

CDON Group announces its preliminary results for 2012 – the results are burdened by non-recurring items in the fourth quarter

Press release, Malmö, 30 January 2013

CDON Group (“the Group”), the leading e-commerce group in the Nordic region, today announced its preliminary financial results for the fourth quarter and the full year ended 31 December 2012.

The Group’s net sales for the fourth quarter 2012 were up 19% to SEK 1,572.8 (1,316.4) million. The preliminary operating results for the fourth quarter 2012 amounted to SEK -110.7 (71.3) million.

The Group’s net sales for the full year 2012 were up 31.1% year on year to SEK 4,461.7 (3,403.7) million. The preliminary operating results for the full year 2012 were SEK -173.9 (129.2) million.

Non-recurring items amounting to SEK 112 million in the subsidiary NLY Scandinavia (“Nelly.com”) negatively impacted the Group’s operating income in the fourth quarter. These items were identified upon completing the year-end closure and the associated controls, but the findings are also a consequence of the Group’s takeover of the warehouse operations in Falkenberg in the fourth quarter. The non-recurring items largely comprise:

- inventory values in Nelly.com which have been reduced by approximately SEK 49 million. The main reason for the write-down is an overstock of goods for the autumn/winter fashion season 2012; and
- write-down and adjustment of balance sheet items and inventory discrepancies of approximately SEK 63 million, of which around SEK 40 million is attributable to 2011 or earlier.

The Group's preliminary operating results for the full year thus deviate from its previous assessment, released on October 17, 2012 in the Group’s interim report for the third quarter. It was then estimated that the Group would deliver a negative operating margin, including one-off items, of 0.5-1.0% for the full year 2012. The Group's preliminary operating margin for the full year, including one-time items, now amounts to -3.9%.

Paul Fischbein, President and CEO, comments:

“Nelly.com is a young company which has expanded intensely under entrepreneurial forms. It is regrettable to note that the company's former administrative procedures and financial management and controls had not been properly dimensioned for the fast growth and thus had not met the requirements one should expect of a company of Nelly's size. At the same time, Nelly.com has a fundamentally strong business with high growth and a leading market position.

Since a few months, a large proportion of Nelly's management has been replaced and major improvement initiatives have been launched. Among other things, Nelly.com has a new CEO and greatly enhanced functions for finance, purchasing controlling and logistics. These measures provide the company with future stability and growth capacity. In the fourth quarter Nelly strengthened its market position with sales growth of 22%."

Paul Fischbein comments on the Group's results:

"CDON Group's total sales reached new record levels both during the fourth quarter and the full year 2012. The revenue grew by 19% year-on-year in the fourth quarter and by 31% for the full year, which affirms the Group's strong underlying business. E-commerce continued to take share from traditional retail, and we see a strong underlying demand in all of our four segments. In particular, two of our core assets, CDON.com and Gymgrossisten, continued their impressive sales growth while delivering solid operating results."

CDON Group's results for the fourth quarter and full year ending 31 December 2012 will be published in full on 8 February 2013.

The company will host a conference call today at 13.00 CET, 12.00 GMT and 07.00 New York time.

To participate in the conference call, please dial:

Sweden: +46(0)8 5352 6408

International: +44(0)20 7136 2055

US: +1718 354 1152

The access pin code for the conference call is 8941780.

Preliminary financial information in summary

NET SALES (SEK million)	2011 Oct-Dec	2011 Full year	2012 Oct-Dec	2012 Full year	Growth Oct-Dec	Growth Full year
Entertainment	772.1	1 928.9	912.7	2 386.0	18%	24%
Fashion	275.1	728.2	327.3	942.9	19%	29%
Sport & Health	97.1	377.1	128.9	496.4	33%	32%
Home & Garden	172.1	369.5	197.5	631.6	15%	71%
Total operational business areas	1 316.4	3 403.8	1 566.4	4 456.9	19%	31%
Group central operations	14.1	42.4	60.7	101.1	-	-
Eliminations	-14.1	-42.4	-54.3	-96.2	-	-
CONSOLIDATED TOTAL	1 316.4	3 403.7	1 572.8	4 461.7	19%	31%

OPERATING PROFIT (SEK million)	2011 Oct-Dec	2011 Full year	2012 Oct-Dec	2012 Full year	Growth Oct-Dec	Growth Full year
Entertainment	50.5	102.3	46.8	102.3	-7%	0%
Fashion	13.5	19.8	-141.3	-267.6	-	-
Sport & Health	10.3	39.7	12.4	47.3	21%	19%
Home & Garden	1.2	5.3	-3.1	-13.7	-	-
Total operational business areas	75.5	167.1	-85.2	-131.6	-	-
Group central operations	-4.1	-37.8	-25.5	-42.2	-	-
CONSOLIDATED TOTAL	71.3	129.2	-110.7	-173.9	-	-

Operating Margin (%)	2011 Oct-Dec	2011 Full year	2012 Oct-Dec	2012 Full year
Entertainment	6.5%	5.3%	5.1%	4.3%
Fashion	4.9%	2.7%	-43.2%	-28.4%
Sport & Health	10.6%	10.5%	9.6%	9.5%
Home & Garden	0.7%	1.4%	-1.6%	-2.2%
Total operational business areas	5.7%	4.9%	-5.4%	-3.0%
Group central operations	-	-	-	-
CONSOLIDATED TOTAL	5.4%	3.8%	-7.0%	-3.9%

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About CDON Group

CDON Group is the leading e-commerce group 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 (CDON.COM, BookPlus.fi, Lekmer.com), Fashion (Nelly.com, Heppo.com, Members.com), Sport & Health (Gymgrossisten.com, Bodystore.com) and Home & Garden (Tretti.com and Rum21.se) segments. The group reported revenues of SEK 3.4 billion for the full year 2011. CDON Group is listed on the NASDAQ OMX Stockholm Mid-cap list under short name CDON.

The information in this announcement is that which CDON Group AB is required to disclose under the Securities Markets Act. This information was released for publication at 08:00 CET on 30 January 2013.