the new standards of reporting classes, the annual report has been presented under the provisions governing reporting class B enterprises.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income, net capital gains on payables and foreign currency transactions as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on payables and foreign currency transaction as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions

Other provisions comprise anticipated costs of returns etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.