

Qliro Group

Year-end report 2019

THE SUBSIDIARY QLIRO AB TO BE LISTED, CDON BEING PREPARED FOR DISTRIBUTION TO OWNERS AND NELLY IMPLEMENTS ACTION PLAN

FOURTH QUARTER¹

- Net sales amounted to SEK 919.2 (1,047.0) million
 - The subsidiary Qliro AB (previously called Qliro Financial Services) increased its loan book by 39 percent and total operating income by 8 percent
 - CDON increased its external merchant sales by 75 percent
 - Nelly's net sales decreased by 1 percent
- The gross margin increased to 22.7 (23.6) percent
- Operating profit before depreciation and amortization amounted to SEK -18.5 (35.1) million
 - Qliro AB's operating profit before depreciation, amortization and impairment amounted to SEK -14.3 (2.8) million, impacted by initiatives for continued growth, the listing process and credit losses
 - CDON increased its gross margin by 4.5 percentage points to 19.5 (15.0) percent and its operating profit before depreciation to SEK 23.2 (19.7) million
 - Nelly's operating profit before depreciation amounted to SEK -13.2 (19.2) million, impacted by sales campaigns that reduced inventory
- Operating profit totaled SEK -48.3 (16.3) million
- Earnings after tax amounted to SEK -53.3 (5.1) million
- Basic and diluted earnings per share amounted to SEK -0.36 (0.03)
- The plan is to list the subsidiary Qliro AB. The process of distributing CDON shares to Qliro Group's shareholders has also been initiated. In the current plan, Nelly will be the remaining business in the group.
- CEO Marcus Lindqvist will leave his position in connection with the split up of the group

FULL YEAR¹

- Net sales amounted to SEK 2,938.6 (3,257.7) million
- The gross margin increased by over 3 percentage points to 27.3 (24.0) percent
- Operating profit before depreciation, amortization and impairment was SEK 4.7 (19.0) million
- Operating profit totaled SEK -94.3 (-52.2) million
- Profit after tax, including discontinued operations¹, amounted to SEK -109.6 (2.6) million, impacted by a tax expense in the first quarter due to supplementary taxation from the 2012 tax year
- Basic and diluted earnings per share including discontinued operations¹ amounted to SEK -0.74 (0.02)
- Cash and cash equivalents amounted to SEK 553.9 (691.8) million at the end of the year, of which SEK 313.7 (670.0) million was in the e-commerce operations

SEK million	2019 Oct-Dec	2018 Oct-Dec	2019	2018
Net sales	919.2	1,047.0	2,938.6	3,257.7
Gross profit	209.1	247.5	803.4	782.5
Gross margin	22.7%	23.6%	27.3%	24.0%
Operating profit before depreciation	-18.5	35.1	4.7	19.0
Operating margin before depreciation	-2.0%	3.3%	0.2%	0.6%
Operating profit	-48.3	16.3	-94.3	-52.2
Operating margin	-5.3%	1.6%	-3.2%	-1.6%

¹Operations are recognized excluding the effects of IFRS 16. Some income has been reclassified from interest income to commission income in Qliro AB and commission income is now included in consolidated net sales. The comparative figures are adjusted with SEK 9.3 million for the quarter and SEK 31.7 million for the year. Lekmer and HSNB are recognized as discontinued operations in the consolidated comparative figures for 2018.

SUBSIDIARY QLIRO AB TO BE LISTED, CDON BEING PREPARED FOR DISTRIBUTION TO OWNERS AND NELLY IMPLEMENTS ACTION PLAN

Our strategy since June 2018 is to split the group into three separate companies. As previously announced, this is expected to occur in the first half of the year. As we now enter the final phase, we want to describe how the split up is planned and the strategy for the group's continued operations. The plan is to list the subsidiary Qliro AB. The process of distributing CDON shares to Qliro Group's shareholders has also been initiated. According to this plan, Nelly will remain in the group. The goal is to give the companies the opportunity to focus fully on their own operations and thereby strengthen their competitiveness.

The subsidiary Qliro AB to be listed on Nasdaq Stockholm in the first half of the year

As previously announced, we plan to list Qliro AB on Nasdaq Stockholm's main list. Qliro AB is currently well-established as a provider of financial services to e-merchants and consumers in the Nordics. Today, the company has a relationship with 2.1 million consumers in the Nordics. The company has a well-functioning engine for deepening relationships with consumers by gradually offering more comprehensive financial services.

Given the company's strong position, our assessment is that an initial public offering provides a good basis for future opportunities, including access to the capital market. To enable continued rapid growth, a new share issue is planned in connection with the IPO. Following the listing, Qliro Group will remain a co-owner for a limited period to facilitate a successful IPO.

Qliro AB's loan book grew 39 percent to over SEK 2 billion. Total operating income rose by 8 percent to SEK 88 million. Initiatives for continued growth and credit losses impacted operating profit before depreciation, amortization and impairment, which amounted to SEK -14 million.

The next step is to distribute CDON shares to Qliro Group's shareholders

In recent years, digital marketplaces have become an increasingly dominant channel for e-commerce. We are therefore proud that CDON has established itself as the leading Nordic marketplace, with nearly 1.8 million customers. CDON has proven its ability to grow the marketplace. The model is scalable with limited capital requirements.

CDON had a positive operating profit before depreciation of SEK 23 (20) million in the quarter and SEK 15 (-19) million for the year. This means that CDON met its financial targets for growth for the quarter and the year and met the previously announced estimate of positive operating profit before depreciation for the full year. In addition, inventory levels decreased by 41 percent. For full year 2020, the assessment is that the gross merchandise value of the external merchants will increase significantly faster than the target and that the operating margin target will be met.

The company has in many aspects exceeded our expectations and is ready for growth outside the Qliro Group. We are therefore preparing to distribute CDON's shares (through a so-called Lex Asea procedure) to our shareholders and to list the share on First North.

Nelly focuses on its operations in the Nordics

Nelly is a "digital native" with one of the strongest fashion brands for young women in the Nordics. More than 40 percent of its sales are from own brands and the customer base shows strong loyalty.

Unfortunately, financial performance has not been satisfactory. For the quarter, Nelly's sales decreased by 1 percent, gross profit amounted to SEK 75 million and operating profit before depreciation, amortization and impairment decreased to SEK -13 (19) million. The company reduced overstock from previous quarters through clearance sales, which reduced the inventory by 20 percent during the quarter. This had a negative impact on the product margin, however.

We are, of course, not satisfied and are taking active measures. Nelly is focusing its operations on the Nordic market, and outside the Nordics we will reduce our own sales efforts and drive sales through other channels, such as Zalando. We will also continue to reduce inventory levels and will reduce the administrative organization with about 25 full-time employees. These measures will take us back to profitable growth. Our

assessment for 2020 is that net sales will increase, but not in line with the target and that the operating margin before depreciation, amortization and impairment will be 2-4 percent.

Qliro Group's future operations

Qliro Group will remain listed and will run the remaining business, which in the current plan will be Nelly. In connection with this, Qliro Group plans to change its name to Nelly Group. Following a listing of Qliro AB, the group will continue to own a shareholding in Qliro AB for a limited period to facilitate a successful IPO.

In parallel with these preparations, discussions are ongoing with stakeholders about possible divestments or structural deals that could affect which company ultimately remains in the group.

In connection with the split of the Group, my assignment for Qliro Group is completed so I will be leaving the Group after four intensive years. All three subsidiaries are now well positioned with strong boards and management groups. I look forward to following their progress in the coming years.

Marcus Lindqvist
President and CEO
Stockholm, February 5, 2020

FINANCIAL TARGETS

Qliro AB's new financial targets and outlooks for 2020

Financial targets

- Growth. In the medium term, Qliro AB:s target is to achieve an income growth of 20-25 per cent on average per annum.
- Cost. By growing income and increase its operational efficiency, Qliro AB shall become more cost-effective. Qliro AB:s target is to reach a cost to income ratio of 50 percent by 2023.
- Capital. In the medium term, Qliro AB shall remain adequately capitalized to support strong growth opportunities. In the longer term, Qliros target is to maintain capital buffers of at least 150 bps over the regulatory requirements.

Outlook

Credit Quality. Qliro AB shall maintain a strong asset quality as the business continues to grow. For the financial year 2020, Qliro AB:s target is a net loan loss level below 1.25 percent of managed PAD volumes (total payment volume with Qliro AB:s own payment methods invoice, and fixed and flexible part payments) and below 2.5 percent of average lending volumes for personal loans.

Profit before tax. Qliro AB has a strong focus on continued fast growth in payment solutions and financial services for consumers. In 2019, the company entered into many new partnerships with merchants which are expected to contribute with significant volumes and income in the years ahead. In the near term, the positive impact on operating profit is however limited as the new merchants are onboarded and volumes gradually build up. As a result, Qliro AB expects a negative profit before tax for the full-year in 2020, mainly related to the first half of the year, until the full effect from new partnerships are materialized.

CDON affirms previous financial targets and comments on outlook for 2020

Financial targets

- Achieve a growth rate in external merchants' gross merchandise value above 20 percent per year.
- Achieve an operating margin before depreciation, amortization and impairment above 3 percent of net sales per year.

Outlook for 2020

For full year 2020, the assessment is that the gross merchandise value of the external merchants will continue to increase significantly faster than the target and that the operating margin target will be met.

Nelly affirms previous financial targets and comments on outlook for 2020

Financial targets

- Achieve organic growth in net sales above 10 percent per year.
- Achieve an operating margin before depreciation, amortization and impairment above 6 percent per year.

Outlook for 2020

Our assessment for full year 2020 is that net sales will increase, but not in line with the target and that the operating margin before depreciation, amortization and impairment will be 2-4 percent. Growth is somewhat hampered by the transition to the Nordic region, which together with adaptation of the organization is expected to make a positive contribution to profitability.

QLIRO AB – STRONG GROWTH IN LOAN BOOK AND INITIATIVES AHEAD OF LISTING

SEK million	2019		2018		Δ	2019	2018	Δ
	Oct-Dec	Oct-Dec	Oct-Dec	Oct-Dec				
Interest income	56.7	44.4	28%	198.9	153.1	30%		
Interest expense	-8.5	-5.4	56%	-28.6	-17.4	64%		
Net interest income	48.3	39.0	24%	170.2	135.7	25%		
Net fee and commission income	38.2	40.9	-7%	172.1	157.4	9%		
Other operating income	1.0	0.9	6%	2.9	2.1	39%		
Total operating income	87.5	80.8	8%	345.2	295.2	17%		
Operating expenses excluding depreciation, amortization and impairment	-70.0	-61.1	15%	-238.6	-216.4	10%		
Depreciation, amortization and impairment	-19.9	-10.5	91%	-63.2	-38.1	66%		
Total operating expenses	-89.9	-71.5	26%	-301.8	-254.5	19%		
Operating profit before credit losses	-2.4	9.3		43.4	40.7	7%		
Net credit losses	-31.8	-16.9	88%	-73.4	-57.3	28%		
Operating profit	-34.2	-7.6		-30.0	-16.6			
Operating profit before depreciation, amortization and impairment	-14.3	2.8		33.1	21.5			
Net loans to the public (loan book)	2,070	1,493	39%	2,070	1,493	39%		
of which Payment Services	1,343	1,176	14%	1,343	1,176	14%		
of which personal loans, Digital Banking Services	727	317	130%	727	317	130%		
External financing	2,211	1,426	55%	2,211	1,426	55%		
of which deposits from the public ¹	1,819	968	88%	1,819	968	88%		
of which secured credit facility	292	458	-36%	292	458	-36%		
of which bond loans	100	0		100	0			
Payment Services								
Business volume handled, pay after delivery (PAD)	1,633	1,593	2%	5,325	4,940	8%		
No. of orders, thousands	1,746	1,748	0%	5,462	5,084	7%		
Average shopping basket, SEK	935	912	3%	975	972	0%		

¹ Of which accrued interest was SEK 0.0 (2.7) million

Financial services to merchants and consumers

The subsidiary Qliro AB (previously called Qliro Financial Services) provides digital financial services to merchants and consumers. It is a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI). The strategy is to offer a payment solution to merchants while utilizing transaction volumes and customer relationships to offer digital financial services to consumers. The payment solution ensures that the company's about 40 connected e-merchants offer their customers a great buying experience, secure payments and financial services.

Qliro AB offers deferred payment for online purchases as part of its payment services, which drives growth in the invoicing, partial payments and installments products. Thus, the loan book is built-up that generates returns, which are shared with the merchants. Growth within personal loans is driven by digital marketing to existing customers. Over 95 percent of the borrowers had a relationship with Qliro AB and many applied through the app. The company is gradually expanding its offering of financial services to consumers, partly in partnership with other financial players.

Qliro AB conducts data-driven credit scoring to lend money to consumers with high credit worthiness. Credit assessments are automated and based on a combination of internal and external data that are analyzed in real time. Business is conducted in the Nordics, which is an attractive market for lending with good access to individual financial information and established credit recovery processes.

The loan book increased by 39 percent

Qliro AB's loan book grew by 39 percent to SEK 2.1 billion with the fastest growth within personal loans. The growth and composition of the loan book is the most important driver of future revenue and earnings. SEK 1,343 million referred to the e-commerce payment service and related invoicing, partial payments and installments (the segment called Payment Solutions in Qliro AB's communication with pay-after-delivery products and the checkout solution) and SEK 727 million to personal loans (the segment called Digital Banking Services).

Connecting new merchants

Business volume increased by 2 percent to SEK 1.6 billion in the quarter. Volume from CDON decreased slightly due to the phaseout of sales from own stock.

In 2019, agreements were entered with more new merchants than during the entire 2016-2018 period. They will be connected step by step to the platform and will generate significant volume and revenue in the coming years. The process of connecting merchants is taking longer than initially anticipated. As the new merchants are connected, business volume will increase, driving growth in the loan book which, in turn, will generate interest income and profits.

Merchants that are not part of the Qliro Group accounted for about half of e-commerce volume. This proportion is expected to increase.

Interest income increased by 28 percent

As of this report, Qliro AB has reclassified some items in the income statement, mainly relating to items previously reported as interest income that are now reported as commission income. The comparative figures are also adjusted. The purpose is to better reflect how the company runs its business.

Driven by a growing volume of business and lending, net interest income increased by 24 percent to SEK 48 (39) million. This comprised of interest income of SEK 57 (44) million and interest expenses of SEK 8 (5) million. The increase in net interest income was a result of growing business volume and lending. The new bond loan gave the company greater financial flexibility but increased interest expenses.

Total operating income rose by 8 percent to SEK 88 million, whereof SEK 76 million referred Payment Solutions and SEK 12 million to Digital Banking Services.

Operating expenses excluding depreciation, amortization and impairment increased by 15 percent, mainly driven by commercial investments, IT development and recruitment to strengthen Qliro AB prior to its listing. During the quarter, costs of approximately SEK 4 million arose from the IPO process and organizational changes.

The offer to merchants has been broadened into new attractive segments, such as a solution for e-merchants who also have brick and mortar stores, as well as subscription services and digital goods.

Offerings to consumers will be expanded through a digital financial services platform that is scheduled to be launched in the first quarter of 2020. On Qliro AB's website and in its app, companies with strong customer offers will be able to distribute their services. The first partner is Insurely, which gives consumers an overview of insurance policies.

As the company benefits from e-commerce volume and existing relationships with consumers, marketing costs are limited. Operating income before depreciation, amortization and impairment was SEK -14.3 (2.8) million.

Increased depreciation and credit losses

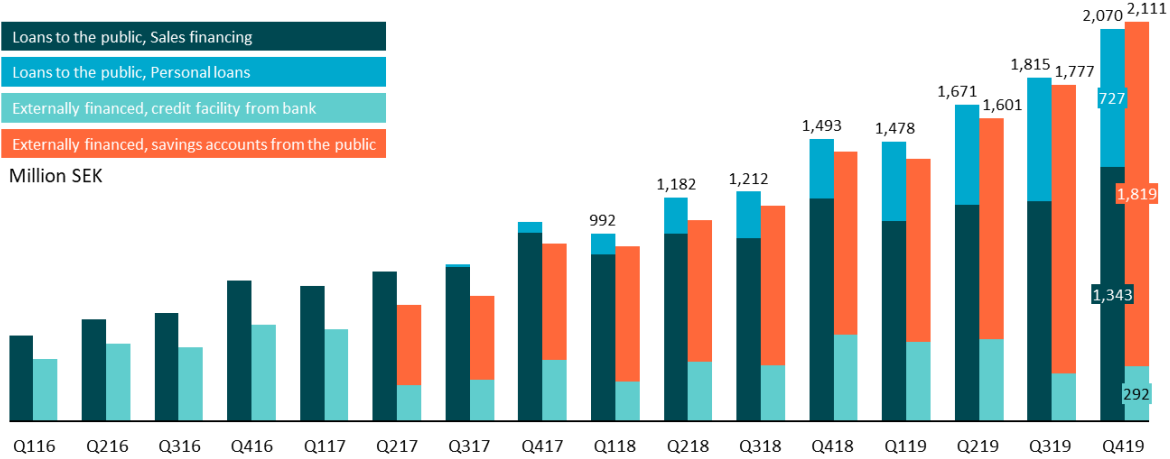
Depreciation, amortization and impairment increased by SEK 9 million to SEK 20 million as more parts of the technology platform became operational.

Net credit losses increased by SEK 15 million to SEK 32 million, whereof SEK 25 million referred to Payment Solutions and SEK 6 million to Digital Banking Services.

Credit losses within the segment Payment Solutions were affected by negative one-off effects totaling SEK 6 million resulting from the sale of a Finnish portfolio with overdue loans.

Capital adequacy and funding

Qliro AB's capital base was SEK 384 million, the total risk exposure amount was SEK 2,154 million and the Common Equity Tier 1 capital ratio was 15.5 percent of the risk exposure amount as of December 31, 2019. In addition to equity, lending to the public was financed by SEK 292 (458) million through a secured loan facility, by SEK 1,819 (968) million in deposits from the public (savings accounts) in Sweden and by SEK 100 (0) million through a bond loan. Of the deposits from the public, 99.6 percent were protected by the deposit guarantee in Sweden. Deposits from the public had a remaining average agreed maturity of approximately 187 days as of December 31, 2019. Financing through the loan facility is done in various currencies to match the lending.



CDON – EXTERNAL MERCHANTS' SALES GREW BY 75 PERCENT

SEK million	2019		2018		2019	2018	Δ
	Oct-Dec	Oct-Dec	Δ	2018			
Gross merchandise value, external merchants	399.5	228.5	75%	958.1	589.2	63%	
Total gross merchandise value ¹	785.2	760.6	3%	1,977.2	2,082.0	-5%	
Net sales	421.6	558.0	-24%	1,111.7	1,560.2	-29%	
Gross profit	82.0	83.6	-2%	209.5	206.6	1%	
<i>Gross margin, %</i>	19.5%	15.0%	4.5%	18.8%	13.2%	5.6%	
Operating profit before depreciation, amortization and impairment	23.2	19.7	18%	14.7	-18.7		
<i>Operating margin before depreciation, amortization and impairment, %</i>	5.5%	3.5%	2.0%	1.3%	-1.2%	2.5%	
Operating profit	17.1	16.8	1%	-1.7	-30.4		
<i>Operating margin, %</i>	4.0%	3.0%	1.0%	-0.2%	-2.0%	1.8%	
Investments	-7.6	-5.8	31%	-28.5	-22.7		
Opening inventory balance	86.5	158.9	-46%	176.7	254.5	-31%	
Closing inventory balance	103.7	176.7	-41%	103.7	176.7	-41%	
Active customers, past twelve months, thousands	1,771	1,775	0%	1,771	1,775	0%	
Visits, thousands	33,381	34,618	-4%	96,194	95,640	1%	
No. of orders, thousands	1,127	1,219	-8%	3,072	3,333	-8%	
Average shopping basket, SEK	671	610	10%	627	616	2%	

¹Total of own and external merchants' sales.

CDON is the leading Nordic online marketplace

CDON has established its position as the leading Nordic online marketplace. Consumers turn to CDON to compare and shop on a common site with millions of products, low prices, easy payments and fast delivery. Merchants join CDON to take advantage of its market position, traffic and tools to drive sales. This is supplemented by sales from its own inventory in selected categories.

Rapid growth in external merchant sales

The sales of approximately 1,000 affiliated external merchants increased by 75 percent and the total gross merchandise value of the marketplace grew by 3 percent in the quarter. Commission income increased by 39 percent, which helped boost the gross margin by as much as 4.5 percentage points to 19.5 percent.

Positive operating profit before depreciation for the quarter and the year

For several years, CDON has invested in its technology platform and process automation. The company made efficiency gains and reduced the number of employees, which led to a reduction in employee costs of 16 percent in the quarter and 21 percent for the year.

CDON achieved a positive operating profit before depreciation, amortization and impairment of SEK 23 (20) million for the quarter and SEK 15 (-19) million for the year. This means that CDON met its financial targets for growth for the quarter and the year and the previously published estimate of positive operating profit before depreciation for the full year.

The company increased profitability, lowered inventory levels, strengthened cash flow and reduced working capital requirements. Inventory levels were 41 percent lower at the end of 2019 compared to the previous year. The new business model is thus both profitable and scalable.

Growth in gross merchandise value

In consumer electronics and media, the company is phasing out sales from its own inventory. This contributed to a decrease in net sales, which consists of own sales and commission income from external merchant sales, of 24 percent to SEK 422 million in the quarter. Phaseout of media products contributed to an increase in average shopping basket and a decrease in number of orders and visits.

The marketplace expanded through the growth of existing and new merchants, both large and small. Together, external merchant sales and drop shipment accounted for 60 percent of the total gross merchandise value. For full year 2020, the assessment is that the gross merchandise value of the external merchants will continue to increase significantly faster than the target and that the operating margin target will be met.

NELLY – SHARPENS ITS FOCUS ON THE NORDICS

SEK million	2019	2018	Δ	2019	2018	Δ
	Oct-Dec	Oct-Dec				
Net sales	399.4	402.9	-1%	1,456.0	1,391.0	5%
Gross profit	75.0	107.3	-30%	336.7	370.5	-9%
Gross margin, %	18.8%	26.6%	-7.8%	23.1%	26.6%	-3.5%
Operating income before depreciation, amortization and impairment	-13.2	19.2		13.2	56.8	-77%
<i>Operating margin before depreciation, amortization and impairment, %</i>	-3.3%	4.8%	-8.1%	0.9%	4.1%	-3.2%
Operating profit	-16.8	13.9		-5.8	36.2	
<i>Operating margin, %</i>	-4.2%	3.5%	-7.7%	-0.4%	2.6%	-3.0%
Investments	-1.7	-3.9		-12.8	-7.5	
Opening inventory balance	308.1	296.0	4%	241.6	193.0	25%
Closing inventory balance	245.9	241.6	2%	245.9	241.6	2%
Active customers, past twelve months, thousands	1,298	1,354	-4%	1,298	1,354	-4%
Visits, thousands	32,137	31,288	3%	118,414	116,230	2%
Orders before returns, thousands	810	866	-6%	2,946	3,072	-4%
Average shopping basket, SEK	712	698	2%	736	693	6%
Percentage of own brand sales	41%	43%	-2	43%	45%	-2
Return ratio, past twelve months	38%	39%	-1	38%	39%	-1
Product margin	43%	48%	-5	47%	49%	-2
Fulfillment and distribution costs	21%	18%	3	21%	19%	2

One of the Nordics' strongest fashion brands online

Nelly offers fashion for young women through Nelly.com and for men through NLY MAN. Nelly is one of the most well-known fashion brands online among women aged 18 to 29 in the Nordics. All marketing and sales are done digitally. At its core are its own brands, complemented by a well-composed portfolio of approximately 300 external brands. Nelly has attracted a very enthusiastic target audience. For example, Nelly is the most popular fashion brand among Swedish women aged 20-24.

Nelly managed its overstock in a weak market

Nelly's sales decreased by 1 percent in a generally weak market. To manage its overstock from previous quarters, Nelly ran several major campaigns, which led to a reduction of the stock levels by 20 percent during the quarter.

The number of customers and orders declined, while the average shopping basket increased by 2 percent. The product margin was hampered by the effects of the weak Swedish currency on purchasing costs and by clearance sales to reduce inventory. The product margin decreased to 43 (48) percent. Lower sales and a lower product margin resulted in gross profit decreasing to SEK 75 million. The gross margin was 18.8 (26.6) percent and operating profit before depreciation, amortization and impairment amounted to SEK -13 (19) million. Nelly benefitted from its digitalized return process and the return rate declined slightly during the quarter. It is now easier for customers to manage returns and buy replacement products, and the products come back in stock for resale faster.

Nelly focuses operations on the Nordics

Nelly is initiating an action program to ensure that the company has the right foundation for profitable growth. Nelly is focusing its operations on the Nordic market. Outside the Nordics, the company intends to reduce its own sales efforts and increasingly drive sales through other channels, such as Zalando. The program also includes measures to continue reduce inventory levels and reduce the administrative organization with about 25 positions. This will have a slightly negative effect on overall growth during the year, but a positive effect on profitability. In April, Kristina Lukas takes over as new CEO with focus on profitable growth.

An important initiative is the relocation of the warehouse from Falkenberg to Borås in 2021. This coming investment is in line with the ambition to improve customer experience, logistics and scalability. The company continues to evaluate how logistics will be implemented, such as the degree of automation that provides the best balance of customer experience, quality and cost.

SIGNIFICANT EVENTS DURING AND AFTER THE END OF THE PERIOD

On October 10, 2019, it was announced that the Finnish Supreme Administrative Court rejected CDON Alandia's application for a leave to appeal a tax process in Finland. This means that the Helsinki Administrative Court's decision of May 2018 gained legal force.

On October 15 Anna Ullman Sersé announced her intention to leave her position as Nelly's CEO. Marcus Lindqvist, CEO of Qliro Group, took a more active role in the company as working chairman of the board.

On October 21, Qliro Group started the process of listing Qliro AB on Nasdaq Stockholm's main list in the first half of 2020. This also means that Qliro AB was no longer being run to meet the previously communicated financial target 2019, which was thus removed.

On October 25, Qliro AB published a prospectus for listing SEK 100 million in subordinated Tier 2 bonds with Nasdaq Stockholm. The bonds have a variable interest rate of Stibor 3 months +6.75 percent per annum, maturing on September 4, 2029, with the first opportunity for redemption in September 2024.

On December 17, it was announced that Nelly was expected to achieve a positive operating result before depreciation for the full year, but a negative result for the fourth quarter. It was determined that Nelly's inventory levels were high, so clearance sales were conducted, while at the same time costs to sell increased in a declining clothing market. It was reiterated that Qliro Group's fourth quarter results were also affected by the cost of preparing the subsidiary Qliro AB for listing.

On January 2, it was announced that Kristina Lukes will become the new CEO of Nelly. Kristina has extensive international experience in development and change management for fast-moving consumer goods. Most recently she worked for Paulig. Kristina is expected to start in her new position in April.

On February 3, it was announced that Nelly would focus its operations on the Nordics, take steps to further reduce inventory and decrease the administrative organization with about 25 positions to have the right foundation for profitable growth.

On February 4, it was announced that Qliro Group will be split up during the first half of the year in accordance with the previously announced plan. The plan is to list Qliro AB on Nasdaq's main list. The process of distributing CDON to Qliro Group shareholder and listing the share for trading at First North has been initiated. This means that Nelly will remain in the Group. It was also announced that Marcus Lindqvist, CEO of Qliro Group since 2016, has thereby fulfilled his mandate and will leave his position during the first half of the year.

On February 4, new financial targets for Qliro AB were announced prior to the planned listing. Financial developments for all three subsidiaries in 2020 were also commented on.

THE GROUP

Continuing operations are recognized in this report (including historical comparative figures) unless otherwise stated. Lekmer and HSNB are recognized as discontinued operations. Consolidated figures and tables include the effects of IFRS 16.

To better reflect the business, certain revenues previously reported as interest income have been reclassified as commission income in Qliro AB. In connection with this, commission income in the consolidated financial statements has been reclassified from other operating income to net sales. The comparative figures are adjusted with SEK 9.3 million for the quarter and SEK 31.7 million for the year.

Net sales decreased by 12.2 per cent to SEK 919.2 (1,047.0) million during the quarter, of which SEK 518.4 (570.4) million in Sweden, SEK 363.0 (434.1) million in the other Nordics and SEK 37.8 (42.5) million in the rest of the world. Net sales decreased by 9.8 percent to SEK 2,938.6 (3,257.7) million for the year. Exchange rate fluctuations had a positive effect of 0.4 percent for the quarter and 0.9 percent for the year.

The gross margin amounted to 22.7 (23.6) percent for the quarter and 27.3 (24.0) percent for the year. The gross margin increased for CDON and decreased for Nelly.

Operating profit before depreciation, amortization and impairment was SEK -10.9 (35.1) million for the quarter and SEK 34.7 (19.0) million for the year. Operating profit was SEK -47.8 (16.3) million for the quarter and SEK -92.7 (-52.2) million for the year.

Net financial items amounted to SEK -0.5 (-2.7) million for the quarter and SEK -12.9 (-32.3) million for the year. During the second quarter of 2018, an interest expense of SEK 13 million (paid in 2017 or earlier) was recognized due to the tax ruling of the Helsinki Administrative Court (see page 12).

Profit before tax amounted to SEK -48.3 (13.6) million for the quarter and SEK -105.5 (-84.5) million for the year. Recognized tax expense amounted to SEK 5.0 (8.4) million for the quarter and SEK 4.7 (51.5) million for the year. In the second quarter of 2018, a tax expense of SEK 57 million (paid in 2017 or earlier) was recognized due to the tax case referred to above.

Profit after tax amounted to SEK -53.3 (5.1) million for the quarter and SEK -110.2 (-136.0) million for the year. Profit after tax for the sum of continuing and discontinued operations was SEK -53.3 (5.1) million for the quarter and SEK -110.2 (2.6) million for the year. Earnings per share for the sum of continuing and discontinued operations before and after dilution amounted to SEK -0.36 (0.03) for the quarter and SEK -0.74 (0.02) for the year.

Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK -7.1 (41.0) million for the quarter and SEK 28.8 (-28.0) million for the year. CDON reduced its inventory during the fourth quarter and compared with the same period last year.

Consolidated cash flow from operations after changes in working capital amounted to SEK 283.8 (145.6) million for the quarter and SEK 183.6 (-234.0) million for the year. Investments in fixed assets amounted to SEK -36.5 (-29.8) million for the quarter SEK -138.9 (-90.9) million for the year. The investments were made mainly in technology platforms for Qliro AB and CDON.

Cash flow from divestment of operations amounted to SEK 0.0 (0.0) million for the quarter and SEK 0.0 (387.2) million for the year. Last year, this consisted mainly of payment for HSNG in the first quarter and the final payment for Lekmer in the second quarter.

Cash flow from financing activities amounted to SEK -7.1 (0.0) million for the quarter and SEK -183.6 (0.0) million for the year. During the third quarter, Qliro AB raised a bond loan of SEK 100 million and during the first quarter, Qliro Group repaid a bond loan of SEK 250 million.

Cash and cash equivalents amounted to SEK 553.9 (691.8) million at year-end. Cash and cash equivalents from e-commerce operations amounted to SEK 313.7 (670.0) million. In 2019, the Parent Company, which is recognized in the e-commerce business, invested SEK 138 million in Qliro AB and repaid the bond loan (see the paragraph above).

Total assets amounted to SEK 4,010.0 (3,440.2) at the end of the year. The divestments of Lekmer in 2017 and HSNG in 2018 decreased consolidated assets compared with the previous year, which was offset by Qliro AB's increased lending to the public. Equity amounted to SEK 888.5 (994.5) million.

Discontinued operations

Qliro Group divested Lekmer AB in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018. These companies are recognized as discontinued operations in the Group. Continuing operations are recognized in this report (including historical comparative figures in income statements and cash flow reports) unless otherwise stated.

HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital. Earnings from the divestment excluding transaction expenses was SEK 140.6 million in the first quarter of 2018.

Earnings after tax for discontinued operations amounted to SEK 0.0 (0.0) million for the quarter and SEK 0.0 (138.6) million for the year.

Parent company

The Qliro Group AB parent company reported sales of SEK 1.0 (4.1) million for the quarter and SEK 7.4 (18.0) million for the year. Profit before tax was SEK -24.4 (11.5) million for the quarter and SEK -66.6 (217.0) million

for the year, which was impacted by the sale of HSNB in 2018. The parent company's cash and cash equivalents amounted to SEK 8.3 (431.0) million at year-end, after repayment of bond loans of SEK 250 million and investments in Qliro AB of SEK 138 million.

As of September 30, Qliro Group had 154,994,779 issued shares, of which 149,774,779 ordinary shares and 5,220,000 C shares. The C shares are held by Qliro Group and may not be represented at General Meetings.

Consolidated situation

Qliro Group and its subsidiary Qliro AB (credit market company under FI's supervision) have constituted a consolidated situation since the third quarter of 2018 as Qliro AB accounts for more than half of the Group's total assets. Certain rules for the credit market company therefore also apply to the parent company, such as the capital adequacy regulations. The consolidated situation (parent company and subsidiary Qliro AB) was well-capitalized as of December 31, 2019.

Accounting policies and valuation principles

This interim report was prepared in accordance with IFRS using the same accounting policies and bases of calculation as the most recent annual report and with application of IAS 34 Interim Financial Reporting. IFRS 9 and IFRS 15 were applied from January 1, 2018 and IFRS 16 from January 1, 2019.

IFRS 9 Financial Instruments

IFRS 9 primarily affects Qliro Group through Qliro AB's credit loss reserves. According to IFRS 9, reserves for credit losses shall be made directly when a credit is issued, instead of as previously when there is an indication of increased credit risk. From January 1, 2018, reserves for projected credit losses will be made directly at the time of lending with the effect recognized in earnings. Due to the transition to IFRS 9 on January 1, 2018, the reserves increased by SEK 24 million, which affected the balance sheet items equity and lending to the public, but not the income statement. Most of the additional reserves stemmed from credits where at year-end there was no indication of impaired payment ability, and for which no provision had been made in accordance with previous accounting rules.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 has not led to any significant changes in revenue recognition since Qliro Group already recognizes revenue in a manner that complies with the requirements. In accordance with IFRS 15, Qliro Group has increased its reporting of information about the composition of net sales.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and IFRIC 4 as of January 1, 2019. For lessees, IFRS 16 means that all leases (as defined) are recognized as assets and liabilities in the balance sheet and that associated depreciation and interest expenses are recognized in the income statement, with some exceptions. Qliro Group is applying the simplified approach over a transitional period. The transition to IFRS 16 at the start of 2019 resulted in assets and liabilities increasing by SEK 101 million.

Risks and uncertainties

Several factors affect, or may come to affect, directly or indirectly, the operations of the Qliro Group. These factors can be divided into industry and market risks, operational risks, financial risks and legal risks. In addition to these risks, there are specific risks for Qliro AB. Industry and market risks include market developments in e-commerce, seasonal variations, risks related to fashion trends, the economic situation and consumer purchasing power. Operational risks include interruptions or deficiencies in IT and control systems, supplier relationships, inventories and distribution. Financial risks include currency risk, credit risk, interest rate risk and liquidity risk. Legal risks include legislation, regulation and compliance, disputes and intellectual property rights. The most prominent risks for Qliro AB include financial risks (see above), business risk/strategic risk and operational risks. The 2018 annual report contains a more comprehensive description of the risks and uncertainties affecting the Group in the Management Report and under Note 21.

CDON Alandia

Like other companies in the sector, CDON previously distributed orders to customers in Finland from Åland. In January 2016, Qliro Group announced that the Finnish Tax Administration decided to charge an additional tax on CDON AB's Åland subsidiary CDON Alandia Ab for the 2012 tax year. In May 2018, The Helsinki Administrative Court upheld parts of the decision, resulting in Qliro Group recognizing a tax expense of SEK 57

million and an interest expense of SEK 13 million in the second quarter of 2018. The entire amount had been paid to Finnish authorities in 2017 or earlier.

In July 2018, CDON Alandia submitted a leave to appeal and subsequently filed an appeal against the administrative court's decision to the Finnish Supreme Administrative Court, which in October 2019 announced that the application for a leave to appeal had been rejected and that the Helsinki Administrative Court's order was final and nonappealable. This means that the tax expense for the 2012 tax year remains in place but does not entail any additional cost or cash flow effects for Qliro Group.

As communicated previously, the Finnish authorities have been investigating CDON Alandia for several years regarding suspected tax fraud. Proceedings had earlier been initiated at Åland district court in Finland against three persons who were members of CDON Alandia Ab's board in 2008–2013 and against two former employees of the Group. The trial at the Åland District Court were held in January 2020 and the decision will be announced on February 25, 2020. If those prosecuted are convicted, they may be liable to pay damages to the Finnish authorities. If those prosecuted are ordered to pay damages, under certain circumstances they may make a claim to Qliro Group, CDON or CDON Alandia for compensation for any damages. No such claim has been made, and Qliro Group has not made any provisions for such claims.

Related party transactions

Transactions with related parties are presently of the same character as described in the 2018 annual report.

Interim report for the first quarter

Qliro Group's interim report for the first quarter will be presented on April 21.

Nomination Committee

In accordance with the Nomination Committee Rules adopted at the 2019 AGM, a representative for the largest shareholder, Kinnevik, convened a nomination committee to prepare proposals for Qliro Group's 2020 AGM. The Nomination Committee consists of Samuel Sjöström, appointed by Kinnevik, Christoffer Häggblom appointed by Rite Ventures and Thomas Krishan, who represents his own holdings. The Nomination Committee has appointed Samuel Sjöström as chairman.

Shareholders who wish to propose members for Qliro Group's board of directors may submit written proposals to Qliro Group AB (publ), attn: Company Secretary, Box 195 25, 104 32 Stockholm, Sweden.

2020 Annual General Meeting

Qliro Group AB will hold its Annual General Meeting in Stockholm on May 12, 2020. Shareholders wishing to have a matter addressed at the AGM should send a written request to ir@qlirogroup.com, or to Qliro Group AB (publ), attn: Company Secretary, Box 195 25, 104 32 Stockholm, Sweden. To be certain that a matter can be included in the notice of the AGM, the request must be received no later than seven weeks prior to the meeting. Information on how and when to give notice to attend is published in advance of the AGM. The annual report for 2019 will be available on www.qlirogroup.com and the head office at Sveavägen 151 in Stockholm from April 9.

Stockholm, February 5, 2020

Christoffer Häggblom
Chairman

Daniel Mytnik
Director

Erika Söderberg Johnson
Director

Jessica Pedroni Thorell
Director

Andreas Bernström
Director

Lennart Jacobsen
Director

Marcus Lindqvist
CEO

Qliro Group AB (publ.)
Registered office: Stockholm
Corporate ID number: 556035-6940
Postal address: Box 195 25, 104 32 Stockholm, Sweden
Visiting address: Sveavägen 151, 113 46 Stockholm

Conference call

Analysts, investors and the media are invited to a conference call today at 10 a.m. To participate in the conference call, please dial:

Sweden: 08 5033 6573

UK: +44 330 336 9104

US: +1 929 477 0630

The pin code to access this call is 639334.

The presentation material and webcast will be published at www.qlirogroup.com.

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

Niclas Lilja, Head of Investor Relations

Telephone: 0736511363

ir@qlirogroup.com

About Qliro Group

Qliro Group is a Nordic e-commerce group that operates CDON.COM, the leading Nordic online marketplace, the fashion brand Nelly and fintech company Qliro AB, offering financial services to merchants and consumers. In 2019 the Group had sales of SEK 2.9 billion. Qliro Group's shares are listed on the Nasdaq Stockholm MidCap segment under the ticker symbol QLRO.

This information is information that Qliro Group AB is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 8:00 a.m. on February 5, 2020.

Consolidated income statement	2019	2018	2019	2018
SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	919.2	1,047.0	2,938.6	3,257.7
Cost of goods and services	-710.1	-799.4	-2,135.2	-2,475.2
Gross profit	209.1	247.5	803.4	782.5
Sales and administration expenses	-252.4	-233.3	-872.7	-835.4
Other operating income and expenses, net	-4.5	2.1	-23.4	0.8
Operating profit or loss	-47.8	16.3	-92.7	-52.2
Net interest & other financial items	-0.5	-2.7	-12.9	-32.3
Net profit or loss before tax	-48.3	13.6	-105.5	-84.5
Tax	-5.0	-8.4	-4.7	-51.5
Net profit or loss for continued operations	-53.3	5.1	-110.2	-136.0
Net profit or loss for discontinued operations	-	-	-	138.6
Total net profit or loss for continued and discontinued operations	-53.3	5.1	-110.2	2.6
<i>Attributable to:</i>				
Equity holders of the parent	-53.3	5.1	-110.2	2.6
Non-controlling interests	-	-	-	-
Net income for the period	-53.3	5.1	-110.2	2.6
Basic earnings per share excluding discontinued operations before dilution, SEK	-0.36	0.03	-0.74	-0.91
Basic earnings per share including discontinued operations before dilution, SEK	-0.36	0.03	-0.74	0.02
Basic earnings per share excluding discontinued operations after dilution, SEK ¹	-0.36	0.03	-0.74	-0.91
Basic earnings per share including discontinued operations after dilution, SEK	-0.36	0.03	-0.74	0.02

¹ Diluted earnings per share are adjusted and shows basic earnings per share

Consolidated statement of comprehensive income	2019	2018	2019	2018
SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Translation difference for the period	-1.3	0.3	1.5	3.2
Total comprehensive income for period	-54.6	5.4	-108.7	5.9
<i>Total comprehensive income attributable to:</i>				
Parent company shareholders	-54.6	5.4	-108.7	5.9
Non-controlling interests	-	-	-	-
Total comprehensive income for the period	-54.6	5.4	-108.7	5.9
Shares outstanding at period's end, million	149.8	149.7	149.8	149.7
Shares outstanding at period's end, diluted, million	149.8	150.4	149.8	150.4
Average number of shares, basic, million	149.8	149.7	149.8	149.7
Average number of shares, diluted, million	149.8	150.4	149.8	150.4

Consolidated Statement of financial position	2019	2018
SEK million	31 dec	31 dec
Non-current assets		
Goodwill	64.4	64.0
Other intangible assets	269.6	233.2
Total intangible assets	333.9	297.2
Tangible assets	28.1	24.6
Financial assets	-	25.1
Leased assets	81.4	-
Deferred tax asset	111.0	113.1
Total non-current assets	554.5	459.9
Current assets		
Inventories	349.6	418.4
Loans to the public	2,070.4	1,492.9
Current interest-bearing investments	255.0	172.1
Current non-interest bearing receivables	226.8	205.1
Cash and cash equivalents	553.9	691.8
Total current assets	3,455.6	2,980.2
Total assets	4,010.0	3,440.2
Equity		
Equity attributable to owners of the parent	888.5	994.5
Total equity	888.5	994.5
Non-current liabilities		
<i>Non interest bearing</i>		
Other provisions	0.7	1.6
<i>Interest bearing</i>		
Loan Facility	292.4	457.9
Bond	100.0	250.0
Financial leasing liabilities	-	0.4
Leased liabilities	53.6	-
Total non-current liabilities	446.6	710.0
Current liabilities		
Deposits from the public	1,819.1	966.3
Financial leasing liabilities	0.5	2.2
Leased liabilities	28.6	-
Current non-interest bearing liabilities	826.7	767.1
Total current liabilities	2,674.9	1,735.6
Total equity and liabilities	4,010.0	3,440.2

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and financial

Statement of changes in equity	2019	2018
SEK million	Jan-Dec	Jan-Dec
Opening balance	994.5	1,009.6
Comprehensive income for the period	-108.7	5.9
Effects of long term incentive program	2.7	-2.5
Tax effect when changing accounting principle (IFRS 9)	-	-18.5
Closing balance	888.5	994.5

Consolidated statement of cash flow	2019	2018	2019	2018
SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash flow from operating activities before changes in working capital	-7.1	41.0	28.8	-28.0
Changes in working capital ¹	290.8	104.5	154.8	-206.0
Cash flow from operations	283.8	145.6	183.6	-234.0
Investments in non-current assets	-36.5	-29.8	-138.9	-90.9
Divested operations	-	-	-	387.2
Cash flow to/from investing activities	-36.5	-29.8	-138.9	296.4
Redemption of / Issued unsecured bond ²	-	-	-156.0	-
Amortization of leasing debt	-7.1	-	-27.6	-
Cash flow to/from financing activities	-7.1	-	-183.6	-
Change in cash and cash equivalents for the period from continued operations	240.1	115.7	-138.9	62.4
<i>Cash flow from discontinued operations</i>				
Cash flow from operations	-	-	-	13.9
Cash flow from investing activities	-	-	-	-0.6
Change in cash and cash equivalents for the period from discontinued operations	-	-	-	13.3
Change in cash and cash equivalents for the period	240.1	115.7	-138.9	75.7
Cash and cash equivalents at period's start	313.9	577.2	691.8	631.1
Translation difference, cash and cash equivalents	-0.2	-1.0	0.9	-0.2
Less cash from discontinued operations	-	-	-	-14.7
Cash and cash equivalents at period's end	553.9	691.8	553.9	691.8

¹ Utilised credit facilities within Qliro AB are reported as changes in working capital

² Early redemption of all outstanding bonds at 102.4 percent of the nominal amount 250 SEK million. Qliro Group AB's wholly owned subsidiary Qliro AB has issued subordinated Tier 2 bonds of SEK 100 million.

Net Sales by segment	2019	2019	2019	2019	2019	2018	2018	2018	2018	2018
SEK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
CDON	421.6	211.9	217.7	260.6	1,111.7	558.0	286.3	337.5	378.4	1,560.2
Nelly	399.4	329.9	424.3	302.4	1,456.0	402.9	308.9	403.2	276.0	1,391.0
Qliro	97.4	93.0	92.1	92.2	374.7	86.3	80.1	74.7	71.8	312.9
Group central operations and adjustment ¹	0.8	-1.0	-1.3	-2.3	-3.7	-0.2	-1.7	-1.9	-2.7	-6.4
Qliro Group Consolidated Total	919.2	633.8	732.8	652.9	2,938.6	1,047.0	673.6	813.5	723.6	3,257.7
Operating profit by segment	2019	2019	2019	2019	2019	2018	2018	2018	2018	2018
SEK million	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1	Full year
CDON	17.2	-0.7	-7.4	-10.3	-1.3	16.8	-8.9	-14.7	-23.6	-30.4
Nelly	-16.6	0.7	23.0	-12.2	-5.2	13.9	18.7	23.6	-20.0	36.2
Qliro	-34.0	1.6	0.3	2.5	-29.6	-7.2	0.4	-3.7	-4.8	-15.4
Group central operations and adjustment ¹	-14.4	-13.9	-14.8	-13.5	-56.6	-7.2	-9.5	-15.5	-10.4	-42.6
Qliro Group Consolidated Total	-47.8	-12.4	1.0	-33.5	-92.7	16.3	0.7	-10.3	-58.8	-52.2
Inventories by segment	2019	2019	2019	2019	2018	2018	2018	2018		
SEK million	30-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar		
CDON	103.7	86.5	107.3	131.8	176.7	158.9	176.4	190.8		
Nelly	245.9	308.1	254.0	287.1	241.6	296.0	220.1	257.3		
Total e-commerce	349.6	394.7	361.3	418.9	418.4	454.9	396.5	448.1		

¹ Group adjustments between Qliro and internal clients, related to differences in phasing of costs/revenues.

Parent company income statement				
SEK million	2019	2018	2019	2018
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	1.0	4.1	7.4	18.0
Gross profit	1.0	4.1	7.4	18.0
Administration expenses	-15.2	-21.7	-56.4	-55.7
Operating profit or loss	-14.3	-17.5	-49.0	-37.7
Profit or loss from shares in subsidiaries	-	-	-	237.7
Net interest & other financial items	-0.2	-2.8	-7.7	-14.8
Profit or loss after financial items	-14.4	-20.3	-56.7	185.2
Group contribution received	0.0	34.1	0.0	34.1
Group contribution paid	-10.0	-2.3	-10.0	-2.3
Profit or loss before tax	-24.4	11.5	-66.6	217.0
Tax	-24.0	5.7	-15.0	3.3
Net income or net loss for the period	-48.4	17.0	-81.6	220.3
Parent company statement of comprehensive income				
SEK million				
Profit or loss for period	-48.4	17.0	-81.6	220.3
Other comprehensive income	-	-	-	-
Total comprehensive income for period	-48.4	17.0	-81.6	220.3

Parent company statement of financial position SEK million	2019 31-dec	2018 31/dec
Non-current assets		
Equipment	0.4	0.8
Shares and participating interests in group companies	1,068.9	929.9
Deferred tax asset	94.7	109.6
Total non-current assets	1,163.9	1,040.3
Current assets		
Current non-interest-bearing receivables	3.6	4.6
Receivables from group companies	5.8	14.4
Total current receivables	9.4	19.0
Cash and bank	8.3	431.0
Total cash and cash equivalents	8.3	431.0
Total current assets	17.7	450.0
Total assets	1,181.5	1,490.3
Equity		
Restricted equity	155.8	310.8
Unrestricted equity	953.2	877.1
Total equity	1,109.0	1,187.9
Provisions		
Other provisions	0.7	1.6
Total provisions	0.7	1.6
Non-current liabilities		
Bond	-	250.0
Total non-current liabilities	-	250.0
Current liabilities		
Liabilities to group companies	61.1	43.7
Non-interest-bearing liabilities	10.7	7.1
Total current liabilities	71.9	50.8
Total liabilities	72.5	302.4
Total equity and liabilities	1,181.5	1,490.3

Key ratios	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2019 Full year	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Full year
CDON										
No. of active customers, thousand	1,771	1,747	1,744	1,761	1,771	1,775	1,814	1,804	1,800	1,775
No. of visits, thousand	33,381	20,071	20,167	22,574	96,194	34,618	19,415	19,657	21,951	95,640
No. of orders, thousand	1,127	638	620	687	3,072	1,219	653	682	778	3,333
Average shopping basket, SEK	671	612	632	566	627	610	599	651	608	616
Nelly										
No. of active customers, thousand	1,298	1,317	1,327	1,351	1,298	1,354	1,353	1,313	1,265	1,354
No. of visits, thousand	32,137	25,284	32,686	28,307	118,414	31,288	24,993	31,776	28,172	116,230
No. of orders, thousand	810	624	865	647	2,946	866	648	889	670	3,072
Average shopping basket, SEK ¹	712	772	752	711	736	698	735	697	642	693
Qliro										
Net debt, SEK million	1,716.8	1,452.9	1,341.4	1,163.8	1,716.8	1,207.8	949.6	894.9	757.9	1,207.8
Group										
Net debt, SEK million	1,403.2	1,333.5	1,129.7	959.2	1,403.2	787.8	648.7	506.1	434.3	787.8
Basic earnings per share before and after dilution, SEK ²	-0.36	-0.09	0.00	-0.29	-0.74	0.03	-0.03	-0.58	-0.33	-0.90
Equity per share, SEK ³	5.93	6.30	6.38	6.37	5.93	6.64	6.58	6.58	7.24	6.64

Key ratios have been adjusted to enable historical comparisons for continued operations

¹ Calculation method based on order value

² Basic Earnings per share before and after dilution for the periods Oct-Dec 2019 and Jan-Dec 2019 have been calculated on the average number of outstanding shares for the periods. The weighted average number of shares before and after dilution for the periods Oct-Dec and Jan-Dec is 149,774,779.

³ Calculated on present number of common shares, which per Dec 2019 amounts to 149,774,779

DEFINITIONS

Net debt (+)/Net cash (-)	Interest-bearing liabilities, less interest-bearing current and non-current assets and cash and cash equivalents
Earnings per share	Earnings for the year attributable to parent company shareholders for the period divided by the average number of shares for the period
Equity per share	Equity attributable to parent company shareholders divided by the number of shares at the end of the period
Number of active customers	The number of customers who have made a purchase at least once in the past 12 months
Number of visits	Gross number of visits to the Group's online stores
Average shopping basket	(Online sales + shipping revenue)/number of orders placed
Own funds	Total of Tier 1 capital and Tier 2 capital for capital adequacy purposes
Risk exposure amount	The total risk-weighted exposure amount is the total of credit risks, currency risks and operational risks
Minimum capital requirement	Institutions must meet the following own funds requirements: <ul style="list-style-type: none"> i) Common Equity Tier 1 capital ratio of 4.5% ii) Tier 1 capital ratio of 6% iii) Total capital ratio of 8% under Article 92 of the Capital Requirements Regulation
Combined buffer requirement	Common Equity Tier 1 capital to meet the requirement for the capital conservation and countercyclical capital buffer and the buffer for systemically important institutions under Article 128 of the Capital Requirements Directive
Capital ratio	The own funds expressed as a percentage of the total risk-weighted exposure amount under Article 92 of the Capital Requirements Regulation

ALTERNATIVE PERFORMANCE MEASURES

Certain key ratios stated in this report are not defined according to generally accepted accounting principles (GAAP), for example IFRS. These alternative performance measures are considered useful to investors because they form the basis for assessing operational performance, along with the comparable GAAP ratios. Alternative performance measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. Alternative performance measures may not be comparable to similar measures reported by other companies.

Earnings before interest, taxes, depreciation, amortization and impairment of intangible and tangible assets.

Q4 2019						
SEK million	CDON	Nelly	Qliro	Central	Adjust- ment	Group
Earnings before interest and taxes	17.2	-16.6	-34.0	-16.8	2.4	-47.8
Depreciation, amortization and impairment	-7.3	-7.5	-22.0	-0.1	0.0	-36.9
Earnings before interest, taxes, depreciation, amortization and impairment	24.5	-9.2	-11.9	-16.7	2.4	-10.9

Q4 2018						
SEK million	CDON	Nelly	Qliro	Central	Adjust- ment	Group
Earnings before interest and taxes	16.8	13.9	-7.2	0.0	-7.2	16.3
Depreciation, amortization and impairment	-2.9	-5.3	-10.5	-0.2	0.0	-18.8
Earnings before interest, taxes, depreciation, amortization and impairment	19.7	19.2	3.2	0.2	-7.2	35.1

Jan-Dec 2019						
SEK million	CDON	Nelly	Qliro	Central	Adjust- ment	Group
Earnings before interest and taxes	-1.3	-5.2	-29.6	-58.8	2.2	-92.7
Depreciation, amortization and impairment	-21.1	-34.2	-69.2	-2.9	0.0	-127.3
Earnings before interest, taxes, depreciation, amortization and impairment	19.8	29.0	39.5	-55.9	2.2	34.7

Jan-Dec 2018						
SEK million	CDON	Nelly	Qliro	Central	Adjust- ment	Group
Earnings before interest and taxes	-30.4	36.2	-15.4	-41.2	-1.4	-52.2
Depreciation, amortization and impairment	-11.7	-20.6	-38.1	-0.7	0.0	-71.2
Earnings before interest, taxes, depreciation, amortization and impairment	-18.7	56.8	22.7	-40.5	-1.4	19.0

¹Non-GAAP financial measures are shown for continued operations

Note 1

Disclosures in accordance with IAS 34.16A are on page 12.

Note 2

On January 30, 2018, Qliro Group AB sold Health and Sports Nutrition Group HSNG AB to Orkla. HSNG AB was valued at SEK 360 million on a debt-free basis with normalized working capital. On June 30, 2017, Qliro Group AB completed the sale of Lekmer AB to Babyshop Sthlm Holding AB. The purchase price was paid on two occasions: in December 2017 and April 2018.

The table below shows the effect of the sale of Health and Sports Nutrition HSNG AB and Lekmer AB. These companies are recognized as discontinued operations in the Group.

Discontinued operations

Group SEK million	2019 Q4	2018 Q4	2019 Jan-Dec	2018 Jan-Dec
Income	-	-	-	70.4
Expenses	-	-	-	-69.4
Profit/loss before tax	-	-	-	1.0
Tax	-	-	-	-0.3
Profit/loss after tax but before capital gains from sale of operations	-	-	-	0.7
Result from sales of shares incl. cost for disposal	-	-	-	137.9
Profit/loss from discontinued operations after tax	-	-	-	138.6

Group SEK million	2019 Q4	2018 Q4	2019 Jan-Dec	2018 Jan-Dec
Net cash flow from discontinued operations	-	-	-	-
Cash flow from operations	-	-	-	13.9
Cash flow from investing activities	-	-	-	-0.6
Cash flow from financing activities	-	-	-	-
Net cash flow from discontinued operations	-	-	-	13.3

Group SEK million	2019 Q4	2018 Q4	2019 Jan-Dec	2018 Jan-Dec
Divested assets and liabilities	-	-	-	-
Intangible assets	-	-	-	-212.8
Tangible assets	-	-	-	-3.0
Deferred tax receivable	-	-	-	-
Inventories	-	-	-	-96.1
Current non-interest bearing receivables	-	-	-	-50.8
Cash and cash equivalents	-	-	-	-14.7
Deferred tax liability	-	-	-	10.8
Current non-interest bearing liabilities	-	-	-	139.3
Net assets and liabilities	-	-	-	-227.4
Received purchase price	-	-	-	387.2
Accrued purchase price	-	-	-	-
Less cash from discontinued operations	-	-	-	-14.7
Change in cash and cash equivalents	-	-	-	372.5

Note 3

The Group is divided into three segments. CDON is the leading Nordic online marketplace. Nelly is a digital fashion house offering fashion to women through Nelly.com and to men via NLY MAN. Qliro AB offers financial services to merchants and consumers.

The Group's segments operate mainly in the Nordics. Net sales are recognized below by geographical area as the countries have different business conditions. The geographical breakdown into Sweden, Other Nordics and rest of the world reflects where income is generated in the Group.

Net sales in CDON and Nelly are mainly online sales. Qliro AB's net sales comprise interest income (gross). Sales are recognized by country of sale, that is, the country in which the recipient is located.

Sales by geographic area

Q4 2019	CDON	Nelly	Qliro	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	246.6	192.7	78.2	-	-1.6	2.4	518.4
Other nordics	174.9	168.9	19.2	-	-	-	363.0
Nordics	421.6	361.7	97.4	-	-1.6	2.4	881.4
Rest of the world ¹	-	37.8	-	-	-	-	37.8
Total	421.6	399.4	97.4	-	-1.6	2.4	919.2

	CDON	Nelly	Qliro	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	318.7	185.3	66.7	-	-1.8	1.6	570.4
Other nordics	239.3	175.2	19.6	-	-	-	434.1
Nordics	558.0	360.4	86.3	-	-1.8	1.6	1,004.5
Rest of the world ¹	-	42.5	-	-	-	-	42.5
Total	558.0	402.9	86.3	-	-1.8	1.6	1,047.0

	CDON	Nelly	Qliro	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	652.8	687.2	291.6	-	-5.4	1.7	1,627.9
Other nordics	458.9	619.3	83.1	-	-	-	1,161.3
Nordics	1,111.7	1,306.5	374.7	-	-5.4	1.7	2,789.1
Rest of the world ¹	-	149.5	-	-	-	-	149.5
Total	1,111.7	1,456.0	374.7	-	-5.4	1.7	2,938.6

	CDON	Nelly	Qliro	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	915.7	661.7	234.8	1.8	-6.8	-1.4	1,805.7
Other nordics	644.6	568.9	78.1	-	-	-	1,291.6
Nordics	1,560.2	1,230.6	312.9	1.8	-6.8	-1.4	3,097.3
Rest of the world ¹	-	160.4	-	-	-	-	160.4
Total	1,560.2	1,391.0	312.9	1.8	-6.8	-1.4	3,257.7

¹Includes mainly sales in Europe

Qliro AB's publication of information regarding capital adequacy and liquidity management

Qliro AB (556962-2441) is a credit market institution and wholly owned subsidiary of Qliro Group AB (556035-6940). Qliro AB and Qliro Group AB are included in a consolidated situation. All information is presented as of December 31, 2019 in accordance with Regulation (EU) 575/2013 and the Swedish Financial Supervisory Authority's (FI) regulations and general guidelines (FFFS 2019:6). All amounts are stated in 24millions of Swedish kronor.

Own funds	Qliro AB	Consolidated situation
Common Equity Tier 1 capital	334.5	510.8
Additional Tier 1 capital	-	-
Tier 2 capital	49.5	49.5
Total capital	383.9	560.3

Risk exposure amount	Qliro AB	Consolidated situation
Credit risk according to standardized approach, of which	1,722.1	1,967.6
exposure to households	1,490.2	1,490.2
exposure to corporates	51.2	63.8
exposures in default	112.7	112.7
exposure to institutions	48.0	49.7
exposure covered bonds	-	-
exposure equity	0.1	230.9
other exposures	19.9	20.3
Market risk	-	15.7
Operational risk according to basic indicator approach	431.8	463.8
Total risk exposure amount	2 153.9	2 447.1

Capital requirement	Qliro AB	Consolidated situation
Pillar 1 requirement (Total minimum capital requirement)	172.3	195.8
Pillar 2 requirement, incl. capital planning buffer	52.9	72.0
Combined buffer requirement	103.2	117.9
Total capital requirements, excl. combined buffer requirement	225.2	267.8
Total capital requirements, incl. combined buffer requirement	328.4	385.7
Total capital requirement ratio, incl. combined buffer requirement	15.2%	15.8%

Capital adequacy analysis	Qliro AB	Consolidated situation
Common Equity Tier 1 capital ratio	15.5%	20.9%
Tier 1 capital ratio	15.5%	20.9%
Total capital ratio	17.8%	22.9%
Leverage ratio	12.5%	17.5%
Combined buffer requirement	4.8%	4.8%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	2.3%	2.3%
Capital planning buffer	0.9%	1.3%

Funding

Qliro AB's net lending to the public amounted to SEK 2,070 (1,493) million at the end of the quarter. The lending was financed by the amount of SEK 292 (458) million via a secured contracted credit facility and SEK

1,819 (968) million through deposits from the public (savings accounts) in Sweden, of which 99.6 percent are protected by the deposit insurance scheme in Sweden. Deposits from the public were divided into 71 percent on demand with variable rate and 29 percent fixed interest rate with a duration of 187 days as of December 31, 2019 (initially 1-year fixed rate). 27 percent of the deposit from the public is invested in liquid financial assets and placed in Nordic banks.

Liquidity

Qliro AB's total liquidity as of December 31, 2019 amounted to SEK 495 million, consisting of:

- Capital market investments*: SEK 255 million
- Bank balances in Nordic Banks: SEK 240 million

The consolidated situation had additional SEK 8 million placed in Nordic banks as of December 31, 2019.

In addition to the financial investments, Qliro AB had as of December 31, 2019 SEK 508 million in back up liquidity via undrawn funding in a secured committed credit facility.

As of December 31, 2019, the liquidity coverage ratio amounted to 374 percent for Qliro AB and 355 percent for the consolidated situation, to be compared with the regulatory requirement of 100 percent. The liquidity coverage ratio measures a liquidity buffer of SEK 225 million for both Qliro AB and the consolidated situation, related to net outflows of SEK 60.1 million for Qliro AB and SEK 63.3 million for the consolidated situation over a thirty-day period under stressed market conditions.

**Capital market investments consist of Swedish municipal bonds and commercial papers. Average rating of the capital market investments was AAA with an average maturity of 53 days.*

Disclosure of information regarding capital in accordance with Regulation (EU) 1423/2013 Annex IV.

Common Equity Tier 1 (CET1) capital	Qliro AB	Consolidated situation
Instruments and reserves		
1 Capital Instruments and the related shared premium accounts	50.1	155.0
2 Retained earnings	477.9	898.3
3 Accumulated other comprehensive income (and other reserves)	-	-
Independently reviewed interim profits net of any foreseeable charge or		
5a dividend*	-	-
6 Common Equity Tier 1 (CET1) capital before regulatory adjustment	528.0	1 053.3
Regulatory adjustments		
7 Additional value adjustments	-0.3	-0.3
8 Intangible assets (net of related tax liability)	-178.5	-178.5
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-14.7	-109.4
20a Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	-	-254.3
20b of which: qualifying holdings outside the financial sector	-	-254.3
21 Deferred tax assets arising from temporary differences	-	-
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	-193.5	-542.4
29 Common Equity Tier 1 (CET1) capital	334.5	510.8
45 Tier 1 capital (T1 = CET1 + AT1)	334.5	510.8
Tier 2 (T2) capital		
Instruments and provisions		
46 Capital instruments and the related share premium accounts	49.5	-
48 Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third party	-	49.5
51 Tier 2 (T2) capital before regulatory adjustments	49.5	49.5
Regulatory adjustments		
57 Total regulatory adjustments to Tier 2 (T2) capital	-	-
58 Tier 2 (T2) capital	49.5	49.5
59 Total capital (TC= T1 + T2)	383.9	560.3
60 Total risk weighted assets	2 153.9	2 447.1
Capital ratios and buffers		
61 Common Equity Tier 1	15.5%	20.9%
62 Tier 1	15.5%	20.9%
63 Total capital	17.8%	22.9%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements)	9.3%	9.3%
65 of which: capital conservation buffer requirement	2.5%	2.5%
66 of which: countercyclical buffer requirement	2.3%	2.3%
68 Common Equity Tier 1 available to meet buffers (as a percentage of REA)	6.2%	11.6%