



Q4 and Full Year 2010 Report

CDON Group AB (publ.) ("CDON Group" or "the Group") (Nasdaq OMX Stockholm's Mid Cap market: CDON) today announced its financial results for the fourth quarter and full year ended 31 December 2010.

Fourth Quarter Highlights

- Net sales up 25% year on year to SEK 768.9 (615.1) million
- Gross profit of SEK 139.0 (116.4) million & gross margin of 18.1%
- Operating profit of SEK 50.7 (50.7) million & operating margin of 6.6% when excluding non-recurring listing costs of SEK 12.6 million
- Total operating profit of SEK 38.1 (50.7) million & operating margin of 5.0%
- Net income of SEK 26.0 (35.4) million
- Basic earnings per share of SEK 0.41 (69.88)¹

Full Year Highlights

- Net sales up 27% year on year to SEK 2,210.0 (1,746.2) million
- Gross profit of SEK 420.2 (348.5) million & gross margin of 19.0%
- Operating profit of SEK 147.3 (125.1) million & operating margin of 6.7% when excluding non-recurring listing costs of SEK 12.6 million
- Total operating profit of SEK 134.6 (125.1) million & operating margin of 6.1%
- Net income of SEK 90.2 (80.5) million
- Basic earnings per share of SEK 5.00 (159.09)²

Mikael Olander, President & Chief Executive Officer, commented: "We have reported record sales for both the fourth quarter and the full year, with more than 25% net revenue growth for both periods and full year sales of over SEK 2 billion for the first time in the Group's history. All of our segments delivered healthy growth and were profitable, with Fashion segment sales more than doubling year on year. Furthermore, the Group was successfully demerged from MTG and began life as a separately listed company at the end of the year, and we issued a five year convertible bond to fund the Group's further expansion."

"The results clearly illustrate the benefits and scalability of our e-commerce platform and reflect the ongoing migration of retail sales from traditional retail outlets to the internet. We are increasingly migrating the business into new and growing product areas, and executing on our growth strategy by broadening our product ranges, geographically expanding our existing businesses, and adding new brands to our portfolio."

"The Group delivered a higher operating profit for the year despite our investments in the launch of Heppo.com, the acquisition and development of Lekmer.com, the Nordic roll-out of a number of our stores, the testing of Nelly.com in the German and Dutch markets, and the costs associated with

¹ Based on the weighted average number of shares of 66,264,645 for the period Oct-Dec 2010 and 500,000 for the period Oct-Dec 2009.

² Based on the weighted average number of shares of 18,153,748 for the period Jan-Dec 2010 and 500,000 for the period Jan-Dec 2009.



becoming a listed company. Our operating cash flows and available liquid funds position us well to continue to invest in the further expansion of the Group, both organically and through acquisitions and start-ups, as is evidenced by the acquisition of designer furniture and decoration retailer Rum21.se this week.”

“The market conditions for entertainment media product sales are expected to remain challenging moving forward. E-commerce will however continue to rapidly grow its share of the total retail market and we will therefore continue to invest in growth during 2011 by developing our existing brands and new businesses. These investments will affect profitability levels in the first half of the year in particular, but we do expect a slight improvement in our full year underlying operating margin.”

Significant events

CDON Group was demerged from its former parent company Modern Times Group MTG AB (“MTG”) and distributed by means of a dividend to MTG shareholders. CDON Group’s shares were listed on Nasdaq OMX Stockholm under the symbol ‘CDON’ and commenced trading on 15 December 2010.

Following a resolution passed at an Extraordinary General Meeting of CDON Group shareholders in Stockholm on 25 November 2010, the Group issued a five year SEK 250 million convertible bond on 2 December 2010. MTG subscribed for 100% of the bond, which bears coupon of 2.85% per annum.

Following a resolution passed at an Extraordinary General Meeting of CDON Group shareholders in Stockholm on 24 September 2010, a directed issue of 65,545,122 CDON Group shares was made to MTG at SEK 3.646 per share. Payment for the shares was made by the off-setting of SEK 239,000,000 of loans previously provided by MTG, and CDON Group’s share capital thereby increased to SEK 132,090,244.

CDON Group acquired an additional 5.54% of online fashion retailer NLY Scandinavia AB (Nelly.com) on 15 October 2010 for a cash consideration of SEK 21.0 million. The Group now owns 95.54% of the company.

CDON Group launched new online shoe retailer Heppo.com in Sweden on 31 August 2010, and subsequently rolled out the store in Norway, Denmark and Finland during September 2010. Heppo.com is a part of CDON Group’s Fashion business segment.

CDON Group acquired 90.1% of leading Swedish online toy retailer Lekmer AB on 31 March 2010 for approximately SEK 7.2 million. Lekmer.com’s results have been fully consolidated within the Entertainment segment from 1 April 2010. Lekmer.com has also subsequently been rolled out on a Pan-Nordic basis.



Significant events after the end of the period

CDON Group acquired 90.1% of Rum21 AB, a family-owned online retailer of designer brand furniture and interior decoration products on 31 January 2011. The company was acquired on a debt and cash free basis for a consideration of SEK 10.0 million, with SEK 5.0 million of the purchase price is paid as a deferred payment over the 2 consecutive years following closing, starting 2012. Rum21.se provides the Group with access to an industry segment that is well suited for e-commerce and has considerable growth potential. Rum21.se's results will be fully consolidated with effect from 1 February 2011. Rum21.se generated SEK 11.2 million of revenues in 2010 and employed 4 staff at the end of the year.

The conversion price for the Group's SEK 250.0 million five year convertible bond was announced on 19 January 2011. The SEK 38.00 conversion price corresponds to 125 per cent of the volume-weighted trading price of the CDON Group share between 15 December 2010 and 14 January 2011 (the first 20 days of trading in the Group's shares). The bond may therefore be converted into a maximum of 6,578,947 CDON Group shares between 15 June 2012 and the end of 1 December 2015, which would represent a 9.0% dilution effect based on the number of shares outstanding as at 31 December 2010.

Financial summary

(SEK thousand)	2010	2009	Change	2010	2009	Change
	Oct-Dec	Oct-Dec	(%)	Jan-Dec	Jan-Dec	(%)
Net sales	768,933	615,099	25.0%	2,210,034	1,746,162	26.6%
Gross profit	139,034	116,355	19.5%	420,220	348,471	20.6%
Gross margin (%)	18.1%	18.9%		19.0%	20.0%	
Operating profit	38,083	50,675	-24.8%	134,628	125,139	7.6%
Operating margin (%)	5.0%	8.2%		6.1%	7.2%	
Net interest & other financial items	-4,647	-901	-	-18,799	-11,808	-
Income before tax	33,436	49,773	-32.8%	115,829	113,331	2.2%
Net income	26,002	35,354	-26.5%	90,234	80,496	12.1%
Basic earnings per share (SEK)*	0.41	69.88	-	5.00	159.09	-
Diluted earnings per share (SEK)*	0.41	69.88	-	4.90	159.09	-
Total assets	1,014,197	741,158	36.8%	1,014,197	741,158	36.8%

* Earnings per share for all periods have been recalculated following a 250:1 share split. The number of issued shares for these periods is 500,000. The earnings per share for the periods January to December and October to December 2010 have also, besides taking into account the 250:1 share split, been recalculated to reflect two share issues, by which the amount of issued shares increased in September from 500,000 to 66,045,122, and in October to 66,342,124. The weighted average number of shares before dilution for the full year 2010 amounted to 18,153,748, and for the fourth quarter 2010 to 66,264,645. The weighted average number of shares after dilution for 2010 amounted to 18,694,848, and for the fourth quarter 2010 to 68,409,954.



Group Overview

Group net sales were up 25% year on year in the fourth quarter, and up 27% for the full year, following sales growth and continued market share gains for each business segment in both periods. The Group's sites attracted 37.4 (25.7) million visits and generated 1,557,000 (1,317,000) orders during the fourth quarter. A total of 114.1 (88.0) million visits and 4.7 (3.9) million orders were registered during the full year.

The Group's consolidated cost of goods sold increased by 26% year on year to SEK 629.9 (498.7) million in the fourth quarter and by 28% to SEK 1,789.8 (1,397.7) million for the full year. The lower gross margins of 18.1% (18.9%) in the quarter and 19.0% (20.0%) for the full year reflected the adverse impact on Group sales of the appreciation of the Group's Swedish krona reporting currency against its other operating currencies, whilst the Group's cost of goods sold is relatively unaffected by the currency fluctuations. The gross margin was also impacted by the ongoing shift in the Entertainment segment away from the sale of higher margin CDs towards growth product categories such as consumer electronics, books and games.

Sales and administrative expenses increased by 62% year on year to SEK 103.7 (64.1) million in the fourth quarter and by 28% to SEK 287.4 (224.1) million for the full year, which reflected costs associated with the larger sales volumes, the consolidation of Lekmer.com in the second quarter and the launch of Heppo.com in the third quarter. The Group also incurred SEK 16.5 (0.0) million of central costs in the fourth quarter and SEK 17.8 (0.1) million for the full year, which primarily comprised the SEK 12.6 million of non-recurring costs in the quarter and for the full year related to the Group becoming a stand-alone and publicly listed company with its own central functions and governing bodies. The Group expects to incur Group central costs of up to SEK 15 million for the full year 2011 as a result of the costs associated with being a stand-alone publicly listed company.

The Group therefore reported a 25% year on year decline in operating profits for the fourth quarter and an 8% increase in operating profits for the full year, with operating margins of 5.0% (8.2%) and 6.1% (7.2%) for the two respective periods.

The Group's net interest and other financial items amounted to SEK -4.6 (-0.9) million in the fourth quarter and SEK -18.8 (-11.8) million for the full year, which primarily reflected higher borrowing levels during most of 2010 following the payment of a SEK 150.0 million dividend to the Group's former parent company in November 2009, as well as foreign exchange rate gains and losses. The Group also began to incur interest costs arising on the five year convertible bond issued on 2 December 2010. The convertible bond is a compound financial instrument which according to International Financial Reporting Standards requires it to be split into an equity part and a debt part in the Group's and Parent company's statement on the financial position. The convertible bears a coupon of 2.85 per cent per annum but the effective interest rate charged over the income statement is 6.99 per cent per annum.

Group pre-tax profits were down 33% year on year in the fourth quarter but increased by 2% for the full year.



The Group reported income tax expenses of SEK -7.4 (-14.4) million in the fourth quarter and SEK -25.6 (-32.8) million for the full year, which included the recognition of tax loss carry-forwards in the second, third and fourth quarters of 2010 (see Note 3 at the end of this report). Group consolidated net income declined by 26% year on year in the fourth quarter but increased by 12% for the full year. The total number of shares outstanding increased from 2,000 at the beginning of the year and 66,045,122 at the beginning of the fourth quarter to 66,342,124 at the end of the reporting period. The Group therefore reported basic earnings per share of SEK 0.41 and SEK 5.00 for the two respective periods.

Segmental Operating Review

Entertainment

(SEK thousands)	2010 Oct-Dec	2009 Oct-Dec	Change (%)	2010 Jan-Dec	2009 Jan-Dec	Change (%)
Net sales	561,971	497,769	12.9%	1,492,154	1,336,693	11.6%
Operating profit	43,422	40,562	7.1%	99,734	92,719	7.6%
Operating margin (%)	7.7%	8.1%		6.7%	6.9%	
No. of visits (thousands)	23,189	18,200	27.4%	68,564	62,362	9.9%
No. of orders (thousands)	1,260	1,138	10.7%	3,685	3,325	10.8%
Average shopping basket (SEK)	400	410	-2.4%	375	375	0.0%

The Entertainment segment comprises the CDON.COM, BookPlus.fi and Lekmer.com internet stores. Segment sales were up 13% year on year in the quarter and 12% for the full year, despite the significant ongoing industry-wide decline in CD sales and the decline in media products in general. The fourth quarter is the seasonally strongest sales period of the year, especially for Lekmer.com which has a majority of its total annual sales in Q4. The Entertainment segment accounted for 73.1% (80.9%) of total Group sales in the quarter and 67.5% (76.6%) for the full year. All product categories grew in the fourth quarter except CDs, which was the fourth largest category in the quarter. The fastest growing categories in the Entertainment segment were toys, consumer electronic products and books. CDON.COM consolidated its position as a market leading online retailer of mobile phones and accessories, and further broadened its assortment by introducing a range of kitchen appliances. BookPlus.fi continued to perform strongly and further increased its market share in the Finnish online book sector. Lekmer.com, which was consolidated from the second quarter of 2010, also performed according to plan and generated healthy sales growth.

Segment operating profits were up 7% year on year in the fourth quarter and 8% for the full year, with lower operating margins of 7.7% and 6.7% for the two respective periods due to the ongoing shift in the product category mix, as well as investments in the expansion of both existing and newly acquired businesses, and the year on year appreciation of the Group's Swedish krona reporting currency against its other operating currencies.



Fashion

(SEK thousands)	2010		Change (%)	2010		Change (%)
	Oct-Dec	2009 Oct-Dec		Jan-Dec	2009 Jan-Dec	
Net sales	134,673	66,142	103.6%	433,167	202,625	113.8%
Operating profit	1,857	4,780	-61.2%	16,078	7,011	129.3%
Operating margin (%)	1.4%	7.2%		3.7%	3.5%	
No. of visits (thousands)	12,543	6,268	100.1%	39,312	20,846	88.6%
No. of orders (thousands)	196	106	84.9%	635	328	93.6%
Average shopping basket (SEK)	661	643	2.8%	655	611	7.2%

The Fashion segment comprises the Nelly.com, LinusLotta.com and Heppo.com internet stores. Segment sales more than doubled year on year in both the fourth quarter and for the full year, and accounted for 17.5% (10.8%) of total Group sales in the quarter and 19.6% (11.6%) of sales for the full year. The sales growth reflected the exponential growth of Nelly.com following its expansion across the Nordic region and enlargement of its own-brand and third party assortment, as well as the contribution of newly launched Heppo.com, which has started well. The second and fourth quarters are typically the seasonally strongest periods of the year for the Fashion segment and the ready-made clothing industry in general.

Segment operating profits were down year on year in the fourth quarter due to the investment in the roll-out of Heppo.com across the Nordic region and the test launches of Nelly.com in Germany and the Netherlands. Segment operating profits more than doubled for the full year with an increased operating margin of 3.7%.

Sports & Health

(SEK thousands)	2010		Change (%)	2010		Change (%)
	Oct-Dec	2009 Oct-Dec		Jan-Dec	2009 Jan-Dec	
Net sales	72,234	51,697	39.7%	284,658	210,709	35.1%
Operating profit	8,405	6,079	38.3%	35,358	26,200	35.0%
Operating margin (%)	11.6%	11.8%		12.4%	12.4%	
No. of visits (thousands)	1,687	1,226	37.6%	6,226	4,833	28.8%
No. of orders (thousands)	101	73	38.4%	391	280	39.6%
Average shopping basket (SEK)	709	709	0.0%	727	750	-3.1%

The Sports & Health segment comprises the Gymgrossisten.com, Fitnessstukku.fi and Bodystore.com internet stores. Segment sales were up 40% year on year in the fourth quarter and 35% for the full year, and accounted for 9.4% (8.4%) of total Group sales in the quarter and 12.9% (12.1%) of sales for the full year. The sales growth primarily reflected market share gains for Gymgrossisten.com in each of its geographical markets. The first quarter is the seasonally strongest period of the year for the Sports & Health segment, due to the higher interest in exercise and physical well being in the early part of the year, with the remaining quarters typically of approximately equal size.



Segment operating profits grew by 38% year on year in the fourth quarter and by 35% for the full year, with operating margins of 11.6% and 12.4% for the two respective periods despite the Group's investments to increase its market shares in Finland and Norway.

Financial position

Group total assets grew by 37% year on year to SEK 1,014.2 (741.2) million as at 31 December 2010, which reflected the ongoing expansion of the Fashion and the Entertainment businesses. Inventory levels increased year on year to SEK 251.3 (153.0) million. The convertible bond issued by CDON Group in December 2010 is reported partly as a liability and partly as equity in the Group and parent's Statement on the financial position.

Capital employed increased by SEK 287.2 million year on year to SEK 553.7 million. The development primarily reflected the convertible bond issue mentioned above, combined with higher inventory levels as a result of the increased proportion of Group sales made by the more inventory intensive Fashion and Sports & Health segments. The Group's rolling twelve month return on capital employed therefore declined year on year to 36.1% (37.5%).

Cash flow from operating activities before changes in working capital declined year on year to SEK 44.3 (50.9) million in the fourth quarter, and to SEK 126.2 (127.7) million for the full year. The decline reflected the increased financial items related to higher financial gearing for the full year. The Group reported a SEK 64.7 (72.7) million change in working capital in the quarter, which primarily reflected higher accounts payable related to an improvement in the Group's payment terms to suppliers in the fourth quarter. The Group reported a SEK -32.9 (91.2) million change in working capital for the year to date. The full year development primarily reflected the one-off capital release effect in 2009 from a permanent decrease in accounts receivable, following the Group's outsourced invoice management for CDON.COM from June 2009.

Group cash flow from investing activities amounted to SEK -1.3 (-2.7) million in the quarter and SEK -9.8 (-5.6) million for the year to date, which primarily reflected the SEK -4,0 million cash flow impact from the acquisition of Lekmer.com in March, as well as a cash flow effect of SEK 6.0 million related to the sale of a warehouse facility in September 2009.

Group cash flow to financing activities amounted to SEK 311.3 (-125.8) million in the fourth quarter and SEK 353.8 (-254.9) million for the year to date, which primarily reflected the acquisition in October of an additional 5.54% stake in NLY Scandinavia AB (Nelly.com) from minority shareholders in October, with a cash flow effect of SEK -21.0 million, the fluctuations in utilised credit facilities provided by former parent company Modern Times Group MTG AB before the demerger, and the funds from the SEK 250.0 million convertible bond, which was issued in December and which MTG subscribed for.

The Group's total interest-bearing borrowings amounted to SEK 207.2 (258.4) million at the end of the period, which reflected the SEK 250.0 million convertible bond issued in December (see Note 2 at the end of this report) as well as the set-off share issue, whereby MTG subscribed to 65,545,122



newly issued shares at a price of SEK 3.646 per share, through the set-off of a SEK 239.0 million receivable on CDON Group.

The Group's cash and cash equivalents therefore increased by SEK 419.0 (-4.8) million in the quarter and by SEK 437.3 (-41.6) million for the full year, to end the period at SEK 431.3 million compared to SEK 3.0 million at the end of 2009.

The Group reported a net cash position of SEK 224.1 million at the end of the year (defined as cash and cash equivalents less interest-bearing liabilities), compared to a net cash position of SEK 14.7 million at the end of 2009.

Parent company

The parent company CDON Group had sales of SEK 55.0 (0.0) thousand in the quarter and for the full year. Administrative expenses amounted to SEK -16.5 (0.0) million in the quarter and SEK -17.8 (-0.1) million for the full year and reflected SEK -12.6 million of non-recurring costs in the quarter and SEK -12.6 million in non-recurring costs for the full year immediately associated to the listing of CDON Group on Nasdaq OMX Stockholm. The remaining amount mainly relates to incurred cost associated with becoming and being a publicly listed company and is of a recurring nature, entailing cost for central functions, board fees, auditing services etc.

Other net financial items amounted to SEK -0.8 (-17.0) million in the fourth quarter and SEK -8.3 (-19.9) million for the full year. Income before tax amounted to SEK -17.2 (-17.0) million in the quarter and SEK -26.1 (-20.0) million for the full year.

The parent company reported cash and cash equivalents of SEK 407.4 (0.0) million which reflected the Groups cash pool including the funds of SEK 250.0 million pertaining to the convertible bond. The convertible bond is a compound financial instrument which under IFRS requires it to be split into an equity part and a debt part.

The parent company made investments of SEK 21.0 million in non-current assets during the quarter, relating to the acquisition of an additional 5.54% of online fashion retailer NLY Scandinavia AB (Nelly.com). The Group now owns 95.54% of the company. Further, in the first quarter an investment of SEK 7.2 million was made for 90.1% of the shares in Lekmer AB (Lekmer.com).

Accounting policies

This report has been prepared according to 'IAS 34 Interim Financial Reporting' and the 'Annual Accounts Act'. The Group's consolidated financial statements have been prepared according to the same accounting policies and methods of computation as the 2009 annual accounts except for the application of 'IFRS 3 Business Combinations' and the amended 'IAS 27 Consolidated and Separate Financial Statements'. The revisions and amendments relate to:

- The definition of business
- The expensing of transaction (acquisition) related fees are expensed as incurred



- Contingent consideration is recognised and measured at fair value at the acquisition date. In subsequent periods the liability is revalued and the effects of the revaluation are recognized in profit/loss for the period
- Subsequent acquisitions, without changes in control, are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary
- In business combination achieved in stages, the acquirer adjusts its previously held non-controlling equity interest in the acquired company before the acquirer obtains control at its fair value and recognizes the resulting gain/loss in the income statement
- There are two options for recognising non-controlling interests and goodwill: the recognition of non-controlling interests at fair value by including goodwill or as their proportionate share of net assets. One of the two methods is selected and applied to each acquisition.

Other new or revised IFRS policies and IFRIC interpretations have not had any material effect on the consolidated financial position or results of the Group. With effect from 1 January 2010, certain costs have been reclassified from 'cost of goods sold' to 'sales and administrative expenses', which are described in Note 1 to this report.

'RFR 2 (December 2010) Accounting for Legal Entities' has been applied to the parent company since 1 January 2010, and states that the revised 'IAS 1 Presentation of Financial Statements' should also be applied to the parent company, with certain exceptions. Expenses related to business combinations (IFRS 3) in legal entities will be included in the cost of acquisitions.

Risks and uncertainties

Several factors could affect CDON Group's earnings and operations, most of which can be managed through internal procedures while some are controlled by external factors. Risks and uncertainties include IT and control systems, suppliers, seasonal variations and currencies, new market entries, changes in market conditions, and changes in e-commerce spending behaviour. The parent company is also subject to interest rate risks.

The 2010 Listing Prospectus and the 2009 Annual Report contains a more comprehensive description of the risks and uncertainty factors affecting the Group in the Management Report and in Note 21.

Related party transactions

Following the introduction on Nasdaq OMX Stockholm, Modern Times Group MTG AB (former parent company) is no longer considered a related party.

Related party transactions for the period prior to the introduction on Nasdaq OMX Stockholm are of the same character and amounts as the transactions described in the 2009 annual report.



As outlined in the “Significant events” section, MTG subscribed to SEK 250.0 million five year CDON Group convertible bond on 2 December 2010.

CDON Group signed an agreement with MTG subsidiary Viasat Broadcasting UK Ltd (“Viasat”) in October 2010 to purchase advertising airtime on Viasat’s free-TV channels in Denmark, Norway and Sweden in 2011 and 2012. The advertising airtime in the agreement corresponds to the annual average of the advertising volumes purchased by CDON Group on Viasat’s free-TV channels in 2008, 2009 and 2010. The two year agreement may be extended for a further twelve month period by mutual consent according to the terms stipulated in the contract. The purchase price reflects the market rates paid by CDON Group for advertising airtime and includes monthly minimum volume requirements. CDON Group has historically been able to utilise unsold advertising airtime on Viasat’s free-TV channels at a discount to the prevailing market price of sold advertising airtime of corresponding type. This “discount” is estimated to have amounted to SEK 20 (20) million for the full year 2010.

Other Information

Annual General Meeting 2011

CDON Group's 2011 Annual General Meeting of shareholders will be held on 16 May 2011 in Stockholm. Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing to ir@cdongroup.com or to CDON Group AB, Box 385, SE- 201 23 Malmö, Sweden, at least seven weeks before the Annual General Meeting, in order that proposals may be included in the notices to the meeting. Further details on how and when to register will be published in advance of the meeting.

Dividend

The Board of Directors will propose to the 2011 Annual General Meeting of shareholders that no dividend is paid out to shareholders for the financial year ended 31 December 2010, and that the retained earnings for the year be carried forward into the accounts for 2011.

Nomination Committee for the 2011 Annual General Meeting

A Nomination Committee of major CDON Group shareholders has been convened in accordance with the resolution of the Extraordinary General Meeting of shareholders held on 24 September 2010. The Nomination Committee is comprised of Cristina Stenbeck on behalf of Investment AB Kinnevik; Johan Ståhl on behalf of Lannebo Fonder and Hans Ek on behalf of SEB Fonder. Information about the work of the Nomination Committee can be found at www.cdongroup.com. Shareholders wishing to propose candidates for election to the CDON Group AB Board of Directors should submit their proposals in writing to ir@cdongroup.com or to CDON Group AB, Box 385, SE- 201 23 Malmö, Sweden.

Annual Report

The 2010 Annual Report & Accounts will be made available at www.cdongroup.com and at the Company’s head office at Bergsgatan 20, Malmö, Sweden, at least three weeks before the Annual General Meeting.



First Quarter 2011 Financial Results

CDON Group's financial results for the first quarter and three months ended 31 March 2011 will be published on 19 April 2011.

This report has not been reviewed by the Group's auditor.

2 February 2011

Mikael Olander
President & CEO

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SE-201 23 Malmö
Corporate ID number: 556035-6940

The company will host a conference call today at 15.00 Stockholm local time, 14.00 London local time and 09.00 New York local time.

To participate in the conference call, please dial:

Sweden: +46 (0)8 5352 6440
International: +44 (0)20 7138 0825
US: +1 212 444 0481

The access pin code for the conference is **8748960**

To listen to the conference call online, please go to www.cdongroup.com.



For additional information, please visit www.cdongroup.com or contact:

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CDON Group is one of the largest e-commerce businesses in the Nordic region. Established in 1999, the Group has continuously expanded its product portfolio and is now a leading e-commerce player in the Entertainment (www.CDON.COM, www.BookPlus.fi, www.Lekmer.com), Fashion (www.Nelly.com, www.LinusLotta.com, www.Heppo.com), and Sports & Health (www.Gymgrossisten.com, www.Fitnesstukku.fi, www.Bodystore.com) segments. CDON Group offers a market leading product range at competitive prices with quick delivery and high-quality customer service. CDON Group's internet stores attract approximately two million customers a year across the Nordic region.

The information in this year-end report is that which CDON Group AB is required to disclose under the Securities Markets Act. This information was released for publication at 13.00 CET on 2 February 2011.



CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)		2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Net sales		768 933	615 099	2 210 034	1 746 162
Cost of goods and services		-629 899	-498 744	-1 789 814	-1 397 691
Gross profit	Note 1	139 034	116 355	420 220	348 471
Sales and administration expenses		-103 749	-64 125	-287 382	-224 066
Other operating income and expenses, net		2 798	-1 556	1 790	734
Operating profit	Note 1	38 083	50 675	134 628	125 139
Net interest & other financial items	Note 2	-4 647	-901	-18 799	-11 808
Profit before tax		33 436	49 773	115 829	113 331
Tax	Note 3	-7 434	-14 419	-25 595	-32 835
Net income for the period		26 002	35 354	90 234	80 496
Attributable to:					
Equity holders of the parent		27 265	34 938	90 835	79 554
Non-controlling interests		-1 263	416	-601	942
Net income for the period		26 002	35 354	90 234	80 496
Basic earnings per share (SEK)*		0,41	69,88	5,00	159,09
Diluted earnings per share (SEK)*		0,41	69,88	4,90	159,09

* Earnings per share for all periods have been recalculated following a 250:1 share split. The number of issued shares for these periods is 500,000. The earnings per share for the periods January to December and October to December 2010 have also, and besides taking into account the 250:1 share split, been recalculated to reflect two share issues, by which the amount of issued shares increased in September from 500,000 to 66,045,122, and in October to 66,342,124. The weighted average number of shares before dilution for 2010 amounted to 18,153,748, and for the fourth quarter 2010 to 66,264,645. The weighted average number of shares after dilution for 2010 amounted to 18,694,484, and for the fourth quarter 2010 to 68,409,954.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONDENSED (SEK thousand)		2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Profit for period		26 002	35 354	90 234	80 496
Other comprehensive income					
Translation difference for the period		-938	567	-3 250	-1 683
Other comprehensive income for the period		-938	567	-3 250	-1 683
Total comprehensive income for period		25 064	35 921	86 984	78 813
Total comprehensive income attributable to:					
Parent company shareholders		26 327	35 529	87 585	77 895
Non-controlling interests		-1 263	392	-601	918
Total comprehensive income for the period		25 064	35 921	86 984	78 813
Shares outstanding at period's end*		66 342 124	500 000	66 342 124	500 000
Shares outstanding at period's end, incl convertible*		72 921 071	500 000	72 921 071	500 000
Average number of shares, basic*		66 264 645	500 000	18 153 748	500 000
Average number of shares, diluted*		68 409 954	500 000	18 694 484	500 000

* Outstanding shares at the end of the reporting period and weighted average number of shares before and after dilution for all periods have been recalculated with regards to a split 250:1. Outstanding shares at the end of the reporting period and weighted average number of shares before and after dilution for the period Jan-Dec and Oct-Dec 2010 have, in addition to the split 250:1, been recalculated with regards to two share issues, where the number of shares increased from 500,000 to 66,045,122 in September, and to 66,342,124 in October.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)	2010 31-Dec	2009 31-Dec
Non-current assets		
Goodwill	188,966	189,865
Other intangible assets	65,878	62,696
Total intangible assets	254,844	252,561
Equipment	3,660	1,953
Total non-current assets	258,504	254,514
Current assets		
Inventories	251,284	152,977
Current interest-bearing receivables	0	270,027
Current non-interest-bearing receivables	73,066	60,595
Total receivables	73,066	330,622
Cash and cash equivalents	431,343	3,045
Total current assets	755,693	486,644
Total assets	1,014,197	741,158
Equity		
Equity attributable to owners of the parent	345,664	6,738
Non-controlling interest	879	1,473
Total equity	346,543	8,211
Non-current liabilities		
<i>Non interest bearing</i>		
Deferred tax liability	26,748	15,051
Provisions	2,397	1,217
<i>Interest bearing</i>		
Convertible bond	Note 2 207,204	0
Total non-current liabilities	236,349	16,268
Current liabilities		
Current interest-bearing liabilities	0	258,380
Current non-interest-bearing liabilities	431,305	458,299
Total current liabilities	431,305	716,679
Total equity and liabilities	1,014,197	741,158



CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED (SEK thousand)	2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Cash flow from operating activities	44,259	50,909	126,162	127,703
Changes in working capital	64,660	72,715	-32,876	91,235
Cash flow from operations	108,919	123,624	93,286	218,938
Investments in subsidiaries*	596	0	-4,459	-6,231
Investments in other non-current assets	-1,907	-573	-5,373	-3,226
Other cash flow from investing activities	45	-2,114	0	3,861
Cash flow to/from investing activities	-1,266	-2,687	-9,832	-5,596
Shareholder dividends and share buy-backs	0	-150,000	0	-150,000
Acquisition of shares from non controlling interest	-21,033	0	-21,033	0
Other cash flow from/to financing activities	332,354	24,244	374,841	-104,906
Cash flow to/from financing activities	311,321	-125,756	353,808	-254,906
Change and cash equivalents for the period	418,974	-4,819	437,262	-41,564
Cash and cash equivalents at period's start	21,333	3,792	3,045	42,046
Translation difference, cash and cash equivalents	-8,964	4,072	-8,964	2,563
Cash and cash equivalents at period's end	431,343	3,045	431,343	3,045

* Investments in subsidiaries 2010 comprises 3.392 acquisition of a new subsidiary (Q2) and 1.067 additional purchase price attributable to acquisitions before 1 jan 2010 (Q1).

STATEMENT OF CHANGES IN EQUITY (SEK thousand)	2010 31-Dec	2009 31-Dec
Opening balance	8,211	171,452
Total comprehensive income for period	86,984	78,813
Effects of employee option program	0	509
New share issue	239,594	0
Acquisition of non-controlling interests with a change in control	827	0
Acquisition of shares from non-controlling interests without a change in control	-21,033	0
Shareholder dividends	0	-150,000
Group contributions, net after tax	0	-93,157
Shareholder contributions	0	594
Equity-part of convertible bonds	31,960	0
Closing balance	346,543	8,211



SEGMENTAL REPORTING

NET SALES (SEK thousand)	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Oct-Dec	2009 Full year	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	2010 Oct-Dec	2010 Full year
Entertainment	296 667	241 585	300 672	497 769	1 336 693	328 941	272 972	328 270	561 971	1 492 154
Fashion	34 010	55 141	47 332	66 142	202 625	69 035	116 971	112 488	134 673	433 167
Sport & Health	56 683	49 740	52 589	51 697	210 709	71 757	67 684	72 983	72 234	284 658
Total operational business areas	387 360	346 466	400 593	615 608	1 750 027	469 733	457 627	513 741	768 878	2 209 979
Group central operations	-	-	-	-	-	-	-	-	55	55
Eliminations	-43	-515	-2 798	-509	-3 865	0	0	0	0	0
TOTAL OPERATING ACTIVITIES	387 317	345 951	397 795	615 099	1 746 162	469 733	457 627	513 741	768 933	2 210 034
CONSOLIDATED TOTAL	387 317	345 951	397 795	615 099	1 746 162	469 733	457 627	513 741	768 933	2 210 034
Intersegment sales										
Entertainment	43	504	2 796	522	3 865	-	-	-	-	-
Fashion	0	0	0	0	-	-	-	-	-	-
Sport & Health	0	11	2	-13	-	-	-	-	-	-
Group central operations	0	-	-	-	-	-	-	-	-	-
Total	43	515	2 798	509	3 865	0	0	0	0	0
OPERATING PROFIT (SEK thousand)	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Oct-Dec	2009 Full year	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	2010 Oct-Dec	2010 Full year
Entertainment	18 496	12 213	21 448	40 562	92 719	24 186	11 175	20 951	43 422	99 734
Fashion	-3 159	3 056	2 334	4 780	7 011	3 857	8 906	1 458	1 857	16 078
Sport & Health	5 359	6 861	7 901	6 079	26 200	10 126	7 983	8 844	8 405	35 358
Total operational business areas	20 696	22 130	31 683	51 421	125 930	38 169	28 064	31 253	53 684	151 170
Group central operations	-7	-19	-19	-746	-791	-258	-210	-473	-15 601	-16 542
CONSOLIDATED TOTAL	20 689	22 111	31 664	50 675	125 139	37 911	27 854	30 780	38 083	134 628



PARENT COMPANY INCOME STATEMENT CONDENSED (SEK thousand)		2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Net sales		55	0	55	0
Gross profit		55	0	55	0
Administrative expenses		-16,479	-39	-17,814	-77
Operating profit		-16,424	-39	-17,759	-77
Other net financial items	Note 2,	-759	-16,951	-8,320	-19,925
Profit before tax		-17,183	-16,990	-26,079	-20,002
Tax		4,342	327	6,682	1119
Profit for period		-12,841	-16,663	-19,397	-18,883

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME CONDENSED (SEK thousand)		2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Profit for period		-12,841	-16,663	-19,397	-18,883
Other comprehensive income		0	0	0	0
Profit for period		-12,841	-16,663	-19,397	-18,883

PARENT COMPANY STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)		2010 31-Dec	2009 31-Dec
Non-current assets			
Shares and participating interests		280,282	301,490
		280,282	301,490
Current assets			
Current interest-bearing receivables		27,399	0
Current interest-bearing receivables, MTG cash pool accounts		0	142
Current non-interest-bearing receivables		139,815	131,587
Cash and cash equivalents		407,444	0
		574,658	131,729
Total assets		854,940	433,219
Equity			
Restricted equity		133,484	1,000
Unrestricted equity		216,283	15,240
		349,767	16,240
Non-current liabilities			
Convertible bonds	Note 2	207,204	0
Interest-bearing liabilities, MTG cash pool accounts		0	230,049
Deferred tax liability		11,255	0
Provisions		2,660	0
		221,119	230,049
Current liabilities			
Other interest-bearing liabilities		241,311	0
Non-interest-bearing liabilities		42,743	186,930
		284,054	186,930
Total equity and liabilities		854,940	433,219



KEY RATIOS	2009					2010				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year
GROUP										
Sales growth (%)	33.1	33.5	35.9	39.3	36.0	21.3	32.3	29.1	25.0	26.6
Change in operating expenses (%)	37.2	30.8	34.3	36.2	34.9	17.8	32.7	31.9	29.5	28.0
Operating margin (%)	5.3	6.4	8.0	8.2	7.2	8.1	6.1	6.0	5.0	6.1
Gross profit margin (%)	18.2	22.4	21.1	18.9	20.0	19.9	20.7	18.1	18.1	19.0
Return on capital employed (%)	22.0	25.1	28.5	37.5	37.5	41.3	44.9	44.1	36.1	36.1
Return on equity (%)	22.7	26.9	31.3	49.6	49.6	62.7	81.0	62.0	60.6	60.6
Equity/assets ratio (%)	32.5	35.3	36.2	1.1	1.1	5.6	8.6	42.5	34.2	34.2
Net debt (SEK million)	110.7	42.3	-43.3	-14.7	-14.7	186.9	189.7	-81.0	-224.1	-224.1
Cash flows from operations (SEK million)	-68.1	79.5	83.9	123.6	218.9	-65.3	9.2	40.5	108.9	93.3
Earnings per share (SEK)*	27.22	24.00	38.00	69.88	159.11	49.46	39.00	4.05	0.41	5.00
Equity per share (SEK)**	372.73	393.42	427.76	13.48	13.48	65.61	103.53	4.70	5.22	5.22
Earnings per share (SEK)***	0.21	0.18	0.29	0.53	1.20	0.37	0.29	0.30	0.41	1.37
Equity per share (SEK)***	2.78	2.97	3.22	0.10	0.10	0.44	0.77	4.65	5.22	5.22
No. of visits (thousand)	23,014	18,403	20,931	25,694	88,042	26,102	23,807	26,774	37,419	114,102
No. of orders (thousand)	895	780	941	1,317	3,933	1,065	963	1,126	1,557	4,711
Average shopping basket (SEK)	399	410	418	445	421	419	465	443	453	442
Entertainment										
No. of visits (thousand)	17,493	12,347	14,323	18,200	62,362	16,490	13,011	15,875	23,189	68,564
No. of orders (thousand)	763	628	796	1,138	3,325	861	697	867	1,260	3,685
Average shopping basket (SEK)	351	346	370	410	375	357	368	364	400	375
Fashion										
No. of visits (thousand)	4,202	4,985	5,391	6,268	20,846	7,997	9,420	9,352	12,543	39,312
No. of orders (thousand)	59	88	75	106	328	107	173	159	196	635
Average shopping basket (SEK)	556	606	615	643	611	639	718	693	661	655
Sport & Health										
No. of visits (thousand)	1,319	1,071	1,217	1,226	4,833	1,616	1,376	1,547	1,687	6,226
No. of orders (thousand)	73	64	70	73	280	97	93	100	101	391
Average shopping basket (SEK)	776	772	746	709	750	722	727	731	709	727

* Earnings per share for all periods have been recalculated with regards to a split of 250:1. The number of shares for these periods is 500,000. Earnings per share for the periods Jan-Dec and Oct-Dec 2010 have, in addition to the recalculation following the 250:1 split, been recalculated with regards to share issues, where the number of shares has increased from 500,000 to 66,342,124. The weighted average number of shares for the period Jan-Dec 2010 is 18,153,748 and 66,264,645 for the period Oct-Dec 2010.

** When calculating equity per share above stated split has been applied also for the full year- and quarterly figures for 2009.

*** Calculated on present number of shares, as per January 2011, amounting to 66,342,124.

Definitions

Equity/assets ratio	Equity plus non-controlling interests as a percentage of total assets.
Net debt (+) / Net cash (-)	Interest-bearing liabilities less interest-bearing current and non-current assets and cash and cash equivalents.
No. of visits	Gross number of visits.
Conversion level	Number of orders as a percentage of number of visits.
Return on equity	Net income for the last four quarters as a percentage of average equity for the last four quarters
Return on capital employed	Operating income for the last four quarters as a percentage of average of total non-current assets, cash and cash equivalents, and net working capital reduced for provisions, for the last four quarters
Earnings per share	Earnings for the year attributable to the parent company's shareholders divided by average number of shares.
Equity per share	Equity attributable to the parent company's shareholders divided by average number of shares.



Note 1

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)	2009	2009	2009
	Jan-Dec	Jan-Dec	Jan-Dec
	Before reclassification	Reclassification	After reclassification
Net sales	1,746,162	0	1,746,162
Cost of goods and services	-1,476,858	79,167	-1,397,691
Gross profit	269,304	79,167	348,471
Sales and administration expenses	-144,971	-79,095	-224,066
Other operating revenues and expenses, net	806	-72	734
Operating profit	125,139	0	125,139

Marketing costs and some internal inventory management costs have been reclassified. Cost of goods sold now includes costs for merchandise, distribution costs, fulfilment costs, shipping and payment transaction costs, as well as realised and anticipated bad debt losses. The change was made with effect from 1 January 2010, and information for 2009 has been adjusted for comparative purposes.

Note 2

CONVERTIBLE BOND

Non-current liabilities

Nominal value after issue of convertible bond, 2 December 2010	250 000
Original amount classified as equity	-31 960
Deferred tax liability related to convertible bond	-11 405
Capitalized interest	569
Recorded liability on 31 December 2010	207 204

Net interest & other financial items

Capitalized interest	-569
Coupon interest	-554
Effect of the convertible bond on the Net interest & other financial items in the income statement for the group and parent company	-1 123

Note 3

TAX	2010	2010
	Oct-Dec	Jan-Dec
Tax for the period	-8,828	-31,007
Recognition of previously unused tax carry-forwards in the period	1,394	5,412
Tax	-7,434	-25,595

Remaining tax loss carry-forwards, SEK 2,477 thousand, has not been valued as per the balance sheet date.