Listing of the e-commerce group CDON Group AB (publ)

cdongroup

CDON.COM nelly.com GYMGROSSISTEN.com bodystore.com BookPlus KIRJAMAAILMA FITNESSTUKKU.fi LinusLotta.com Lekmer.com Heppo.com

Handelsbanken Capital Markets

TIMETABLE

Last day for trading in MTG's share including the right to distribution	14 December 2010
First day for trading in MTG's share excluding the right to distribution	15 December 2010
First day for trading in CDON Group's share	15 December 2010
Record date for distribution of shares in CDON Group	17 December 2010

SCHEDULE FOR FINANCIAL INFORMATION

Fourth Quarter and Full Year Financial Results 2010	2 February 2011
Annual Report for 2010	April 2011
Annual General Meeting	May 2011

DEFINITIONS

Depending on the context, the terms "CDON Group" or "the Company" in this prospectus refer to CDON Group AB (publ), corporate registration number 556035-6940, or the group of companies of which CDON Group AB is the parent company. The term "the Group" refers to the group of which CDON Group AB (publ) is the parent company.

The terms "Entertainment", "Fashion" and "Sports & Health" in this prospectus refer to the Company's business areas Entertainment, Fashion and Sports & Health, respectively.

The term "MTG" in this prospectus refers to Modern Times Group MTG AB (publ), corporate registration number 556309-9158, which before the distribution owns all shares in CDON Group.

The shares in CDON Group are to be distributed by MTG to MTG shareholders. This prospectus has been prepared for the forthcoming listing of CDON Group's shares on Nasdaq OMX Stockholm. The shares in CDON Group are not listed on any market, nor has such listing been sought in any country other than Sweden. This prospectus has not been prepared for a public offering, nor does it constitute an offer or invitation to purchase securities.

This prospectus may not be distributed to or in any country where such distribution requires additional registration or measures additional to those required by Swedish law or where such distribution contravenes regulations applicable in that country. The shares have not and will not be registered under the United States Securities Act of 1933 nor under any provincial legislation in Canada.

This prospectus provides information about forward-looking assumptions which are subjective estimates and projections. "Expected", "assumed", "should", "anticipated" and similar expressions are used to indicate that the information is to be regarded as an estimate or forecast. Estimates and forecasts are made on the basis of information that contains both known and unknown risks and uncertainties. No assurance, explicit or implied, is made that the stated estimates and forecasts for the future will be realised. Factors that could lead to the assessments stated in this prospectus not being realised include trends in demand and the economy in general, operating costs and the development of CDON Group's activities. This prospectus is subject to Swedish law. Disputes regarding the contents of this prospectus or any related legal matters shall be settled in a Swedish court of law.

This prospectus has been registered with Finansinspektionen (the Swedish Financial Supervisory Authority) in accordance with the provisions of chapter 2, section 1, of the Financial Instruments Trading Act (1991:980). Registration does not imply that the Authority guarantees that the factual information in this prospectus is accurate or complete.

CONTENTS

SUMMARY

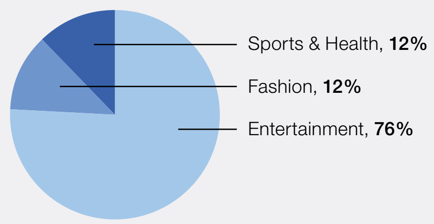
OPERATIONS IN BRIEF

The launch of CDON.COM in 1999 became the foundation for today's CDON Group. CDON Group has grown significantly since then, by broadening its product range and launching new internet stores, as well as through acquisitions. Today the Company comprises eight internet retail stores and is a prominent operator in the Nordic e-commerce market. CDON Group's offering comprises films, games, music, books, toys, consumer electronics, clothing, shoes and food supplements. The product offering includes physical products as well as digital products for downloading and streaming. The Group's customer list contains more than two million active customers.

CDON Group is divided into the following three business areas.

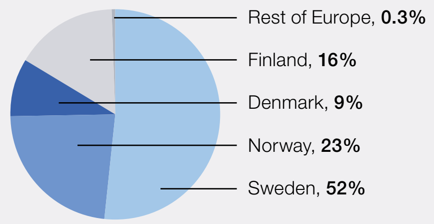
- **Entertainment** operates via the internet stores CDON.COM, BookPlus.fi and Lekmer.com[1]. In 2009 Entertainment accounted for 76 per cent of CDON Group's net sales and 74 per cent of operating income. Net sales growth over the last twelve months was 18 per cent.[2]
- **Fashion** operates via the internet stores Nelly.com, LinusLotta.com and Heppo.com[3]. In 2009 Fashion accounted for twelve per cent of CDON Group's net sales and 6 per cent of operating income. Net sales growth over the last twelve months was 124 per cent.[2]
- **Sports & Health** operates via the internet stores Gymgrossisten.com (Fitnesstukku.fi in Finland) and Bodystore.com. In 2009 Sports & Health accounted for twelve per cent of CDON Group's net sales and 21 per cent of operating income. Net sales growth over the last twelve months was 32 per cent.[2]

Sales by business area (2009)



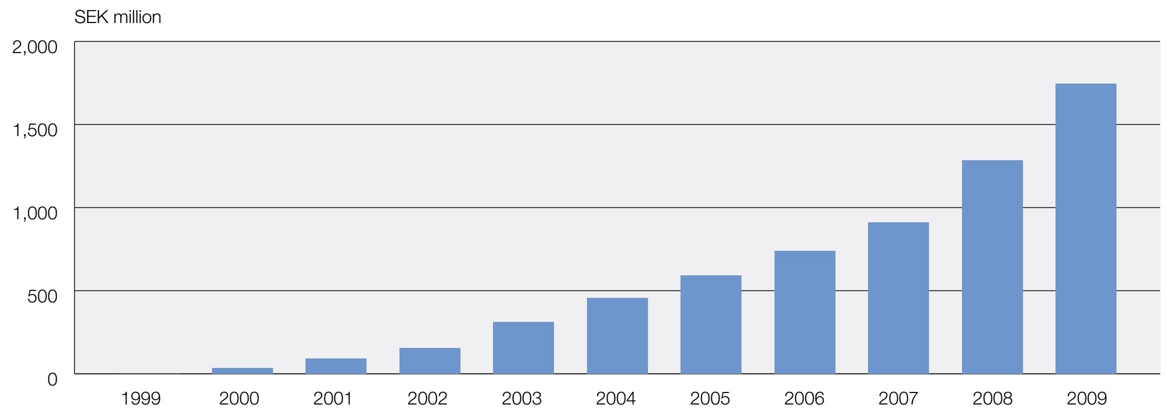
Source: CDON Group.

Sales by geographical market (2009)



Source: CDON Group.

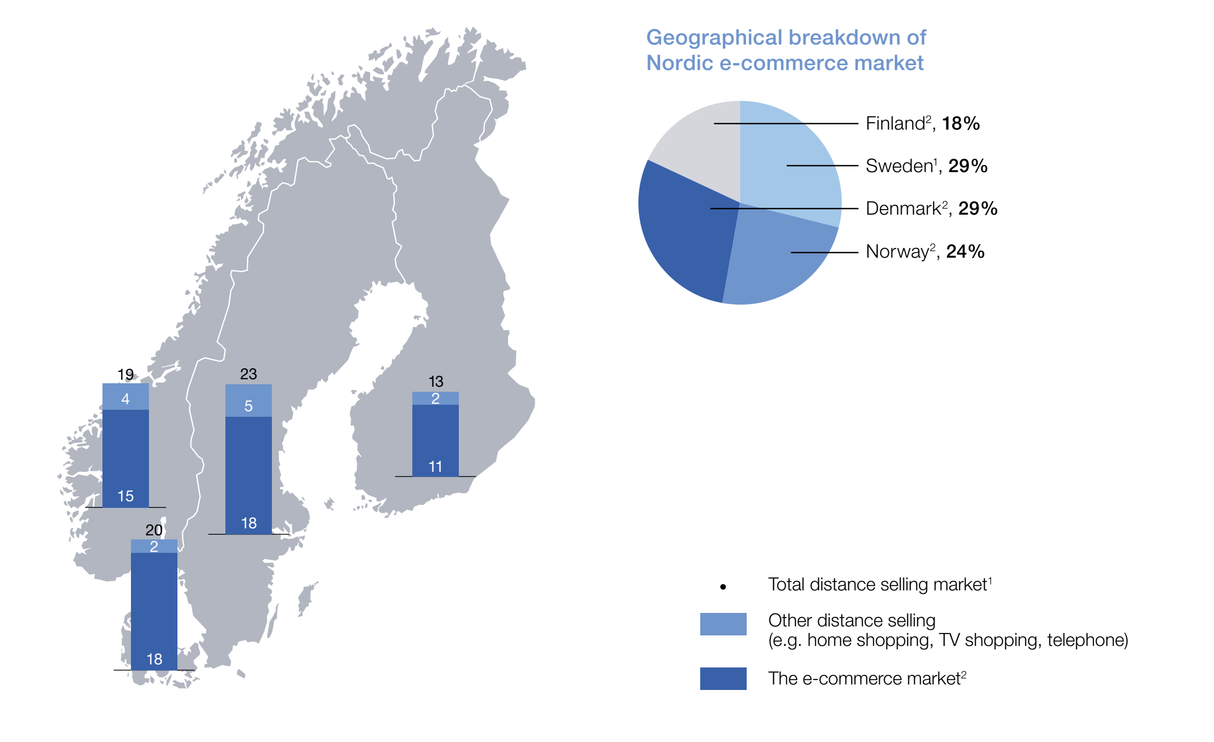
CDON Group's sales development



Source: CDON Group.

[1] The internet store was acquired in March 2010.
[2] Refers to period 1 October 2009–30 September 2010.
[3] The internet store was launched in August 2010.

Size of market in 2009 (SEK billion)



Source: [1] HUI. [2] HUI and CDON Group.

THE MARKET IN BRIEF

The Nordic e-commerce market is in an early phase of development and accounts for approximately 3.8 per cent of the total Nordic retail sector, which was estimated to approximately SEK 1,600 billion in 2009. Compared to more developed e-commerce markets such as the USA, e-commerce penetration[1] in the Nordic countries is still at low levels. According to Forrester Research, the penetration of e-commerce in the USA was 6.0 per cent in 2009.

The total Nordic distance selling market is estimated at approximately SEK 75 billion. Of the total distance selling market, the Nordic e-commerce market is estimated at approximately SEK 62 billion. Sweden and Denmark are considered to be the largest individual e-commerce markets, each with annual sales of SEK 18 million in 2009.[5]

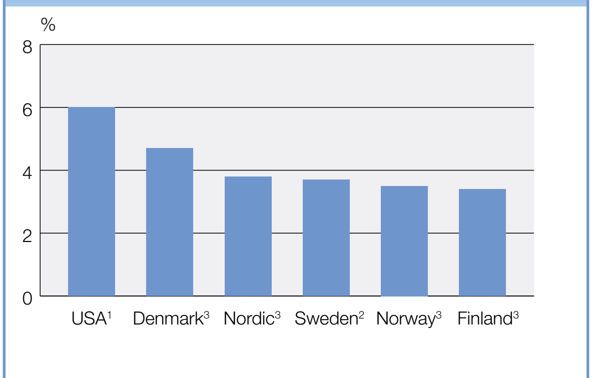
Euromonitor estimates that Nordic e-commerce will continue to report double-digit growth (a compound annual growth rate, CAGR, of eleven per cent) over the next four years. Finland is forecast to report the highest percentage growth, mainly because e-commerce is not as highly developed as in the other Nordic countries.

BUSINESS CONCEPT, VISION AND OBJECTIVES

Business concept

CDON Group's business concept is to take advantage of the ongoing migration of sales from traditional retail to e-commerce, by using its established, scalable and efficient internet retailing platform to develop a portfolio of market leading internet stores.

E-commerce penetration (2009)



Source: [1] Forrester Research. [2] HUI. [3] HUI and CDON Group.

[1] E-commerce penetration refers to the proportion of total retail market sales that occur over the internet.

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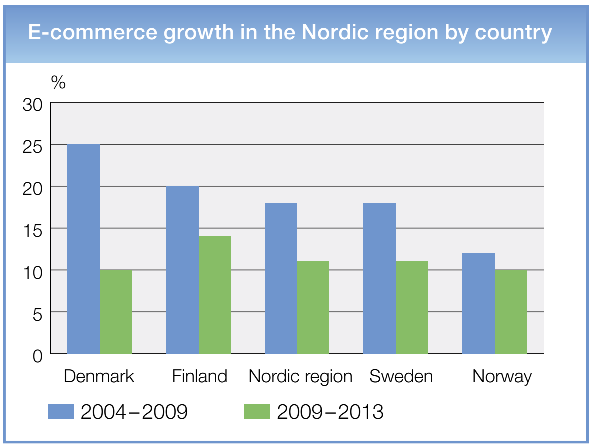
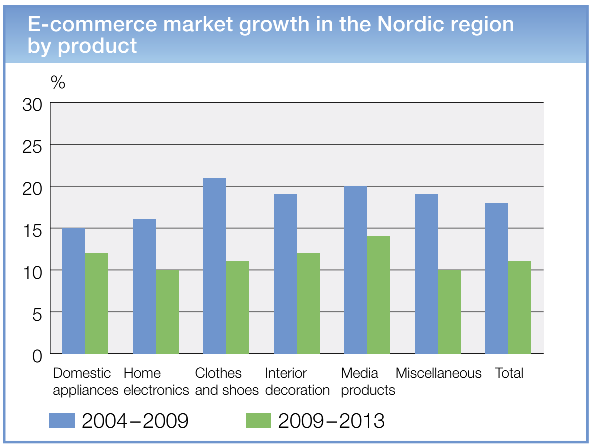


Source: Euromonitor International.



Source: Euromonitor International.

Vision

CDON Group will be a driver of the migration of sales from traditional retail to the internet and become a leading e-commerce player in each of its operating market segments.

Objectives

CDON Group's objective is to generate sustainable and long term shareholder value.

- The Group will continue to grow organically at least in line with the growth of each of its operating market segments in each of its territories[1] and, in addition, to start-up or acquire new brands.
- The Group will also generate marginals that are at least in line with the average of its competitors in each of its operating market segments[2], when excluding the impact of new start-ups and acquisitions.

Dividend policy

CDON Group is a growth company and therefore plans to continue to reinvest its profits in the ongoing development and expansion of its operations. The timing and size of any possible future dividends will depend on the Company's future results, financial position and investment opportunities.

STRATEGY OVERVIEW

CDON Group intends to grown and improve its profitability through three general strategies.

- Growth
- Continuous profitability improvements
- Exploit synergies among the various internet stores

Growth

The online retail sector is in a nascent stage in the markets where CDON Group is active. There is an underlying market growth as e-commerce becomes a more common and established sales channel. The consumer shift from traditional retailers to the internet will benefit the companies that are well-positioned with leading internet stores which offer a comprehensive product range.

- Organic growth: CDON Group's growth has historically been mainly organic. Having well-positioned internet stores and an attractive product offering in growing markets, the Company will continue to pursue organic growth within existing and new markets. CDON Group sees good opportunities to achieve organic growth by broadening its product

[1] See "Product markets" in section "Market overview".
[2] See "Competitive landscape" in section "Market overview".

range within existing internet stores while taking advantage of the Company's business model, where a growing active customer database can be exposed to a larger and broader product range from several stores within the Group.

- Geographic expansion: CDON Group is planning for a continued pan-Nordic expansion of the Company's internet stores, for which existing IT and logistics solutions will facilitate the implementation.
- Strategic acquisitions: CDON Group has acquired and integrated five companies since 2007. Gymgrossisten.com and Nelly.com are both examples of the Company's ability to successfully add new product segments through acquisition, where growth in acquired companies is accelerated through an improved product offering and economies of scale, by becoming part of CDON Group and expanding geographically. Acquisitions will be a growth driver in the future as well, both to consolidate existing markets and to enter into new segments and geographic markets.
- Own start-ups: The launch of the new internet store Heppo.com in the third quarter of 2010 within the Fashion business area is an example of how CDON Group uses existing IT infrastructure, logistics solutions and internal know-how to launch start-ups with limited investment needs.

Continuous profitability improvement

CDON Group aims to improve profitability as the Company grows and expands its stores' product range in more geographic markets. The Company has operational objectives intended to create a positive development of margins in the coming years.

- Scalable business model: By exploiting the above-mentioned synergies while the Group is expanding, management sees opportunities to drive a positive development of margins within existing and new markets.
- Transition to products with higher profitability: In recent years the percentage of sales that originates from the business areas Sports & Health and Fashion has grown sharply. CDON Group intends to continue to pursue this trend with an increasing percentage of sales of higher margin products, such as clothing and food supplements.
- Transition to own brands: Developing and launching own brands is an important component of the Company's strategy. Management sees good opportunities to continue to build the Company's brands and strengthen customer loyalty and to increase the number of repeat customers by offering attractive own brands, including "Nelly" and "Star Nutrition".

Exploit synergies among the various internet stores

CDON Group's operations are based on several internet stores which operate through a common corporate structure. This provides the Company with opportunities to achieve economies of scale in several areas.

- Purchasing: Economies of scale in purchasing supplier services and goods for sale.
- Marketing and sales: Economies of scale when purchasing advertising space, optimisation of SEO/SEM investments[1] and a customer list with more than two million e-commerce consumers make it possible to direct offerings to specific customer groups based on demography and purchasing behaviour.
- IT: Scalable IT infrastructure with respect to equipment, monitoring and business systems, as well as website development, where newly developed or improved functions can be reused in several internet stores within the Company.
- Daily operations: Coordination of functions, logistics infrastructure and formalised procedures for business practices, control, logistics and contract negotiations.
- Common strategy and financial flexibility: Coordination of strategies between the Company's business areas combined with financial capacity to use own cash flows to carry out start-ups, geographic expansion of existing web sites and add-on acquisitions.

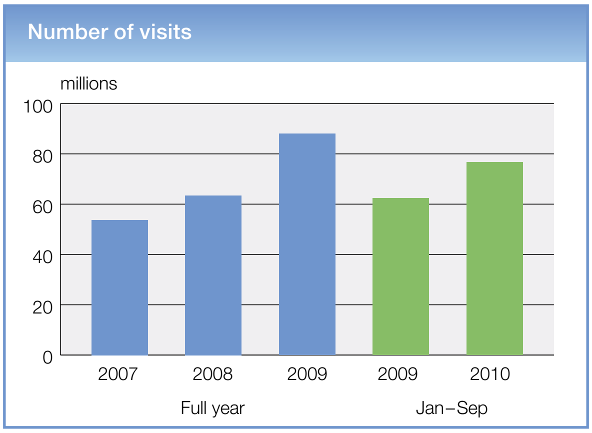
[1] Search engine optimisation (SEO) and search engine marketing (SEM); see "Marketing" in section "Market overview" for further information.

FINANCIAL OVERVIEW

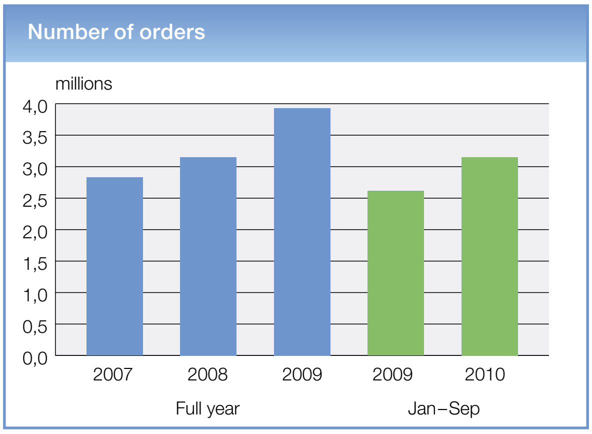
Group (SEK million)	January–September 2010	January–September 2009	Full year 2009	Full year 2008	Full year 2007
Operating revenue and income					
Net sales	1,441	1,131	1,746	1,286	910
Gross income	281	232	269	192	132
Operating income before depreciation and amortisation (EBITDA)[1]	101	79	131	88	80
Operating income (EBIT)[1]	97	74	125	83	79
Income after financial items[2]	82	64	113	75	91
Net income from continuing operations	64	45	80	49	63
Net income for the period[3]	64	45	80	49	104
Profitability and related ratios					
Gross margin	19.5%	20.5%	15.4%	14.9%	14.5%
EBITDA margin	7.0%	7.0%	7.5%	6.8%	8.8%
Operating margin	6.7%	6.6%	7.2%	6.4%	8.7%
Return on capital employed[4]	44.1%	28.5%	37.5%	25.9%	38.2%
Return on equity[2, 4]	62.0%	31.3%	49.8%	24.9%	33.2%
Capital structure and related ratios					
Net debt (+) / Net cash (–)	-81	-43	–15	–42	–245
Equity/asset ratio	42.5%	36.2%	1.1%	25.1%	36.1%
Operational key ratios					
Number of visits, thousands	76,683	62,348	88,041	63,460	53,702
Number of orders, thousands	3,154	2,616	3,933	3,154	2,827
Average shopping basket, SEK	442	409	421	409	372

[1] CDON Group has historically been able to utilise unsold advertising airtime on channels of Viasat, a company related to MTG, at a discount to the prevailing market price of sold advertising airtime of corresponding type. This discount is estimated to have amounted to SEK 15 million during the first nine months of 2010, and approximately SEK 14.5 million during the same period in 2009 (approximately SEK 20 million for the full year 2009).
[2] In September 2010, CDON Group was recapitalised; see section "Capital Structure and Refinancing".
[3] Net income in 2007 included profit from discontinued operations of SEK 41 millions.
[4] Based on the four last quarters.

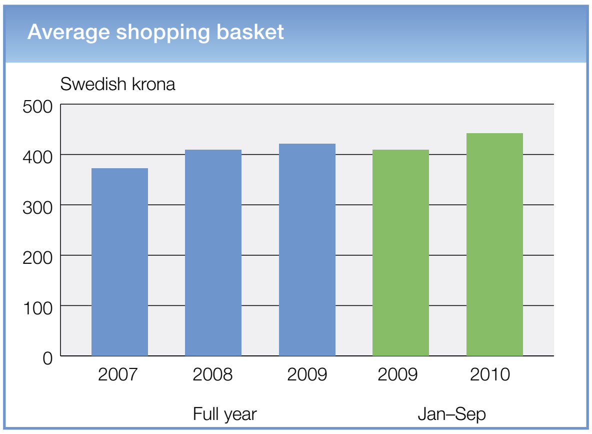
OPERATING KEY RATIOS



Source: CDON Group.



Source: CDON Group.



Source: CDON Group.

OVERVIEW OF RISK FACTORS

A number of factors affect or may in the future affect the operations of CDON Group, both those directly related to CDON Group and those that relate indirectly. Some of the risk factors considered significant to CDON Group's future development are summarised below, in no relative order. Other risks that are unknown to the Company or that the Company currently perceives as insignificant may in the future have a significant impact on CDON Group's business, financial position or earnings. These other, non summarised, risks may significantly affect CDON Group's operations and consequently result in the price of CDON Group's shares falling. In addition to the summary below and the section "Risk Factors", an investor should also consider the other information in this prospectus.

Industry and market risks

- The general economy and consumer purchasing power
- Market development for e-commerce
- Risks related to the market for CDs
- Competition
- Seasonal variations
- Risks related to fashion trends

Operational risks

- Dependence on external suppliers
- Disruption or weaknesses in CDON Group's IT and control systems
- Ability to recruit and retain staff
- Marketing
- Distribution
- Expansion into new markets and new segments
- Structural measures and acquisitions
- Returns and free shipping
- Intangible assets

Financial risks

- Foreign exchange risk
- Financing and interest rate risks

Legal risks

- Legislative, regulatory and compliance
- Intellectual property rights
- Tax risks

Stock market risks

- Share price performance
- Increased costs for an independent listed company
- Future dividends depends on a number of factors
- Owner with significant influence

RISK FACTORS

CDON Group's operations are affected by a number of factors which in some parts cannot at all and, in other parts, cannot completely be controlled by the Company. Below are some of the factors considered to be of particular significance for the future development of CDON Group. The presentation of risk factors in this section does not claim to be complete, nor are the risks ranked in terms of their significance. Additional risks which are currently not known to the Company may be of significant importance to the Company's operations, financial position and/or earnings. Not all factors are described in detail and, accordingly, a complete evaluation must contain all information in this prospectus, as well as a general evaluation of external factors.

INDUSTRY AND MARKET RISKS

The general economy and consumer purchasing power

Demand for the products CDON Group sells through its internet stores is affected by the general economic situation as well as by developments in the e-commerce market and product markets on which CDON Group is active. The economy and consumer purchasing power are in turn affected by factors beyond the control of CDON Group, such as interest rates, exchange rates, inflation, taxes, unemployment rates and other financial factors.

After several years of stable GDP growth, the global financial turbulence in 2008 and 2009 forced several European countries, including the Nordic countries, into recession. These economic conditions may persist and the economy could recover slowly, if at all.

Even if CDON Group considers its business model to be robust, as evidenced by increased sales in 2008 and 2009, adverse changes in the general economy and consumer purchasing power may reduce demand for CDON Group's products and adversely affect its operations, financial position and performance.

Market development for e-commerce

The e-commerce market is changing. In the Nordic countries, the average annual growth of the e-commerce market was 18 per cent between 2004 and 2009. In 2009 the e-commerce market in Sweden constituted 3.7 per cent of total retail sales, compared with 1.2 per cent in 2003, according to the Swedish Retail Institute (HUI). There are no assurances that the e-commerce market will continue to show the same positive trend, or that the products CDON Group sells benefit from positive market developments.

A weakening trend on the e-commerce market for the products CDON Group sells, or a weakening trend in the e-commerce market in general, could adversely affect CDON Group's prospects, operations, financial position and earnings.

Risks related to the market for CDs

In the Entertainment business area, CDON Group is exposed to the current change in the market for CDs. There is a growing trend for products being digitised and sold, usually in the form of downloads, or distributed, for example through live streaming over the internet and without delivery of a physical product, like a CD. Furthermore, there are also illegal downloads, which adversely affects the market. As a result of this development the market for CDs has shown a global structural decline during the past years.

A weakening trend on the e-commerce market for CDs could adversely affect CDON Group's prospects, operations, financial position and earnings.

Competition

The Company operates in a competitive environment and faces competition from other players in the e-commerce market, as well as from traditional retail trade. The e-commerce market in the Nordic countries is fragmented and characterised by intense competition.

CDON Group is also subject to competition from international players which do not directly conduct business in the geographic markets that CDON Group is active in as consumers who are shopping online easily can buy from international suppliers.

Especially in the Fashion business area, there is significant competition from traditional retail trade as many customers prefer to try on clothing and shoes before making a purchase, but the Entertainment and Sports & Health business areas also have consumers who prefer to buy products in stores.

CDON Group is exposed to the risk that operators in retail markets whose brands are already established among consumers may enter the e-commerce market. Moreover, both completely new participants and international participants may enter the e-commerce markets in the countries where CDON Group operates. Established operators in e-commerce markets that sell different products from CDON Group may also decide to expand their product offering and begin to compete with CDON Group.

It cannot be excluded that other players, including those not currently active on the e-commerce market, conduct business on a larger scale than CDON Group and can therefore take advantage of greater benefits of scale than CDON Group and thereby offer consumers lower prices than CDON Group is able to.

In summary, increased competition could adversely affect CDON Group's operations, financial position and earnings.

Responding to competitors' pricing could lead to a decline in margins for CDON Group, or customers may increasingly prefer to buy from competitors.

Seasonal variations

In the Entertainment business area, which is heavily dependent on Christmas shopping, CDON Group is exposed to large seasonal variations and a large portion of sales occurs during the fourth quarter. The Fashion business area also exhibits seasonal variations, where the second and fourth quarters are the strongest as summer and winter clothing exhibit the largest sales. Seasonal variations are relatively small in the Sports & Health business area. Weaker demand during a specific quarter can substantially influence sales in a business area during the year and could adversely affect CDON Group's operations, financial position and earnings.

Risks related to fashion trends

In the Fashion business area, CDON Group is also exposed to fluctuations in trends and fashion, as well as consumer preferences regarding design, quality and price. If the Company misjudges consumer preferences, and does not succeed in selling its products, this may lead to excess inventory of certain products and in turn price cuts, which could adversely affect CDON Group's operations, financial position and earnings.

OPERATIONAL RISKS

Dependence on external suppliers

CDON Group depends on hundreds of external suppliers for their accessibility, development, production, quality assurance and delivery of the products sold via CDON Group's internet stores. Moreover, CDON Group uses external suppliers to provide the goods that the Company sells to its customers. Faulty goods and delays or failure to deliver goods may have adverse consequences on the distribution chain, which can lead to additional costs, disruptions in CDON Group's operations and loss of confidence in CDON Group among customers. Even if CDON Group recognises that alternatives are available for a majority of its current suppliers, each case of loss of a particular supplier could still adversely affect CDON Group's business in the short-term.

CDON Group is dependent on the ability of the Company's current suppliers to provide products that satisfy possible regulatory requirements within the industry. Implementation of new regulatory requirements could therefore pose challenges for CDON Group in terms of finding suppliers who can provide products which meet these requirements.

If CDON Group is unable to find suppliers that meet its requirements and potential requirements from regulatory authorities, or if CDON Group is subjected to defective goods or incorrect, delayed or missing deliveries, this could adversely affect CDON Group's operations, financial position and earnings.

Disruptions or weaknesses in CDON Group's IT and control systems

CDON Group's operations are highly dependent on reliable IT and control systems that are well adapted to the Company's operations. CDON Group has made substantial investments in sophisticated IT and control systems, including its integrated logistics system which automatically handles and transmits orders to its distribution centres. These systems receive continuous maintenance, upgrades and support. Nevertheless, disturbances or disruption of service in the systems cannot be excluded. Such interruptions or extended suspension of service in CDON Group's IT and control systems could lead to a serious disruption of service and decreased confidence in CDON Group, reducing the Company's competitiveness and position in the market as a result. In the event of disruptions to these systems, it is not certain that CDON Group can be fully compensated by the IT system suppliers for the damage caused by such disruptions, which could adversely affect CDON Group's operations, financial position and earnings.

Ability to recruit and retain staff

CDON Group's future success largely depends on its ability to recruit, retain and develop qualified senior managers and other key employees. If key individuals leave and appropriate successors cannot be recruited, this could adversely affect CDON Group's operations, financial position and earnings.

Marketing

CDON Group depends on marketing to increase its sales volumes and to retain and improve the strength of each internet store. There are no assurances that future marketing campaigns will result in increased sales. Marketing expenses that do not generate income can adversely affect the Company's operations, financial position and earnings.

Distribution

CDON Group depends on a number of warehouses that are associated with the Company's internet stores. If a warehouse for some reason should be destroyed or close or if its equipment should be seriously damaged, the Company might not be able to deliver the products to its customers. Under such circumstances, and to the extent that CDON Group cannot quickly and cost-effectively find an alternate warehouse or repair the warehouse in question or its equipment, this may have a considerable negative effect on the Company's operations, earnings and financial position. CDON Group has insurance policies for property and production stoppages for amounts that the

Company has found adequate, but there is no guarantee that such amounts can be recovered in full or that the amounts recovered are sufficient to cover potential losses.

Expansion into new markets and new segments

CDON Group follows a growth strategy. Even if CDON Group conducts a thorough business analysis prior to each investment, potential expansion into new markets, in terms of both geography and industry, could entail unforeseen costs as well as lower-than-expected sales for CDON Group, which can adversely affect the Company's operations, financial position and earnings.

Structural measures and acquisitions

CDON Group has made a number of acquisitions since 2007 and its long-term strategy is to continue to grow through further acquisitions in existing and new markets. CDON Group has a high market share in certain markets, especially the product markets within the Entertainment business area, which may entail the usual regulatory review of additional acquisitions. Growth through acquisition also poses a risk because of the difficulty of integrating new businesses and employees. CDON Group could have significant acquisition and administration costs, as well as costs for restructuring and other costs related to acquisitions. There is no guarantee that CDON Group will be able to successfully carry out desired acquisitions or integrate acquired operations, or that after integration these operations will perform as expected, which could adversely affect CDON Group's operations, financial position and earnings.

Returns and free shipping

The Company's internet stores currently offer free product exchanges, a practice which is seen as a competitive factor in product segments where customers have a strong need to see the physical product. Several of the internet stores, such as CDON.COM, Nelly.com and Gymgrossisten.com, currently offer free delivery on purchases exceeding a certain amount. The Company sees no need to change these terms in the current environment. A change in industry practices in the future could adversely affect CDON Group's operations, financial position and earnings.

Intangible assets

The value of CDON Group's intangible assets as at 30 September 2010 was SEK 259 million and comprised goodwill of SEK 193 million, brands worth SEK 42 million, capitalised expenditures of SEK 24 million and other intangible assets of SEK 1 million. Although CDON Group has made the assessment that no need for impairment currently exists, there are no assurances that the Company will not have to recognize impairment losses in the future. Such impairment losses would adversely affect the Company's earnings and financial position.

FINANCIAL RISKS

Exchange rate risk

CDON Group's reporting currency is the Swedish krona. Since a significant portion of CDON Group's sales for 2009 was conducted outside of Sweden (approximately 50 per cent) the Company is exposed to certain risk related to financial transactions in various currencies (transaction exposure). CDON Group is also exposed to currency risk arising from the translation of foreign subsidiaries' balance sheets and income statements (translation exposure). The most important currencies that CDON Group is exposed to are the Norwegian and Danish krona, as well as euro for sales, and the Norwegian and Danish krona, euro, US dollars and British pounds for purchases. Exchange rate fluctuations could adversely affect CDON Group's financial position and earnings. Currency risk is not hedged.

Financing and interest rate risk

CDON Group currently has a strong financial position with net cash, but will finance its operations in part by borrowing, which includes a convertible loan amounting to SEK 250 million. This means that part of the Company's cash flow will be used for interest payments. If the Company's development deviates from the forecast development, it cannot be precluded that in the future a situation could arise in which the Company has difficulties paying interest or must raise new capital, for example, through a new issue of shares. Potential future acquisitions could also increase the need for new capital. There is no assurance that additional capital can be raised on terms that are favourable for CDON Group. If the Company fails to pay interest or raise necessary capital in the future, the Company's continuing operations as well as its financial position and earnings could be adversely affected.

LEGAL RISKS

Legislation, regulation and compliance

The Company is affected by legislation and regulations relating to some of the goods that it sells. For example, products within the Sports & Health business area are covered by national food regulations. These products must therefore be approved by regulatory authorities in some of the countries where CDON Group operates, which may entail requirements for approval or registration. Violation of legislation or regulations, such as foodstuffs legislation, could lead to sanctions against CDON

Group. Moreover, the costs of regulatory compliance can be substantial. This can have a substantial negative effect on the Company's operations, financial position and earnings.

Intellectual property rights

CDON Group works actively to protect its brands, name and domain names in the jurisdictions where CDON Group is active. However, there is no assurance that the measures CDON Group has taken are adequate. In the Company's opinion, CDON Group does not infringe on any third party intellectual property rights. However, there are no guarantees that in future situations, such as product launches or in conjunction with expansion into new geographic markets, CDON Group could infringe, or be accused of infringing on third party intellectual property rights.

If CDON Group's protection of its brands and name is not adequate, or if CDON Group infringes on third party intellectual property rights, it could adversely affect its operations, financial position and earnings.

Tax risks

CDON Group conducts business in several different countries and has not been charged with additional tax costs or charges so far. There are no assurances that CDON Group's interpretation and application of applicable laws, regulations, case law and the tax authorities' administrative practices have been, or will continue to be correct, or that such laws, regulations, case law or practices will not be amended, possibly retroactively.

The Company may be affected by changes in different countries' tax laws and may have to pay additional taxes, interest or penalties in connection with future tax audits or may be required to write down deferred tax assets. This can have a substantial negative effect on the Company's operations, financial position and earnings.

STOCK MARKET RISKS

Share price performance

Until the distribution of shares in CDON Group, there has been no trading in shares of CDON Group. Although CDON Group has applied to list its shares on Nasdaq OMX Stockholm, there can be no assurances regarding the liquidity of the share. Furthermore, the price of the share may vary due to factors such as variations in Company earnings and position, changes in stock market expectations regarding future profits, supply and demand for the shares, developments within the Company's market segments and the economy in general. Shareholders might not be able to sell their shares at the time and price they want and may lose all or part of the value of the shares.

Increased costs as an independent listed company

Prior to distribution of shares in CDON Group, the Company constitutes a wholly owned subsidiary of a listed company. Thus CDON Group has a limited operational history as a consolidated unit based on which the Company can be assessed and has previously not had any direct responsibility for corporate governance, financial reporting and the public disclosure requirements that apply to listed companies. As a listed company CDON Group will be affected by costs for which the Company has not been directly responsible previously, such as costs for external financial reporting, information disclosure and corporate governance. These costs could adversely affect CDON Group's operations, financial position and earnings in comparison to costs reported historically.

Future dividend depends on several factors

Holders of shares in CDON Group will be eligible for dividend as from the adoption of the 2010 financial statements. The size of potential future dividends depends on the Company's future earnings, financial position, cash flow, operating capital, planned and potential acquisitions and other factors. For more information, see "Dividend Policy".

Owner with significant influence

Investment AB Kinnevik ("Kinnevik") will own and control at least approximately 20.4 per cent of shares and votes in the Company after listing on Nasdaq OMX Stockholm. Kinnevik will therefore initially have a significant influence in the Company and thus an opportunity to influence the outcome of most matters decided by vote at an Annual General Meeting or Extraordinary General Meeting. Such matters include election of Board members, issuance of new shares and distribution of dividends.

Kinnevik's interests may substantially deviate from or compete with those of the Company or the interests of the Company's others shareholders and there are no assurances that Kinnevik will exercise its influence over the Company in a way that serves the interests of other shareholders.

BACKGROUND AND RATIONALE

On 19 April 2010, MTG announced its intention to spin off its Internet Retailing business by distributing the shares in CDON Group to MTG's shareholders during the next six to nine months. MTG's extraordinary general meeting of shareholders, held on 21 October 2010, approved the Board of Directors' proposal to transfer all shares in MTG's subsidiary CDON Group to MTG's shareholders as a means of profit-sharing and to list the Company on Nasdaq OMX Stockhol.

MTG's decision to distribute the shares of CDON Group is primarily based on the fact that CDON Group's operations differ from MTG's core business in TV and radio. In addition, CDON Group has established such a size, level of specialisation in its product offering and market position that it has been concluded that the benefits of full autonomy outweigh the advantages of remaining part of MTG. In order to increase transparency, focus and shareholder value, MTG's Board of Directors has taken the view that CDON Group is ready for becoming an independent, publicly traded company.

Over the past ten years, CDON Group has developed into a market-leading pan-Nordic e-commerce player, with operations expanding in the Nordic region. Today, the Company is at the forefront of e-commerce in the areas of Entertainment and Sports & Health and is also one of the fastest growing companies in the Fashion business area. It is anticipated that the dynamically expanding and competitive e-commerce market will bring growing demand for more customer-led solutions and a comprehensive product offering. In-depth knowledge of customer needs and market trends, combined with the adoption of suitable new technology and systems, will be vital components in ensuring that the business remains competitive. As an autonomous company, CDON Group will be able to pursue an individual, focused and adapted growth strategy with an organisation and capital structure that support this.

Separation from MTG is expected to help to expand opportunities for the management and Board of CDON Group to intensify operational and strategic initiatives to drive organic growth via newly created product sectors, in combination with geographical expansion and acquisitions. CDON Group is deemed to have an appropriate level of maturity in management, administration, control and business development to function as an autonomous company in line with its own specialised business model.

The rationale for, and driving force behind, the spin-off of CDON Group is that it will be favourable for CDON Group, which will become a pure retailing group in the e-commerce sector, and at the same time will enable MTG to focus on its core business as a media group. The separation will create opportunities to further develop customer satisfaction, profit growth and business potential and thereby to increase shareholder value.

This prospectus has been prepared by the Board of Directors of CDON Group ahead of the proposed listing of CDON Group's shares on Nasdaq OMX Stockholm. The Board of Directors of CDON Group is responsible for the information contained in the prospectus. We hereby confirm that all reasonable precautions have been taken to ensure that the information contained in this prospectus, to the best of the knowledge of CDON Group's Board of Directors, accords with the actual circumstances and that nothing has been omitted that could materially affect its content.

Stockholm, 9 December 2010

CDON Group AB (publ)
The Board of Directors

INFORMATION REGARDING DIVIDEND

In accordance with the proposal submitted by its Board of Directors, an Extraordinary General Meeting of MTG's shareholders held on 21 October 2010 approved the proposal to allocate all shares in its wholly-owned subsidiary, CDON Group AB, to MTG's shareholders. Shares in CDON Group are to be proportionally distributed to MTG's shareholders in accordance with share ownership in MTG as at the record date, 17 December 2010, as determined by MTG's Board of Directors. Shareholders registered as owners in MTG as at the dividend record date will receive one share in CDON Group for every share held in MTG. Besides being registered as a shareholder on the record date (either directly, or through a nominee), no measures need to be taken in order to obtain shares in CDON Group. The distribution of shares is expected to comply with Lex ASEA taxation regulations, see section "Tax Considerations in Sweden".

DIVIDEND RATIO

For every Class A or Class B share held in MTG, the holder is entitled to one share in CDON Group. Class C shareholders are not entitled to dividend. In total, all 66,342,124 shares in CDON Group will be distributed. Each share entitles to one vote at the General Meeting. For more information, see section "Share Capital and Ownership".

RECORD DATE

The stipulated record date for entitlement to receive shares in CDON Group is 17 December 2010. The final day for trading MTG shares which include the entitlement to receive dividends is 14 December 2010.

RECEIPT OF SHARES

Those duly registered as shareholders in MTG with Euroclear Sweden AB as at the record date will receive shares in CDON Group without being required to take action. The shares in CDON Group will be made available in the Securities Account registered by eligible shareholders, or the Securities Account belonging to persons otherwise eligible to receive dividends the day after the record date. Subsequently, Euroclear Sweden AB will issue a notice containing information regarding the number of shares registered in the recipient's Securities Account.

NOMINEE SHARE OWNERSHIP

Nominee shareholders whose shares are registered with a bank, or other nominee, will not receive accounting information from Euroclear Sweden AB. Notices will instead be issued in accordance with the relevant nominee's internal procedures.

LISTING OF SHARES

The Board of CDON Group has applied for the Company's shares to be listed on Nasdaq OMX Stockholm. The first trading day on Nasdaq OMX Stockholm is estimated to be 15 December 2010. The Company's ticker symbol on Nasdaq OMX Stockholm will be CDON. The ISIN code for CDON Group shares will be SE0003652163. CDON Group does not intend to register CDON Group shares for trade on any other stock exchange, or market, besides Nasdaq OMX Stockholm. Moreover, CDON Group does not intend to register shares in accordance with the United States Securities Act of 1933, or any other foreign equivalent, nor does the Group intend to adopt any other measures that could make it subject to SEC (United States Securities and Exchange Commission) periodic reporting obligations.

DIVIDEND ENTITLEMENT

Shareholders in CDON Group are entitled to receive dividends from the adoption of accounting records for 2010. Payment of possible dividends is arranged by Euroclear Sweden AB, or, in the case of nominee shareholders, carried out in accordance with the relevant nominee's internal procedures.

ADVISORS

Handelsbanken Capital Markets is acting as financial advisor to MTG and CDON Group in matters relating to the distribution and listing of shares in CDON Group.

CEO'S STATEMENT

The launch of CDON.COM in 1999 laid the foundation for what is now CDON Group. We have evolved over the years, and have emerged as the leading Nordic e-commerce player within the Entertainment and Sports & Health sectors, and we are also one of the fastest growing Fashion retailing companies. Today, CDON Group's product offering encompasses millions of products from a range of selected external and own brands. In addition to an extensive range, the key features to our customer offering are quality of service, quick deliveries, competitive prices and a stimulating customer experience.

Both MTG and those of us within CDON Group now consider CDON Group to have reached a scale where we benefit from standing on our own feet. Our employees' collective experience and e-commerce expertise, along with the Group's IT, logistics, marketing and administration infrastructures, and strong market positions, provide us with a solid base for continued growth and healthy profitability levels.

Since its inception in 1999, the Group has consistently delivered strong growth levels, which demonstrates the viability of our business model. We reported a 39 per cent compounded annual revenue growth between 2007 and 2009, with a 26 per cent annual increase in operating income. During the twelve month period to September 2010, we reported 31 per cent revenue growth to over two billion krona, and delivered an operating margin of seven per cent.

The strong historic performance has been driven by a steady expansion of our product range and increased e-commerce penetration in existing product segments, combined with geographical expansion and company acquisitions. The Group's size, financial position and consistent cash flows from established concepts, provide us with both the opportunity and the flexibility to continue to expand in line with our strategy. It should be emphasized that CDON Group's future development is difficult to predict given that it is largely dependent on the overall market of e-commerce and the ongoing market change in particular within the business area Entertainment, in combination with two of the company's business areas being relatively new. For these reasons we believe it is not meaningful to provide targets for CDON Group's future profitability or growth, other than that we intend to grow organically at least in line with the growth of each of our operating market segments. CDON Group will also generate margins that are at least in line with the average of our competitors in each of our operating market segments, when excluding the impact of new start-ups and acquisitions.

The Nordic region is our home market, and the successful expansion of Nelly.com and Lekmer.com in Norway, Denmark and Finland, and Gymgrossisten.com in Norway, illustrate the continued growth potential of CDON Group. The risk associated with our geographical expansion is comparatively low, as we do not have the same structural costs as traditional retailers.

We are convinced that the e-commerce market is still in its infancy and that the growth it has enjoyed in recent years will continue as e-commerce becomes an increasingly common purchasing channel. Our view is that using our current internet stores as a platform will provide us with opportunities for continued expansion in both new and existing market segments, through the use of economies of scale provided by our business model.

Acquisitions will continue to constitute a part of our expansion strategy moving forward as evidenced by the successful integrations of the Nelly.com and Gymgrossisten.com businesses into CDON Group, which accelerated both the growth and profitability of both operations.

The coming listing on Nasdaq OMX Stockholm is a stimulating challenge for both our management and our staff. We will now be one of the few purely internet-based listed e-commerce companies on the exchange. Our strategy is to leverage our market leading position to continue to improve and develop our existing businesses, as well as to expand into new product segments. CDON Group stands on firm ground and we are well positioned to achieve our goals, with an overall focus on the creation of shareholder value through increased sales and satisfied customers.

It is with great confidence that I, together with our talented staff, now look forward towards continuing the journey we have embarked upon in CDON Group.

Malmö, December 2010

Mikael Olander
Chief Executive Officer


Whey-80
C-1
HAWKER
perfect plus

MARKET OVERVIEW

The information on market growth, market size and market share, as well as on CDON Group's market position both in absolute terms and relative to its competitors, presented in this prospectus represents CDON Group's overall judgement, based on both internal and external sources. CDON Group is not aware of any available single source of market statistics that provide a relevant picture of CDON Group's markets. The sources on which CDON Group has based its judgement include sector statistics from the Swedish Retail Institute (HUI) and information from independent research organisations such as Euromonitor International and Forrester Research. In the prospectus, CDON Group has made every effort to reproduce the information from these sources accurately. However, CDON Group has not verified the information from these sources itself. To the best of CDON Group's knowledge and judgement, no significant facts have been omitted which would render the information incorrect or misleading. All amounts regarding sales and market size are stated exclusive of value added tax.

INTRODUCTION

This prospectus uses the terms distance selling and e-commerce. The distance selling market comprises all distance sales of goods, regardless of sales channel, where buyer and seller never meet each other physically. The e-commerce market comprises all sales of goods that take place online.

Growth in the e-commerce market is expected to be structural rather than cyclical, since more and more businesses and consumers are using the internet as a retail channel. However, e-commerce still comprises a relatively small part of the overall retail sector. In 2009, Swedish e-commerce accounted for approximately SEK 18 billion of sales, corresponding to approximately 3.7 per cent of total retail sales in Sweden[1].

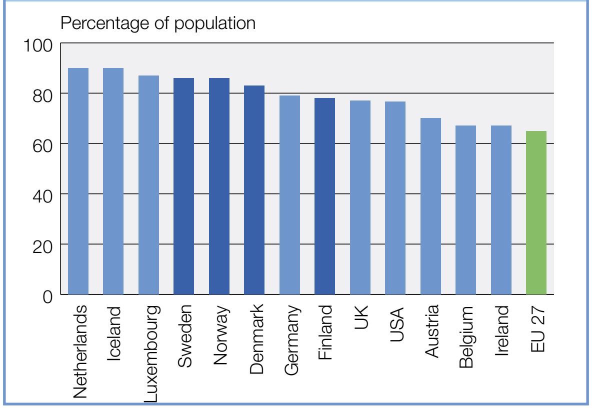
MARKET DRIVERS

The development and growth of the Nordic e-commerce market are driven by a number of factors. Future growth is believed to be favoured by factors originating both from the demand side, such as increased access to the internet, social and demographic changes that are driving use of the internet, and from the supply side, in the form of primarily a larger and more varied offering of products through the internet, combined with more secure and more flexible payment arrangements. Another important factor is that internet stores constantly are improving their functionality, making it easier for consumers to navigate the sites and make purchases online.

Increased access to the internet

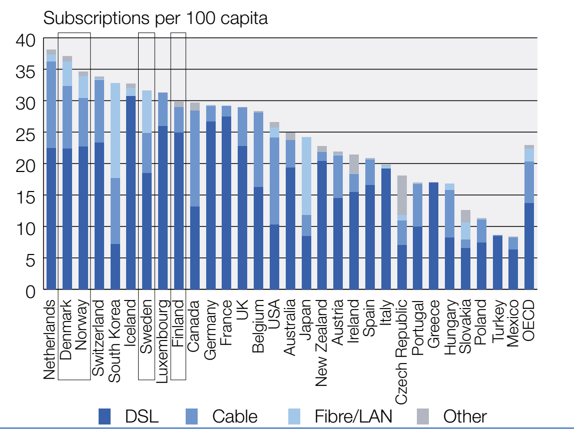
Increasing internet use and connection speeds are elements that favour the growth of the e-commerce market. The Nordic countries show internet penetration[2] of approximately 80 per cent, compared to an European average of 65 per cent[3]. It is generally assumed that one important reason for this is that the population of the Nordic region overall is receptive to new technology, combined with a political climate that promotes investments in the development and adaptation of the broadband infrastructure. A high proportion of Nordic households are connecting to the internet via broadband, which offers faster and more reliable internet use.[4]

Access of households to the internet (2009)



Source: Eurostat and the US Census Bureau.

Broadband subscriptions, per type of connection



Source: OECD.

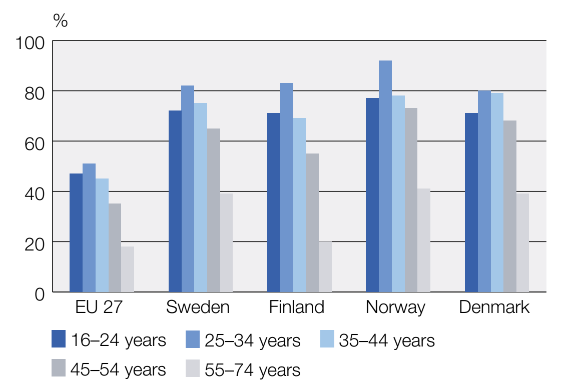
[1] Source: HUI.
[2] Internet penetration is defined as the percentage of the population that has access to the internet.
[3] Source: Eurostat.
[4] Source: OECD.

Current social and demographic changes

The internet is a convenient and time-saving buying channel for users, with a wide range of products offerings combined with transparent pricing. At the same time, with the growth in the number of internet users, it has become easier for companies to target their product offering to specific customer categories and to adapt their internet marketing accordingly.

The underlying growth is being driven by the composition of the customer base as a whole, in which younger generations of users are more accustomed to using the internet from an early age, compared to the older generations. In 2009, 80–90 per cent of 25–34 year-olds in the Nordic region ordered goods or services online, compared with an average of approximately 50 per cent in the EU 27[1]. Older generations have recently started shopping online to an increasing extent. Similarly, for this age category the Nordic average is considerably higher than the European (EU 27) average.[2]

Percentage of the population who have ordered goods or services online (2009)



Source: Eurostat.

Wider and more varied offering on the internet

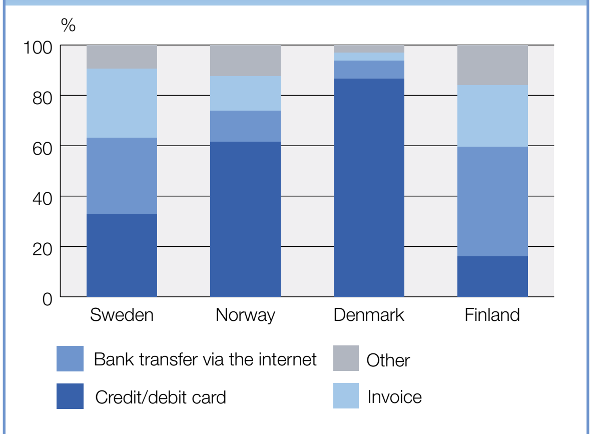
The internet today offers most types of goods and services and is an effective channel for both small and large businesses to launch and market their products. A growing and more varied product offering on the internet allows a larger group of consumers to find what they are looking for, which should continue to drive the growth of the e-commerce market as a whole. Another result of the rapid evolution of the internet as a buying channel is that internet shops have been designed to be more user-friendly and informative, with clearer descriptions and more pictures as well as reviews, which makes it easier for the consumer.

More secure payment arrangements

Customers' need for secure, cost-efficient payment options are driving the development of new payment solutions. Against that background, the trend is to offer customers a range of different payment options to choose from, with locally adapted solutions rather than standardised global payment solutions. Service companies such as DIBS Payment Services and Klarna provide payment services throughout the Nordic region and have all played a part in advancing the growth of e-commerce in the region.

Credit/debit cards are a popular means of payment for Nordic consumers shopping online. Today, the vast majority of credit card providers offer consumer protection, in the form of full refunds in cases of fraud within e-commerce. This reduces the transaction risk considerably for the consumer. Bank transfers via the internet are another popular method of payment solution, especially in Finland. Other payment options include cash on delivery, invoice, micro payments[3] and part-payments.[4]

Preferred payment method in Nordic countries



Source: DIBS Payment Services – "DIBS Nordic E-Commerce Survey" (January 2010).

MARKET SIZE AND TRENDS

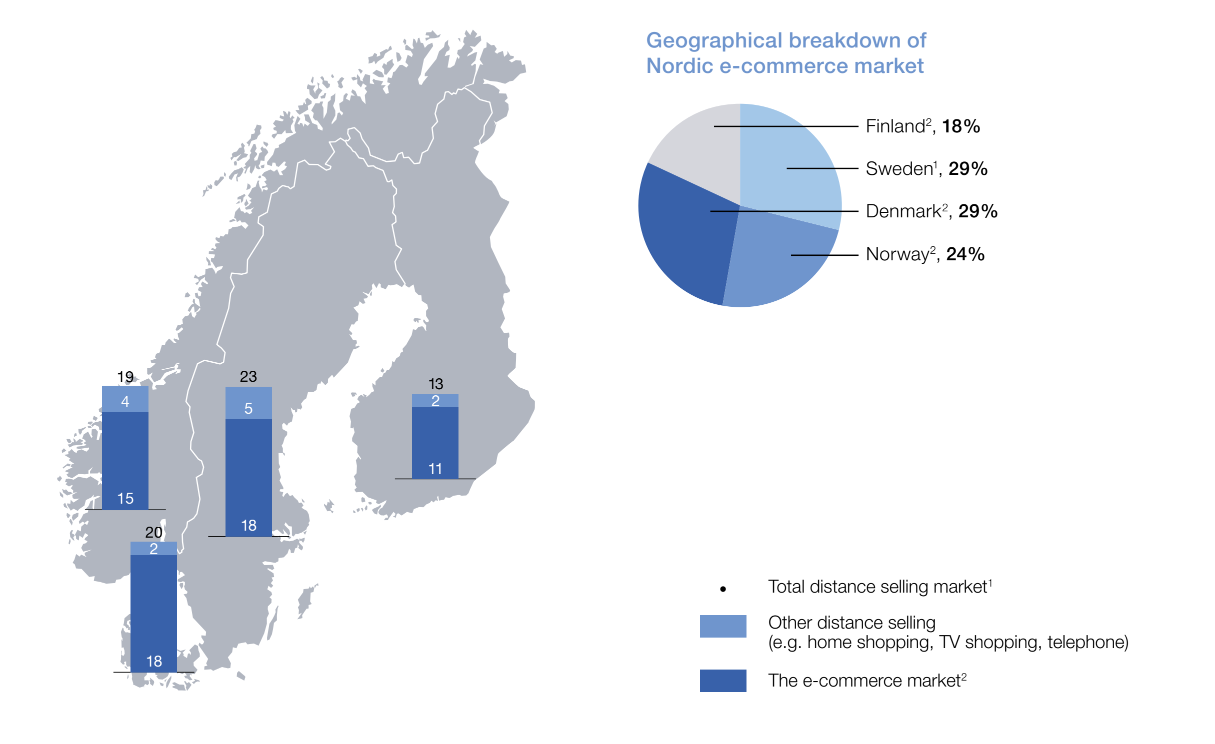
The total Nordic distance selling market is estimated at approximately SEK 75 billion. Out of the total distance selling market, the Nordic e-commerce market is estimated at approximately SEK 62 billion. Sweden and Denmark are considered to be the largest individual e-commerce markets, each with annual sales of SEK 18 million in 2009.[1]

Levels of penetration and growth

The Nordic e-commerce market, which is still in an early phase of its development, accounts for approximately 3.8 per cent of the total Nordic retail sector, which was estimated to ap-

[1] EU 27: the 27 Member States of the European Union.
[2] Source: Eurostat.
[3] Micro payments are payments of minor amounts (ranging from tens of SEK down to a few öre) that are not profitable to internet shops if normal payment methods such as Post Office giro accounts or credit/debit cards are used, because the processing costs for the transaction are too high relative to the amount paid.
[4] Source: DIBS Payment Services – "DIBS Nordic E-Commerce Survey" (January 2010).

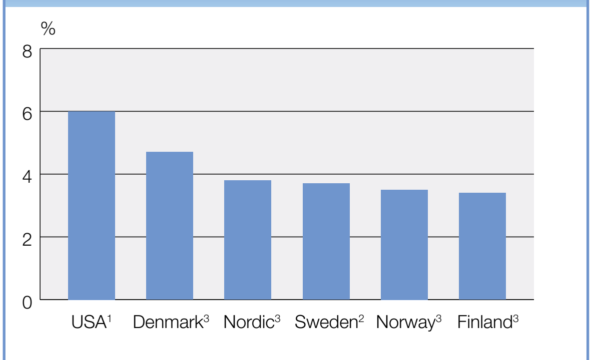
Size of market in 2009 (SEK billion)



Source: [1] HUI. [2] HUI and CDON Group.

proximately SEK 1,600 billion in 2009[1]. Compared with more highly developed e-commerce markets such as the USA, e-commerce penetration in the Nordic countries is still at a low level. According to Forrester Research, e-commerce in the USA showed penetration of six per cent in 2009.

E-commerce penetration (2009)

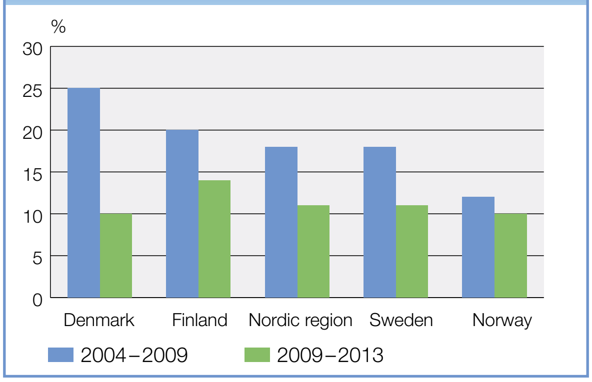


Source: [1]Forrester Research. [2]HUI. [3]HUI and CDON Group.

E-commerce emerged as a retail sales channel in the late 1990s. Since the early days of e-commerce, the high annual growth has shown a declining trend of increase in all Nordic countries. According to Euromonitor, the Nordic e-commerce market reported an annual growth of 18 per cent between 2004 and 2009. Denmark reported the highest growth rate, 25 per cent, between 2004 and 2009, mainly as a result of a highly developed internet infrastructure and strong local trends that favoured e-commerce. The high rate of growth in the Nordic region results primarily from structural changes, rather than growth in the general economy, as consumers are increasingly turning to the internet as a channel for buying goods. Euromonitor estimates that over the next four years Nordic e-commerce will continue to record double-digit growth figures (CAGR of eleven per cent). Finland is forecast to record the highest percentage growth, mainly because e-commerce is not as highly developed there as in the other Nordic countries.

[1] Source: HUI and CDON Group.

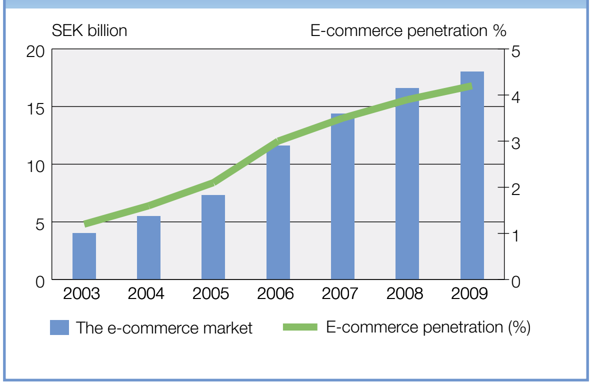
Average annual growth in the Nordic region, per country



Source: Euromonitor International.

Sweden has reported vigorous growth, with a more than 300 per cent increase in the e-commerce market since 2003. Despite the economic uncertainty in 2008 and 2009, e-commerce continued to show strong growth, which illustrates the relatively immature stage of this sales channel. According to HUI, the Swedish e-commerce market grew by 14 per cent in the third quarter 2010, compared to a general increase in the retail sector of 5.5 per cent. HUI estimates that the e-commerce market in Sweden will grow by approximately nine per cent in 2010, driven by optimism among consumers and businesses, along with the impact of an improved economy.

The Swedish e-commerce market (2003–2009)

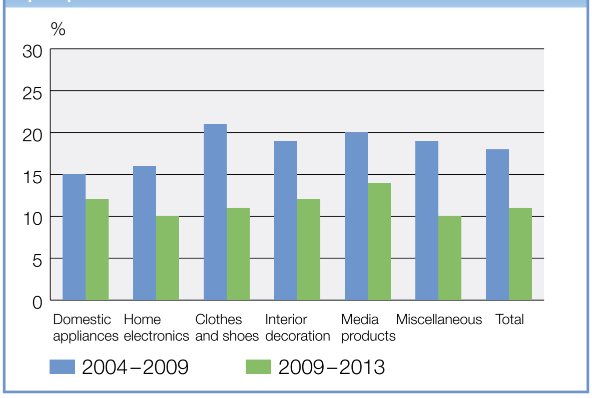


Source: HUI. Note: Retail sales by Systembolaget and Apoteket have been excluded from the figures in the graph above. Without the above-mentioned adjustment, e-commerce penetration was 3.7 per cent in 2009. The size of the market is stated exclusive of value added tax. The VAT rate is assumed here to be an average of 23 per cent.

PRODUCT MARKETS

CDON Group's primary geographical market for e-commerce is the Nordic region. In this market, the Company sells a large range of products, and the underlying product markets differ in terms of market structure, driving forces, regulation and degree of maturity. CDON Group's principal product markets comprise films, computer and console games, music, home electronics, books, clothing, shoes, toys and food supplements. A small but growing share of sales in certain product categories takes place digitally in the form of downloading of music and games as well as video on demand streaming (VoD).

Average annual growth in the Nordic region, per product



Source: Euromonitor International

Market for DVD films

The Nordic retail market for DVD films, including rentals, is estimated at approximately SEK 8.9 billion[1], of which Sweden and Denmark are the largest single markets, followed by Finland and Norway. In 2009, an estimated 20 to 30 per cent of DVD film sales in the Nordic markets took place via e-commerce.

CDON Group expects the retail market for DVD films to decline in the future as a result of increased downloading and streaming. However, the e-commerce market for DVD films is expected to benefit from an increasing share of overall sales taking place online.

Market for computer and console games

The Nordic retail market for computer and console games is estimated at approximately SEK 5.1 billion[2]. Sweden, the largest single market, is more than twice the size of the respective markets in Denmark, Finland and Norway. In the future, overall retail sales for computer and console games are expected to

[1] Source: SVF (Sweden), Release.no (Norway), the Danish Video Association (Denmark), Statistics Finland and CDON Group.
[2] Source: The Swedish Games Industry and CDON Group.

continue to grow, supported by continuous releases of new game consoles. E-commerce penetration for computer and console games in the Nordic countries was estimated at approximately 20 per cent in 2009. CDON Group expects the trend of increased internet sales to continue over the next few years. A minor but growing share of computer games are being sold via downloads.

Market for CDs

The Nordic retail market for CDs is estimated at approximately SEK 3.5 billion[1]. Sweden is estimated to be the single largest market in the Nordic region, where the migration to internet sales of CDs has progressed the furthest. In 2009, an estimated 35 per cent of CD sales took place through e-commerce in the Nordic countries.

In recent years, the retail market for CDs has shown a decline, as a result of growing sales of digital music and an increase in illegal downloads of digital music. The legislation against illegal downloading was, however, expanded in 2009. CDON Group takes the view that the market for CDs will continue to decline as a consequence of continued migration towards sales of digital music. During the first half of 2010 the negative development in the market for CDs has continued according to market statistics from IFPI. In 2009, digital sales in the Nordic region were estimated at approximately SEK 700 million[2].

Market for consumer electronics

The Nordic retail market for consumer electronics is estimated at approximately SEK 92.4 billion[3], in which Sweden and Norway are the largest single markets, followed by Denmark and Finland. Euromonitor forecasts the e-commerce market for consumer electronics to record high growth figures going forward. CDON Group estimates the e-commerce penetration for consumer electronics in the Nordic region to be between ten and twelve per cent, which may be compared to more mature markets in terms of e-commerce penetration, such as the USA, where penetration was 14 per cent[4] in 2009.

Market for books

The Nordic retail market for books, including digital sales, is estimated at approximately SEK 23.4 billion[5], with a high growth rate historically in e-commerce sales being driven by growth in e-commerce penetration. CDON Group estimates e-commerce penetration in the Nordic countries at 10–20 per cent. A minor but growing share of book sales is being conducted digitally, in the form of e-books or audio books for download.

Market for clothing and shoes

The Nordic retail market for clothing and shoes is estimated at approximately SEK 144.0 billion[6] and CDON Group estimated e-commerce penetration in the Nordic countries at six per cent in 2009. This may be viewed against the backdrop of the US market, which recorded an e-commerce penetration of nine per cent in 2009.[7] CDON Group anticipates that e-commerce penetration in the Nordic countries will increase strongly over the next few years as a result of changes in buying habits for clothing and shoes among consumers.

[1] Source: IFPI and CDON Group.
[2] Source: IFPI and CDON Group.
[3] Source: GFK and CDON Group.
[4] Source: Forrester Research.
[5] Source: The Swedish Publishers' Association, the Norwegian Publishers' Association, the Danish Publishers' Association, Statistics Finland and CDON Group.
[6] Source: SCB, Statistics Finland, Statistics Norway, Statistics Denmark and CDON Group.
[7] Source: Forrester Research.

Market for food supplements

The Swedish retail market for food supplements is estimated at approximately SEK 2.8 billion[1]. A lack of consistent statistics for the other Nordic countries makes comparisons difficult. Svensk Egenvård[2] estimates that a high proportion of total sales in the product segment takes place through distance selling channels. CDON Group estimated e-commerce penetration in Sweden at 13 per cent in 2009, with lower degrees of penetration in the other Nordic countries.

Market for digital products

A small, but growing, share of CDON Group sales consists of digital products. The market for digital products, primarily digital music, is characterised by fierce competition.

COMPETITIVE LANDSCAPE

Generally speaking, the Nordic e-commerce market is highly fragmented, with a handful of large companies operating in their individual sub-markets. A large number of small companies are active in the market, representing a potential for consolidation as resources to grow and exploit the scalability of the business model are considered limited for these companies.

CDON Group is exposed to competition from other Nordic and global e-commerce companies, including companies selling digital products, but also from players who primarily focus on the traditional retail sector. Because CDON Group offers a broad range of products, competition also arises from companies specialising in sales of a particular product range. The following is a selection of CDON Group's competitors per product segment:

- **Entertainment:** Adlibris, Amazon, Bokus, CDWOW, Coolshop, Discshop, Dustin, iTunes, Ginza, Katshing, Komplett, Megastore, NetOnNet, NetAnttila, Play, Platekompaniet, shg, Verkkokauppa and Webbhallen.
- **Fashion:** Asos, Bubbleroom, Eleven, Gina Tricot, H&M, Yoox and Zoovillage.
- **Sports & Health:** Gymvaruhuset, Healthcare4net, Life, Mass, MM Sports, Proteinfabrikken, Topformula and Vitapost.

[1] Source: Svensk Egenvård and CDON Group.
[2] Svensk Egenvård (the Swedish food supplement producers' organisation) is an association
representing the interests of companies in the sector comprising health foods, natural remedies, food supplements, vitamins, minerals and natural cosmetics.

BUSINESS OVERVIEW

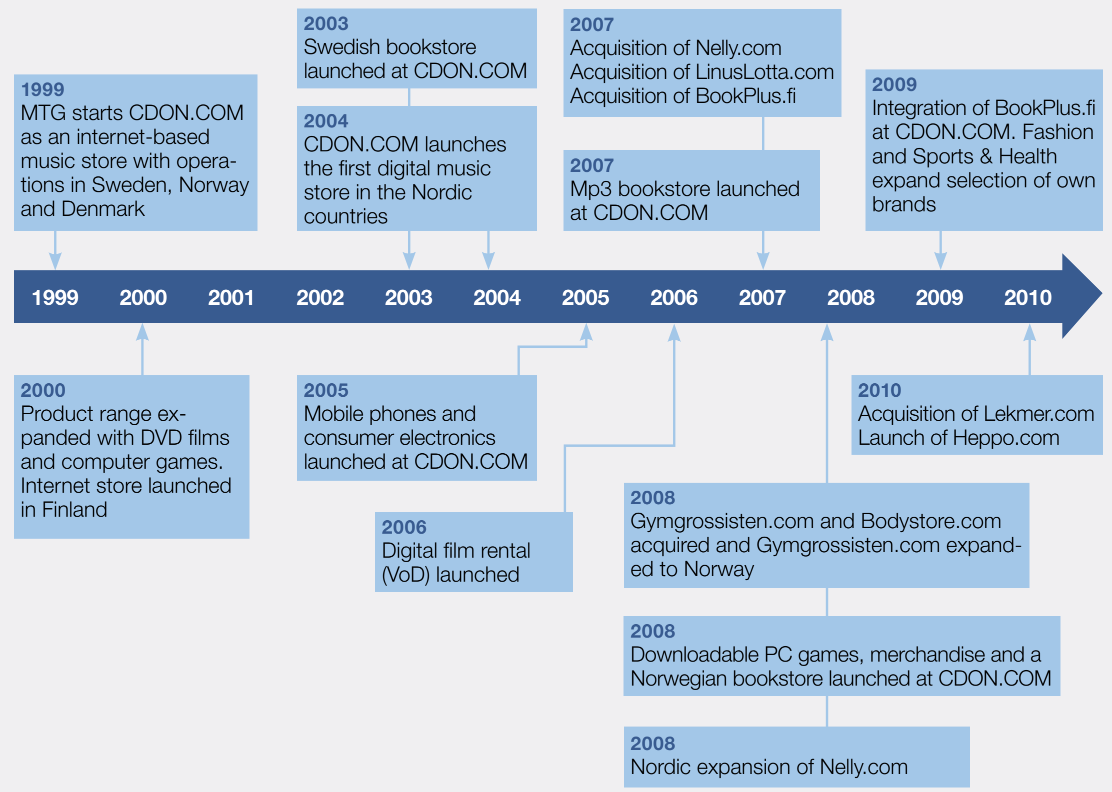
INTRODUCTION

The launch of CDON.COM in Sweden, Norway and Denmark in 1999 laid the foundation of today's CDON Group. At that time, the internet store primarily sold music CDs. Shortly thereafter DVD films and computer games were introduced to the product range. Over the following years, CDON.COM rapidly expanded its product offering, resulting in an organic average annual sales growth of 52 per cent between 2001 and 2006. In 2007 the Company broadened its growth strategy through the acquisitions of the internet stores Nelly.com, LinusLotta.com and BookPlus.fi, thereby adding clothing to the product portfolio at the same time as the Company acquired a platform for sales of books in Finland. The following year the Company acquired the internet stores Gymgrossisten.com and Bodystore.com, now the Sports & Health business area. In 2008 the Company also initiated a Nordic expansion of Nelly.com and launched Gymgrossisten.com in Norway.

The acquisitions of Gymgrossisten.com and Nelly.com have developed beyond expectations whereas it has taken longer to achieve defined goals for the internet stores BookPlus.fi and LinusLotta.com. In early 2010 CDON Group expanded the product portfolio further through the acquisition of Lekmer.com, the internet store for toys and children's products. In August 2010 CDON Group launched Heppo.com, a dedicated online shoe store. In October 2010 a German version of Nelly.com was introduced, which marked the first expansion outside the Nordic region.

CDON Group is a prominent player on the Nordic online retail market and offers a broad product range including films, games, music, toys, consumer electronics, clothing, shoes and food supplements. The range of products consists of physical products as well as digital product downloads, such as music and games, as well as film streaming. The customer list contains more than two million active customers[1].

Important events



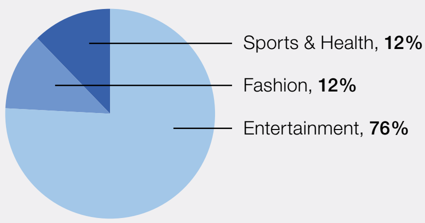
Source: CDON Group.

[1] Active customers are defined by the Company as customers who made purchases during the past twelve months.

CDON GROUP DIVIDES ITS OPERATIONS INTO THREE BUSINESS AREAS:

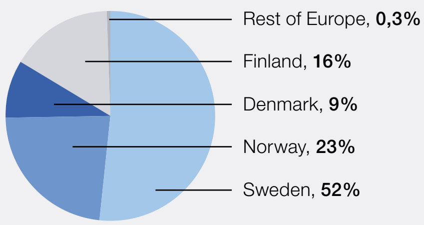
- **Entertainment** operates via the internet stores CDON.COM, BookPlus.fi and Lekmer.com[1]. In 2009 Entertainment accounted for 76 per cent of CDON Group's net sales and 74 per cent of operating income. Net sales growth over the last twelve months was 18 per cent.[2]
- **Fashion** operates via the internet stores Nelly.com, LinusLotta.com and Heppo.com[3]. In 2009 Fashion accounted for twelve per cent of CDON Group's net sales and 6 per cent of operating income. Net sales growth over the last twelve months was 124 per cent.[2]
- **Sports & Health** operates via the internet stores Gymgrossisten.com (Fitnesstukku.fi in Finland) and Bodystore.com. In 2009 Sports & Health accounted for twelve per cent of CDON Group's net sales and 21 per cent of operating income. Net sales growth over the last twelve months was 32 per cent.[2]

Sales by business area (2009)



Source: CDON Group.

Sales by geographic market (2009)



Source: CDON Group.

BUSINESS CONCEPT, VISION AND OBJECTIVES

Business concept

CDON Group's business concept is to take advantage of the ongoing migration of sales from traditional retail to e-commerce, by using its established, scalable and efficient internet retailing platform to develop a portfolio of market leading internet stores.

Vision

CDON Group will be a driver of the migration of sales from traditional retail to the internet and become a leading e-commerce player in each of its operating market segments.

Objectives

CDON Group's objective is to generate sustainable and long term shareholder value.

- The Group will continue to grow organically at least in line with the growth of each of its operating market segments in each of its territories[4] and, in addition, to start-up or acquire new brands.
- The Group will also generate marginals that are at least in line with the average of its competitors in each of its operating market segments[5], when excluding the impact of new start-ups and acquisitions.

Dividend policy

CDON Group is a growth company and therefore plans to continue to reinvest its profits in the ongoing development and expansion of its operations. The timing and size of any possible future dividends will depend on the Company's future results, financial position and investment opportunities.

MAIN STRATEGIES

To achieve CDON Group's established goals the Company pursues the following strategies.

- Quickly establish an e-commerce position as one of the leading players in all product segments within each business area and internet store.
- Achieve growth within existing internet stores through concept development, geographic expansion and expansion of the product range.
- Continually seek and evaluate acquisition opportunities suitable for CDON Group's infrastructure and long-term strategy.

[1] The internet store was acquired in March 2010.
[2] Relates to the period 1 October 2009–30 September 2010.
[3] The internet store was launched in August 2010.
[4] See "Product markets" in section "Market overview".
[5] See "Competitive landscape" in section "Market overview".

CDON GROUP FOCUSES ON THE FOLLOWING STRATEGIES

Growth

The online retail sector is at a nascent stage in the markets where CDON Group is active. As e-commerce penetration only accounted for 3.8 per cent of the total retail sector in the Nordic region, there is an underlying market growth as e-commerce becomes a more common and established sales channel. The consumer shift from traditional retailers to the internet will benefit companies that are well-positioned with leading internet stores that offer a comprehensive product range.

- Organic growth: CDON Group's growth has historically been mainly organic. It has well-positioned internet stores and an attractive product offering in growing markets and the Company will continue to pursue organic growth within existing and new markets. CDON Group sees good opportunities to achieve organic growth by broadening its existing product range within existing internet stores while taking advantage of the Company's business model, where a growing active customer database can be exposed to a larger and broader product range from several stores within the Group.
- Geographic expansion: CDON Group is planning for a continued pan-Nordic expansion of the Company's internet stores, for which existing IT and logistics solutions will facilitate the implementation.
- Strategic acquisitions: CDON Group has acquired and integrated five companies since 2007. Gymgrossisten.com and Nelly.com are both examples of the Company's ability to successfully add new product segments through acquisition. Growth in acquired companies is accelerated through an improved product offering and economies of scale, which is considered to have been achieved by becoming a part of CDON Group in combination with geographic expansion. Acquisitions will be a growth driver in the future as well, both to consolidate existing markets and to enter into new segments and geographic markets.
- Own start-ups: The launch of the new internet store Heppo.com in the third quarter of 2010 within the Fashion business area is an example of how CDON Group uses existing IT infrastructure, logistics solutions and internal know-how to launch start-ups with limited investment needs. Management has identified several product segments which may be suitable for start-ups which are continuously evaluated.

Continuous profitability improvements

CDON Group aims to improve profitability as the Company grows and expands its stores' product range in more geographic markets. The Company has operational objectives intended to create a positive development of margins in the coming years.

- Scalable business model: By exploiting the above-mentioned synergies while the Group is expanding, management sees opportunities to drive a positive development of margins within existing and new markets.
- Transition to products with higher profitability: In recent years the percentage of sales that originates from the business areas Sports & Health and Fashion has grown sharply. CDON Group intends to continue to pursue this trend with an increasing percentage of sales of higher margin products, such as clothing and food supplements.
- Transition to own brands: Developing and launching its own brand is an important component of the Company's strategy. Management sees good opportunities to continue to build the Company's brands and strengthen customer loyalty, and to increase the number of repeat customers by offering attractive own brands, including "Nelly" and "Star Nutrition".

Exploit synergies among the different internet stores

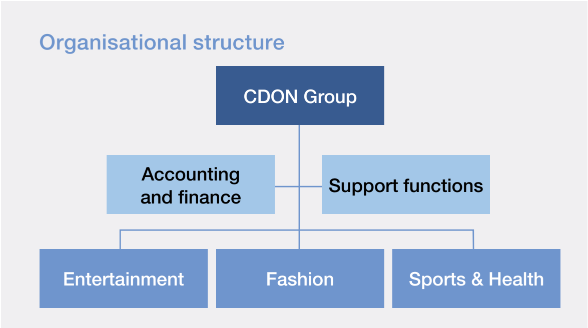
CDON Group's operations are based on several internet stores which operates through a common corporate structure. This provides the Company with opportunities to achieve economies of scale in several areas:

- Purchasing: Economies of scale in purchasing supplier services and goods for sale.
  - CDON Group's size provides opportunities to negotiate more favourable postal agreements, payment solutions, logistics etcetera, than would be possible for the Company's internet stores on an independent basis.
  - CDON Group's strong market position makes the Company an attractive distribution channel in relation to suppliers, which lays the foundation for attractive and exclusive agreements and more advantageous purchasing terms.
- Marketing and sales: Economies of scale when purchasing advertising space, optimisation of SEO/SEM investments[1] and a customer list with more than two million e-commerce consumers make it possible to direct offerings to specific customer groups based on demography and purchasing behaviour.
- IT: Scalable IT infrastructure with respect to equipment, monitoring and business systems, as well as website development, where newly developed or improved functions can be reused in several internet stores within the Company.
- Daily operations: Coordination of functions, logistics infrastructure and formalised procedures for business practices, control, logistics and contract negotiations.
- Common strategy and financial flexibility: Coordination of strategies between the Company's business areas combined with financial capacity to use own cash flows to carry out start-ups, geographic expansion of existing web sites and add-on acquisitions.

ORGANISATIONAL STRUCTURE

CDON Group is divided into the three business areas Entertainment, Fashion and Sports & Health. Business and support functions are available at a group level to support each business area in its operations. For more information about senior managers and their functions, see section "Board of Directors, Executive Management and Auditors".

For information regarding legal structure, see section "Legal considerations and supplementary information".



Source: CDON Group.

[1] Search engine optimisation (SEO) and search engine marketing (SEM), see "Marketing" in section "Business overview" for additional information.

BUSINESS AREAS

Entertainment

Operations in the Entertainment business area are conducted through the internet stores CDON.COM, BookPlus.fi and Lekmer.com. In 2009 the business area accounted for 76 per cent of CDON Group's net sales and 74 per cent of operating income.

Entertainment business area overview

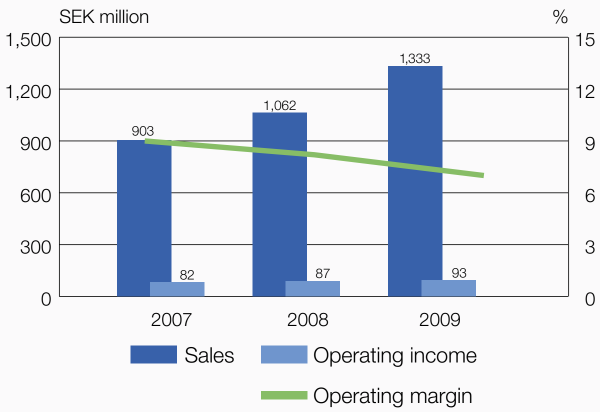
Internet stores

Geographic markets

Distribution centre

Office

Financial development 2007–2009



Source: CDON Group. Note: Lekmer.com was acquired in 2010 and is therefore not included in the financial information above.

CDON.COM

CDON.COM was launched in 1999 and today has a strong position in the Entertainment market in the Nordic region, with respect to both traditional retail and e-commerce. The internet store is available in local versions in the Nordic region, which together registered almost sixty million visits in 2009.

CDON.COM has a scalable business model with growth partly stemming from expansion to new product segments. Today, CDON.COM currently offers a broad product range ranging from music and movies to books, games and consumer electronics, with a small but steadily increasing proportion being sold on an on-demand basis.

BookPlus.fi

BookPlus.fi was Finland's first online bookstore when it was launched in 1995. CDON Group acquired BookPlus.fi in December 2007 as a platform in Finland and the internet store has subsequently been integrated into the Company's infrastructure. Today BookPlus.fi is a market leading player on the Finnish book market on the internet.

BookPlus.fi offers a broad product range with a total of 3.5 million Finnish, English, German and Swedish titles in all genres, from children's books to professional literature and academic titles. The internet store targets the Finnish market and registered 3.5 million visits in 2009. Revenue stems from sales to private individuals as well as to companies.

Lekmer.com

Lekmer.com was launched in Sweden in 2006 and is currently a market leading internet store for toys and products for children. CDON Group acquired Lekmer.com in late March 2010.

The product range comprises approximately 4,500 toys and children's products from leading brands such as Alga, Mattel, Brio, Micki, Babybjörn, Disney, Hasbro, Lego and Playmobil. The number of visits to the internet store more than doubled in 2009, with a total of 1.5 million visits for the year. Lekmer.com was launched in Norway in October 2010 and in Finland and Denmark in November 2010.

Fashion

Operations in the Fashion business area are conducted through the internet stores Nelly.com, LinusLotta.com and Heppo.com. In 2009 the business area accounted for twelve per cent of CDON Group's net sales and 6 per cent of operating income.

Fashion business area overview

Internet stores

nelly.com

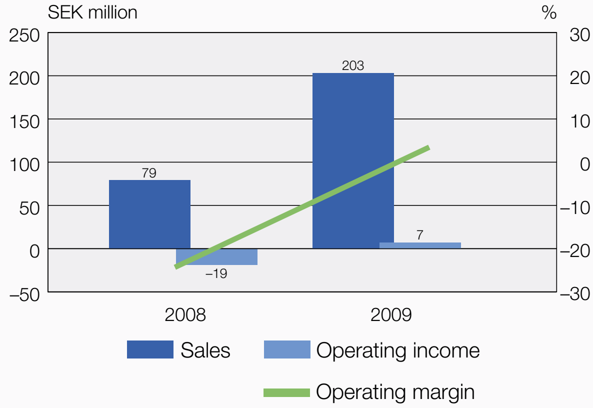
LinusLotta.com

Heppo.com

Geographic markets

Office and distribution centre

Financial development 2008–2009



Source: CDON Group. Note: Nelly.com was consolidated from 1 September 2007 and LinusLotta.com from 1 January 2008. Heppo.com was launched in August 2010 and is therefore not included in the financial development 2008-2009.

Nelly.com

Nelly.com was founded in 2004. After CDON Group acquired the internet store in 2007, it underwent extensive structural improvements, such as a new layout for the internet store, a new IT infrastructure and improved warehouse logistics. Nelly.com has expanded rapidly with launches in Norway in June 2008, and in Denmark and Finland in October 2008. In October 2010 a German version of Nelly.com was introduced, which marked the first expansion outside the Nordic region.

The product range was expanded from initially comprising of underwear, swimwear and women's wear, to also include clothing for children and men, as well as accessories and beauty products. In total, Nelly.com offers more than 400 external brands in a broad range of low-end to high end price segments. In 2008, Nelly.com launched own brands, including "Nelly". The product range under the Company's own brands has subsequently grown and currently includes an extensive range of shoes and accessories, as well as clothing and underwear.

LinusLotta.com

LinusLotta.com already had a Nordic presence when CDON Group acquired the internet store in 2007. After the acquisition, LinusLotta.com was integrated into CDON Group's infrastructure and registered almost two million visits in 2009.

The product range consists of children's clothing and shoes, as well as maternity clothing. The target group comprises pregnant women and parents with children aged 0–12 years.

Heppo.com

Heppo.com is an internet store focused on shoes and shoe accessories that started its operations in Sweden in August 2010 and expanded to the rest of the Nordic countries in September 2010. Heppo.com is an example of how CDON Group takes advantage of existing IT infrastructure, logistics solutions and internal know-how to carry out a start-up with limited investment requirements.

The product range consists of a broad range of high-end shoes and shoe accessories from more than 100 different brands. The internet store's primary target groups are men and women aged 25–35.

Sports & Health

Operations in the Sports & Health business area are conducted through the internet stores Gymgrossisten.com (Fitnesstukku.fi in Finland) and Bodystore.com. In 2009 the business area accounted for twelve per cent of CDON Group's net sales and 21 per cent of operating income.

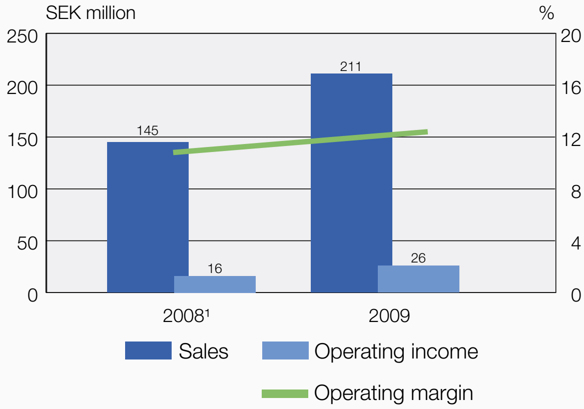
Sports & Health business area overview

Internet stores

Geographic markets

- Office
- Office and distribution centre

Financial development 2008–2009



Source: CDON Group. Note: Gymgrossisten.com and Bodystore.com were consolidated from 1 February 2008.
[1] The financial development for 2008 relates to the period February to December.

Gymgrossisten.com

Gymgrossisten.com was founded in 1996 and is today the leading internet store in the Nordic countries for food supplements with close to four million visits in 2009. Even with respect to the total market, Gymgrossisten.com holds a leading position. CDON Group acquired Gymgrossisten.com and its Finnish equivalent, Fitnesstukku.fi, in 2008 and the Company opened the Norway store in October 2008. In addition to sales via the internet store, Gymgrossisten.com also sells its products through six franchises, five Swedish and one Norwegian one.

Gymgrossisten.com offers a broad range of various types of food supplements. The products are available in several different forms, including bars, powder and beverages, and are mainly used for muscle-building, meal replacement, performance enhancement, weight loss and to achieve general good health. The products contain vitamins, minerals, carbohydrates and protein. The internet store offers attractive external brands such as Better Bodies, Abilica, Multipower and SAN Nutrition, together with its own brand "Star Nutrition". Gymgrossisten.com also has a growing product offering of books, training equipment and workout apparel. The goal is to launch Gymgrossisten.com in Denmark in December 2010.

Bodystore.com

Bodystore.com is one of Sweden's leading internet stores for beauty, health food and well-being, with more than 1,700 items in its product range. The internet store was included in the acquisition of Gymgrossisten in 2008 and has since then undergone substantial improvements, including a new layout adapted to the customer target group. Bodystore.com registered more than one million visits in 2009, an increase of 66 per cent from 2008.

The product range covers a broad spectrum of health and beauty products, food supplements, workout apparel and exercise equipment. The product range consists of both external brands and own brands.

VALUE CHAIN

CDON Group's value chain ranges from purchasing products from external brands or product development of own brands, to marketing its internet stores and products to generate traffic to the Company's internet stores. This traffic then leads to product sales, which are finally delivered to the customer, with customer support provided when needed. Each step in the value chain is supported by the Company's support functions and IT infrastructure.

Marketing

CDON Group's marketing activities aim to drive traffic to the Company's internet stores to generate sales. Marketing activities also increase awareness of the Company's own brands, which always is an advantage since it generates customer loyalty and interest. Marketing takes place through a number of different marketing channels, including the internet and television.

Investments in online advertising can be carefully monitored in terms of return and each advertising campaign is measured and evaluated for effectiveness according to specific criteria. The main marketing channels on the internet are search engines and affiliate networks. In addition, marketing between the internet stores within CDON Group offers interesting opportunities to customise advertising to the visitors.

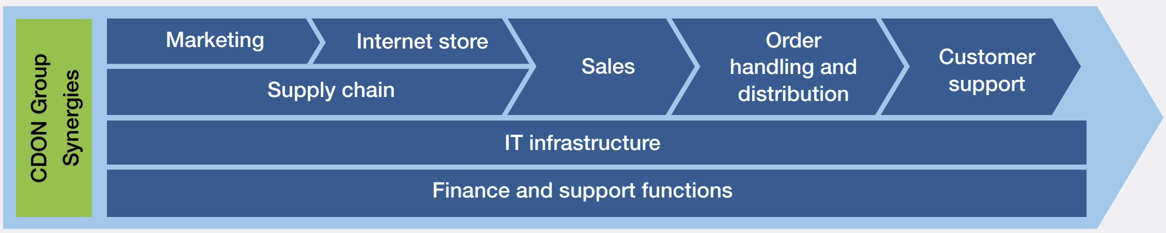
Search engine optimisation (SEO) and search engine marketing (SEM) are of particular importance with respect to the internet and marketing via search engines. The goal of SEO is for websites to reach top positions in search results at no cost to the Company. With SEM, a particular website appears as a sponsored link on a prominent position in the search engine and when the user clicks on the sponsored link, the Company incurs costs that vary depending on the keywords involved.

Affiliate networks are based on a system in which advertisers are matched with website owners. Through the affiliate network, owners place advertisers' ads on their website and the advertiser then pays per visit or per purchase. The advantage for advertisers is the opportunity to reach out to a large number of sites with less administrative work because all payments and contacts with the owners of sites are compiled by and take place via an affiliate network.

Cross-marketing via e-mail among CDON Group's internet stores complements other advertising. By cross-marketing, the Company has the opportunity to cost-effectively take advantage of the aggregate visitor traffic to the Company's internet stores.

Activities aimed at promoting loyalty among existing customers mainly involve customised direct marketing. CDON Group has increased its customer base to include more than two million customers, which provides major opportunities for customised

CDON Group's value chain



Source: CDON Group.

direct marketing, and weekly and monthly newsletters with product campaigns are a proven concept for increasing sales. Other marketing channels such as social media and blogs are becoming increasingly important and are particularly effective for more trendy internet stores, such as Nelly.com, with the purpose of generating sales and increasing brand awareness. Gymgrossisten.com regularly distributes product catalogues to its customers to market its product range.

CDON Group has purchased TV and radio advertising for many years from MTG as well as from external parties. In Finland the Company has purchased TV advertising from external parties since 2002. CDON Group has also had a beneficial arrangement with MTG, which has enabled lower marketing costs. TV and radio will also in the future, after the listing, be prioritised marketing channels. For further information regarding the arrangement with MTG, see section “Major agreements”.

Internet stores

An internet store is a website for selling products online. An interface adapted to both products and customers, with clear information, quick response time, easy navigation and effective search tools are the essential elements an internet store needs in order to attract and retain visitors and to get a high percentage of visitors to make purchases. CDON Group works continuously on improving existing internet stores and opening new ones.

The Company has extensive internal expertise within interface production and logical structures, as well as in designing graphic content for internet stores. The same architecture is used for the internet stores within each business area, which provides each of the business area’s internet stores with synergies when the infrastructure or layout is updated and the updates are mirrored.

Supply chain

Successful purchases are necessary to maintain and optimise the Company’s profitability. Each business area handles purchasing separately. The product range comprises a combination of products from external and own brands. Approximately 20 per cent of sales at Nelly.com and 50 per cent at Gymgrossisten.com are attributable to own brands. By introducing its own brands, the product offering can be tailored to meet customer demand and thereby increase customer loyalty and strengthen the Company’s brand. Own brands also entail an exclusive range of products for the Company, where the customer usually can purchase these products only through the Company’s internet stores.

In Entertainment, purchases are usually made according to individual contracts with each supplier, where less than five per cent of purchases are currently binding contracts with minimum purchase volumes or similar commitments. In the Entertainment business area, the internet stores do not sell any products with the Company’s own brands.

The purchasing structure for Fashion differs from the one for Entertainment. Typically, the fashion industry divides its commercial offering into two seasons, the spring/summer and autumn/winter collections. Orders are placed “before the season”, which tend to be large orders, “during the season”, which means that new styles are purchased to meet demand and “replenishment orders”, to complement the existing product range. Own brands are developed in cooperation with a partner that delivers sizes and designs. Manufacturing for the Fashion business area is carried out by carefully selected suppliers in Asia, where the partner handles contacts with factories and quality control. CDON Group aims for its suppliers to comply with local regulations and requirements in respective markets. The entire product range for the business area is kept in stock.

Examples of own brands

Star Nutrition

Nelly shoes

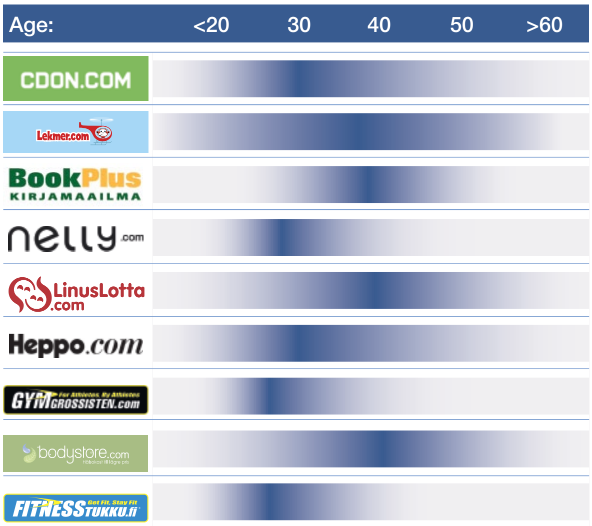
Source: CDON Group.

Sports & Health sells both external brands and own brands. CDON Group develops its own brand “Star Nutrition” in cooperation with a supplier. The supplier handles all manufacturing and normally delivers the products to Gymgrossisten.com for packaging at the Company’s central warehouse in Trollhättan, Sweden. The entire product range for the business area is kept in stock.

Sales

The core of CDON Group’s business is to attract visitors to the internet stores and then get them to make purchases. The Company’s more than decade-long experience of e-commerce has contributed to its extensive expertise on how internet stores and advertising campaigns should be designed to increase the number of orders in relation to the number of visits. This is also done through bundled offers, combined with weekly and monthly promotions. CDON Group’s target customer groups differ depending on individual internet store, which is illustrated in the figure below.

Illustrative target group per internet store



Source: CDON Group.

Order management and distribution

CDON Group has integrated logistics solutions to efficiently manage the large number of orders that go through the Company’s system and to cost-effectively meet customer demand for quick deliveries. The system is designed to automatically transfer customer orders to the relevant distribution centre where the orders are packed and prepared for delivery to the customer. The deliveries are carried out by mail through external shipping companies. Inventories are handled separately for each business area.

Inventory management within Entertainment is contracted to external service providers which handle packaging and delivery, with the largest warehouse situated in Borås, Sweden. The warehouse for Fashion is also located in Borås, Sweden, and all warehouse work is handled internally. Relatively high levels of inventories are kept to be able to deliver increased sales volumes with quick deliveries. The warehouse for Sports & Health is located in Trollhättan, Sweden, and is managed internally by CDON Group.

Customer support

Customer support within CDON Group is handled by approximately sixty full-time employees. Most customer contacts are handled via e-mail which has often proven to be the most time-efficient and cost-effective way to communicate with customers. Sports & Health offers customer support and advisory services by phone as a complement to e-mail due to the complexity of its product offering. CDON.COM also uses telephone support as a complement to e-mail.

Returned products are handled separately by the respective business areas. CDON Group actively works to reduce the percentage of returned goods through a number of measures, such as increased information at the internet stores about the products as well as a function that allows customers to rate and review products.

IT

The IT infrastructure refers to hardware and software used by CDON Group to provide sales via the Company’s internet stores, mainly to private individuals. The primary elements of the IT infrastructure consist of hardware and three separate site architectures.

The hardware component of the IT infrastructure is built to support both continuity and scalability. The servers that store CDON Group’s internet stores are owned by the Company, stored with a Swedish IT company and connected to the internet via high-speed connections. System administration and monitoring of the servers is handled internally with support 24 hours a day, seven days a week.

The separate site architectures, one for each business area, are continually updated to handle the growing number of visitors, as well as to enable the integration of new product lines and expansion into new geographic markets.

As a natural result of being a pure e-commerce company, IT is of significant importance to CDON Group. Similarly to the appearance and location of the physical store having a large impact in traditional retail, the appearance and functionality of the Internet stores is very important to CDON Group. At the same time, it is important that the Company’s internet stores are up to a high standard in terms of logistics, speed and security.

Finance and support functions

CDON Group handles a number of services at the group level that support the Company's business areas. Examples of such services are SEO and SEM, IT and finance.

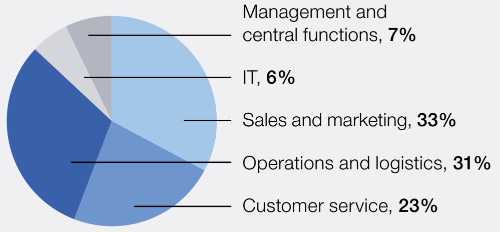
PERSONNEL

CDON Group views its employees as crucial to the operation. Attracting and retaining staff along with skillset development are necessary for CDON Group's success as well as to meet established growth targets and business development. As at 31 December 2009 the Company had 221 full-time employees, 52 per cent of which in Entertainment, 33 per cent in Fashion and 15 per cent in Sports & Health.

Personnel

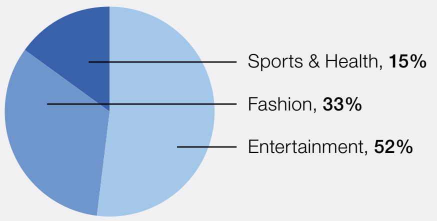
	2009	2008	2007
Number of full-time equivalent employees at year-end	221	202	99
Women/men, %	50/50	36/64	37/63
Average age	31	29	28
Average number of employees per year	203	167	68

Full-time employees per function (2009)

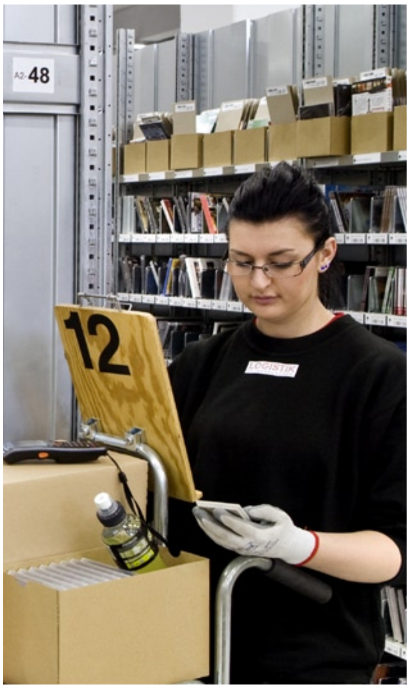


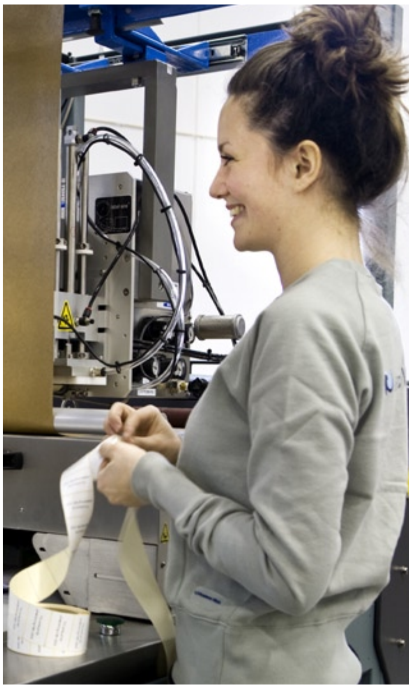
Source: CDON Group.

Full-time employees by business area (2009)



Source: CDON Group.





CONDENSED FINANCIAL INFORMATION

The following section contains CDON Group's financial information for the period 2007–2009 as well as the nine month period January–September 2009 and 2010. In September 2010, there was a recapitalisation of CDON Group which is described under section "Capital Structure and Refinancing".

Group	January–September		Full year		
(SEK million)	2010	2009	2009	2008	2007
Operating revenue and income					
Net sales	1,441	1,131	1,746	1,286	910
Gross income	281	232	269	192	132
Operating income before depreciation and amortisation (EBITDA)[1]	101	79	131	88	80
Operating income (EBIT)[1]	97	74	125	83	79
Income before tax[2]	82	64	113	75	91
Net income from continuing operations	64	45	80	49	63
Net income for the period[3]	64	45	80	49	104
Balance Sheet					
Non-current assets	262	255	255	258	48
Current assets excluding interest-bearing receivables	323	183	214	280	178
Interest-bearing receivables	145	156	270	102	177
Cash and cash equivalents	21	4	3	42	82
Equity[2]	310	215	8	171	175
Interest-bearing liabilities[2]	85	116	258	102	15
Non-interest-bearing liabilities	314	243	475	408	295
Total assets	730	594	741	682	485
Operating cash flow					
Net income for the period	64	45	80	49	104
Non-cash items	18	31	47	36	–1
Changes in working capital	–98	19	91	27	2
Net cash flow from operating activities	–16	95	219	111	105
Net cash flow from investing activities	–9	–3	–6	–200	26
Net cash flow from financing activities	42	–129	–255	49	–189
Profitability and related ratios					
Gross margin	19.5%	20.5%	15.4%	14.9%	14.5%
EBITDA margin	7.0%	7.0%	7.5%	6.8%	8.8%
Operating margin	6.7%	6.6%	7.2%	6.4%	8.7%
Return on capital employed[4]	44.1%	28.5%	37.5%	25.9%	38.2%
Return on equity[2, 4]	62.0%	31.3%	49.8%	24.9%	33.2%
Capital structure and related ratios					
Net debt (+) / Net cash (–)	–81	–43	–15	–42	–245
Equity/asset ratio	42.5%	36.2%	1.1%	25.1%	36.1%
Operational key ratios					
No. of visits, thousands	76,683	62,348	88,041	63,460	53,702
No. of orders, thousands	3,154	2,616	3,933	3,154	2,827
Average shopping basket, SEK	442	409	421	409	372

[1] CDON Group has historically been able to utilise unsold advertising airtime on channels of Viasat, a company related to MTG, at a discount to the prevailing market price of sold advertising airtime of corresponding type. This discount is estimated to have amounted to SEK 15 million during the first nine months of 2010, and approximately SEK 14.5 million during the same period in 2009 (approximately SEK 20 million for the full year 2009).
[2] In September 2010, CDON Group was recapitalised, for further information see section "Capital Structure and Refinancing".
[3] Net income in 2007 included profit from discontinued operations of SEK 41 millions.
[4] Based on the four last quarters.

Condensed Financial Information, cont'd.

PER SHARE DATA

Per share data are based on the weighted average number of shares for each period and adjusted for a split 250:1.

	January–September		Full year		
(SEK)	2010	2009	2009	2008	2007
Earnings per share	32.76	89.23	159.11	97.13	208.87
Equity per share	4.70	427.76	13.48	341.79	349.31
Dividend per share	–	–	300.00	–	–

Per share data below are based on the current number of shares, 66,342,124, as per November 2010, see section "Capital structure and refinancing".

	January–September		Full year		
(SEK)	2010	2009	2009	2008	2007
Earnings per share	0.96	0.67	1.20	0.73	1.57
Equity per share	4.65	3.22	0.10	2.58	2.63
Dividend per share	–	–	2.26	–	–

SEGMENT INFORMATION

	January–September		Full year		
(SEK million)	2010	2009	2009	2008	2007
External sales					
Entertainment	930	839	1,333	1,062	903
Sports & Health	212	159	211	145	–
Fashion	298	136	203	79	7
Operating income					
Entertainment	56	52	93	87	82
Sports & Health	27	20	26	16	–
Fashion	14	2	7	–19	–1
Operating margin					
Entertainment	6.1%	6.2%	7.0%	8.2%	9.0%
Sports & Health	12.7%	12.7%	12.4%	10.8%	–
Fashion	4.8%	1.6%	3.5%	–24.3%	–17.1%

SALES BY GEOGRAPHICAL AREA

	January–September		Full year		
(SEK million)	2010	2009	2009	2008	2007
Sweden	–	–	901	671	454
Norway	–	–	403	290	241
Finland	–	–	277	204	110
Denmark	–	–	160	118	103
Rest of Europe	–	–	5	3	3

PREREQUISITES

The “Condensed Financial Information” section should be read in conjunction with “Comments on Financial Development and Future Prospects” as well as the audited consolidated accounts of CDON Group AB. For complete information on the Company’s financial performance and position, see sections “Interim Report for 1 January–30 September 2010” and “Historical Financial Reports 2007–2009”.

The amounts in the “Condensed Financial Information” and “Comments on Financial Development and Future Prospects” sections are rounded to the nearest million SEK, but calculated using a larger number of decimal points. Percentages are reported with one decimal point and have also been rounded. Rounding may result in certain tables not adding up.

DEFINITIONS

Operating income (EBIT)

Operating income is earnings before interest and tax (EBIT).

Operating income before depreciation and amortisation (EBITDA)

Operating income before depreciation and amortisation is earnings before interest, tax, depreciation and amortisation (EBITDA).

Working capital

Working capital equals the total of inventory and current receivables, less trade accounts payable and other current liabilities.

Net cash flow from operations

Cash flow from operating activities is calculated as operating income before depreciation, amortisation and other non-cash items, plus/minus changes in working capital.

Net debt

Net debt equals total interest-bearing liabilities, less interest-bearing current and non-current assets and cash and cash equivalents.

Equity/asset ratio

The equity/assets ratio equals equity including non-controlling interests, expressed as a percentage of total assets.

Operating margin

Operating margin is operating income as a percentage of net sales.

Return on capital employed

Return on capital employed equals operating income for the four last quarters divided by average capital employed for the same period, as a percentage. Capital employed is calculated as the average of total non-current assets, cash and working capital, less provisions.

Return on equity

Return on equity equals net income for the four last quarters divided by average equity for the same period, as a percentage.

COMMENTS ON FINANCIAL DEVELOPMENT AND FUTURE PROSPECTS

The following notes are intended to facilitate the understanding and evaluation of the trends and developments affecting the Company's results and financial position. Historical results do not necessarily provide an accurate indication of future performance. This report is intended to be read together with the Company's audited consolidated statements for the financial years 2009, 2008, and 2007, as well as its reviewed consolidated statement for the period 1 January–30 September 2010, prepared in accordance with IFRS accounting regulations, in addition to accompanying notes.[1]

This section contains future-oriented statements dependent upon future events, risks, and uncertainties, including those described in the section "Risk factors". The Company's actual results may deviate significantly from the results referred to, or suggested in, these future-oriented statements for a variety of reasons, including, but not restricted to, the risks described below and elsewhere in this prospectus.

Reported amounts in sections "Condensed financial information" and "Comments on financial development and future prospects" are rounded off to the nearest million SEK, while calculations are carried out using multiple decimal points. Percentages are reported with one decimal point, and have also been rounded off. Note that the rounding off of figures may give the impression that certain calculations do not add up.

INTRODUCTION

CDON Group is today a prominent player in the Nordic market in online retail sales, offering a wide range of films, games, books, music, toys, consumer electronics, clothing, shoes and food supplements, along with other products. In addition to physical products, CDON Group's product range also includes digital products for downloads and streaming. The Company's customer list exceeds two million active customers. In 2009, CDON Group's net sales were SEK 1,746 million.

The group's activities are divided into three business segments: Entertainment, Fashion, and Sports & Health. The Entertainment segment, which accounted for 76.3 per cent of Group net sales in 2009, includes CDON.COM, BookPlus.fi and Lekmer.com[2]. The Fashion segment, which accounted for 12.1 per cent of Group net turnover in 2009, includes Nelly.com, LinusLotta.com and Heppo.com[3]. The Sports & Health segment, which accounted for 11.6 per cent of Group net turnover in 2009, includes Gymgrossisten.com and Bodystore.com.

KEY FACTORS AFFECTING EARNINGS

The following factors CDON Group considers as those that have the most significant impact on the Company's financial performance:

- The prevailing economic situation and consumer purchasing power
- Market development for e-commerce
- Currency exposure
- Seasonal variations
- Acquisitions
- IT development and performance

[1] For details regarding accounting principles, see sections "Interim Report for 1 January–30 September 2010" and "Historical financial reports 2007-2009".
[2] The internet store was acquired in March 2010.
[3] The internet store was launched in August 2010.

The economic situation and consumer purchasing power

CDON Group's operations are primarily based in Sweden, Norway, Denmark, and Finland. The general economic climate and business conditions in these countries impact the Company's results and financial position. In addition, the competitive situation and consumption trends on the e-commerce market are affected by macroeconomic factors such as GDP growth, consumer sentiment, the level of household disposable income, and consumption.

Market development for e-commerce

The ongoing technology development brings about changes that influence the commerce of the products being sold by CDON Group, mainly music, books, films and computer games. There is a growing trend for products being digitised and sold or distributed over the internet. As a consequence, demand is shifting from for example CDs towards digital music formats and from physical books towards e-books.

Currency exposure

Owing to the nature of its international operations, CDON Group's results and financial position are inherently exposed to currency risk, and exchange rate fluctuations may directly affect the Company's income statement and balance sheet. The Company's currency exposure includes both transaction exposure and translation exposure.

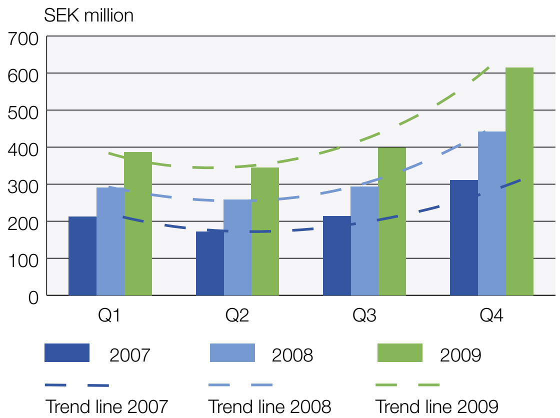
Transaction exposure arises when CDON Group makes purchases in one currency, and sells products in another. Approximately 50 per cent of the Company's sales, and approximately 80 per cent of its purchases, are made in Swedish krona. Other purchases and sales transactions are primarily made in the Norwegian and Danish krona, euro, US dollars, and British pounds.

In accordance with its finance policy, CDON Group does not hedge against currency exposure.

Seasonal variations

CDON Group's operations are characterised by certain seasonal variations, affecting sales, earnings, and levels of working capital. However, each business segment is affected by seasonal variations which differ somewhat between the business areas, mitigating the impact on the Group as a whole. In terms of sales and profit, the fourth quarter is generally the strongest, with Christmas sales acting as an important contributory factor. Typically, working capital reaches its lowest level during this period, due to the high level of purchases at beneficial payment terms. Consequently, working capital normally increases during the early part of the year, causing a negative cash flow effect. Group sales are generally weaker during the second quarter, resulting in lower profits. However, the Company's strong sales growth so far has lessened the impact of seasonal variations. These seasonal variations are illustrated in the graph below.

Illustration of quarterly seasonal variations in sales (2007–2009)



Source: CDON Group.

DESCRIPTION OF ITEMS AFFECTING THE EARNINGS

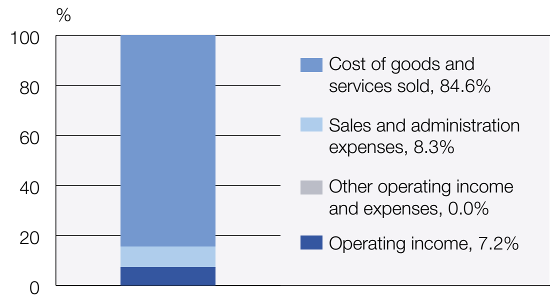
Reclassification

Marketing expenses and some internal inventory management costs have been reclassified. These changes came into effect from 1 January 2010. For more information, see Note 1 in section "Interim Report for 1 Januari-30 September 2010".

Net sales

The Group's consolidated net sales comprise revenues generated from sales from a wide range of product categories within the business segments Entertainment, Fashion, and Sports & Health, including films, games, books, music, toys, consumer electronics, clothing, shoes and food supplements. Group net sales are mainly driven by customer demand, with product sales volumes as well as average sales prices also affecting the Company's turnover.

Overview of Company operational structure (2009)



Source: CDON Group.

Cost of goods and services sold

CDON Group's largest cost items are cost of goods and services sold. Cost of goods and services sold primarily comprises costs for goods purchased intended for sale. Cost of goods and services sold also includes direct sales costs. Direct sales costs also include shipping costs, external inventory management and packaging costs and marketing expenses, as well as fees associated with payment solutions. Shipping costs relate to the acquisition of goods, as well as deliveries to customers. In 2009, cost of goods and services sold represented 84.6 per cent of net sales, as well as approximately 78.8 per cent of the cost of goods purchased, approximately 4.4 per cent of marketing expenses, approximately 13.7 per cent of inventory management and shipping costs, and approximately 3.1 per cent of other costs. Included in the cost of goods sold is an obsolescence write-down in inventory value conducted in 2009, totalling approximately 4.5 per cent. CDON Group has historically been able to utilise unsold advertising airtime on channels of Viasat, a company related to MTG, at a discount to the prevailing market price of sold advertising airtime of corresponding type. This discount is estimated to have amounted to SEK 15 million during the first nine months of 2010, and approximately SEK 14.5 million during the same period in 2009 (approximately SEK 20 million for the full year 2009). See section "Legal considerations and supplementary information" for more information.

Sales and administration expenses

Group sales and administration expenses primarily comprise the Company's personnel expenses. These include costs linked to distribution and internal inventory management in the business areas Fashion and Sports & Health, in addition to costs for the Company's administrative and central operations, including IT, enterprise resource planning, rent for premises, and expenses associated with the Chief Executive Officer and Chief Financial Officer.

As an independent public company, CDON Group will incur higher costs in line with other listed companies on Nasdaq OMX Stockholm, including fees related to the listing, corporate governance, renumeration to the board of directors and similar costs. Approximately SEK 10 million will incur annually as CDON Group becomes a listed company.

Depreciation of intangible and tangible fixed assets

Depreciation of intangible and tangible fixed assets is distributed among the aforementioned cost items. This item consists of depreciation applied to machinery and equipment, in addition to computer software and capitalised IT development. In 2009, depreciation of intangible and tangible assets accounted for 0.4 per cent of Group net sales.

Depreciation has been applied using the straight-line method over the assets' useful lives. Machinery and equipment are depreciated over 3–5 years, and capitalised expenses over 3–10 years. Intangible assets, besides goodwill, refer to trademarks considered to have an indefinite lifespan in an acquisition calculation. Other rights and licences are depreciated over their estimated income period, based on the licence conditions. According to IFRS accounting regulations, goodwill is not depreciated. However, both goodwill and trademarks are subject to impairment tests at least once a year.

Other operating income and Other operating costs

In 2009, Other operating income and Other operating costs comprised of earnings from the sale of fixed assets, as well as exchange gains and losses, respectively. Other operating income amounted to SEK 2.2 million in 2009 and Other operating costs SEK 1.4 million in 2009.

THE RESULT

The table below shows the result of CDON Group for the given periods. The table serves as a basis for the comparison between periods, which follows after the table.

Comparison between periods January–September 2010 and January–September 2009

Net sales

CDON Group's net sales increased by 27.4 per cent year-on-year to SEK 1,441 million for the period 1 January–30 September 2010, up from SEK 1,131 million. Sales increased in all business areas.

- Net sales for the **Entertainment business area** totalled SEK 930 million, corresponding to 64.5 per cent of CDON Group's net sales for the period 1 January–30 September 2010, compared with 74.2 per cent for the corresponding period in 2009. The business area's net sales for the period climbed 10.9 per cent year-on-year, up from SEK 839 million. Lekmer.com, which was consolidated during the second quarter of 2010, has developed according to plan and reported robust sales growth in the third quarter. BookPlus.fi also reported a strong performance and is well-positioned to continue to capture market share on the Finnish book market. CDON.COM reported increased sales in all product categories except CDs, which comprised the segment's third largest product category for the quarter. Electronics and books comprised the fastest growing product categories.
- Net sales for the **Fashion business area** totalled SEK 298 million, corresponding to 20.7 per cent of CDON Group's net sales for the period 1 January–30 September 2010, compared with 12.1 per cent for the corresponding period in 2009. The business area's net sales for the period increased by 118.7 per cent year-on-year, up from SEK 136 million. The sales growth reflects the increased popularity of Nelly.com in the Nordic countries, as well as the contribution from recently launched Heppo.com.

Group (SEK million)	January–September		Full Year		
	2010	2009	2009	2008	2007
Net sales	1,441	1,131	1,746	1,286	910
Operating income	97	74	125	83	79
Income before tax	82	64	113	75	91
Net income for year from continuing operations	64	45	80	49	63
Net income for period[1]	64	45	80	49	104
Total income for period	62	43	79	53	104

[1] Net income in 2007 included profit from discontinued operations of SEK 41 millions.

- Net sales for the **Sports & Health business area** totalled SEK 212 million, accounting for 14.7 per cent of CDON Group's net sales for the period 1 January–30 September 2010, compared with 14.1 per cent for the corresponding period in 2009. The business area's net sales for the period increased by 33.6 per cent year-on-year, up from SEK 159 million. This sales growth is primarily reflected in increased market share for Gymgrossisten.com in Norway and Fitnesstukku.fi in Finland.

Operating income

CDON Group's operating income increased by 29.7 per cent year-on-year to SEK 97 million for the period 1 January–30 September 2010, up from SEK 74 million. The increase reflects sales growth and a continued increase in market share for each business area. The company's operating margin totalled 6.7 per cent during the period, compared with 6.6 per cent during the corresponding period in 2009.

The company's cost of goods and services sold totalled SEK 1,160 million for the period 1 January–30 September 2010, corresponding to 80.5 per cent of net sales. During the corresponding period in 2009 the cost of goods and services sold was SEK 899 million, corresponding to 79.5 per cent of net sales. Gross margin for the period 1 January–30 September 2010 was negatively impacted by the appreciation of the Swedish krona against the Norwegian and Danish currencies as well as the euro. The majority of the Group's expenses are denominated in Swedish krona, while almost half of the Group's sales are denominated in other currencies.

Selling and administrative expenses totalled SEK 184 million for the period 1 January–30 September 2010, accounting for 12.7 per cent of net sales. During the corresponding period in 2009 selling and administrative expenses totalled SEK 160 million, corresponding to 14.1 per cent of net sales.

- Operating income for the **Entertainment business area** totalled SEK 56 million, corresponding to 58.3 per cent of CDON Group's operating income for the period 1 January–30 September 2010. The business area's operating income increased by 8.0 per cent year-on-year, up from SEK 52 million. Operating margin dropped to 6.1 per cent year-on-year for the period 1 January–30 September 2010, down from 6.2 per cent. The business area's profitability was affected by the consolidation of Lekmer.com, increased marketing expenses, the introduction of a new web platform for Lekmer.com and the appreciation of the Swedish krona against the Norwegian and Danish currencies as well as the euro, compared with the previous year.
- Operating income for the **Fashion business area** totalled SEK 14 million, accounting for 14.7 per cent of CDON Group's operating income for the period 1 January–30 September 2010. The business area's operating income jumped 537.4 per cent year-on-year, up from SEK 2 million. Operating margin improved to 4.8 per cent year-on-year during the period 1 January–30 September 2010, up from 1.6 per cent, primarily as a result of economies of scale associated with increased sales. The business area's operating income was negatively impacted by costs related to the launch of Heppo.com in the Nordic countries and the expansion of Nelly.com in Germany, as well as the increase in marketing expenses.
- Operating income for the **Sports & Health business area** totalled SEK 27 million, corresponding to 27.9 per cent of CDON Group's operating income for the period 1 January–30 September 2010. The business area's operating income jumped 34.0 per cent year-on-year, up from SEK 20 million, attributable to the sales growth in the business area. The business area's operating margin remained unchanged for the period 1 January–30 September 2010 compared with the corresponding period in 2009 at 12.7 per cent.

Income before tax

Income before tax increased by 29.6 per cent year-on-year to SEK 82 million for the period 1 January-30 September 2010, up from SEK 64 million. The Group's net financial items increased by 29.8 per cent year-on-year for the period 1 January–30 September 2010, which primarily reflected higher financial gearing following a dividend of SEK 150 million to MTG in November 2009, as well as unrealised currency gains and losses for each period.

Net income for period

Net income for the period increased by 42.3 per cent year-on-year to SEK 64 million for the period 1 January–30 September 2010, up from SEK 45 million. Tax expense was SEK 18 million for the period 1 January–30 September 2010, compared with SEK 18 million for the corresponding period in 2009, corresponding to a tax liability of 22.0 per cent and 29.0 per cent of income before tax for each period, respectively.

Total comprehensive income for period

Total comprehensive income for the period increased by 44.4 per cent year-on-year to SEK 62 million for the period 1 January–30 September 2010, up from SEK 43 million. Translation differences for the period totalled SEK –2 million for the period 1 January–30 September 2010, compared with SEK –2 million for the corresponding period in 2009.

Comparison between financial years 2009 and 2008

Net sales

CDON Group's net sales increased by 35.8 per cent from SEK 1,286 million in 2008 to SEK 1,746 million in 2009. Sales increased across all business areas and all geographical markets in which the Company is active.

- Net sales in the **Entertainment business area** amounted to SEK 1,333 million, representing 76.3 per cent of Group net sales in 2009, compared with 82.6 per cent in 2008. Net sales of this business area increased by 25.5 per cent from 1,062 million in 2008, as a result of growing market shares and a broadened product range, as well as more effective and active use of SEM and SEO[1], operational improvements and more competitive pricing.
- Net sales for the **Fashion business area** amounted to SEK 203 million, representing 11.6 per cent of Group net sales in 2009, compared with 6.1 per cent in 2008. Net sales of this business area increased by 156.8 per cent from SEK 79 million in 2008, as a result of a broadened product range and increased awareness of the segment's brands among consumers, partly achieved through more effective and active use of online and television marketing as well as SEO. In addition, a new website was launched in 2009, featuring new design, improved functionality and more effective product exposure, which caused an increased proportion of internet store visitors to complete purchases.
- Net sales for the **Sports & Health business area** amounted to SEK 211 million, representing 12.1 per cent of Group net sales in 2009, compared with 11.3 per cent in 2008. Net sales of this business area increased by 45.4 per cent from SEK 145 million in 2008, as a result of a geographical expansion, more effective and active use of online and television marketing, SEO, a broadened product range and operational improvements. Operations within the Sports & Health business area's were consolidated into CDON Group with effect from 1 February 2008.

Operating income

CDON Group's operating income increased by 51.4 per cent from SEK 83 million in 2008 to SEK 125 million in 2009, which was mainly attributable to the increased net sales in accordance with the above. The Company's operating margin amounted to 7.2 per cent in 2009, compared with 6.4 per cent in 2008.

The Company's cost of goods and services sold totalled SEK 1,477 million in 2009, representing 84.6 per cent of net sales. In 2008, the cost of goods and services sold totalled SEK 1,094 million, representing 85.1 per cent of net sales. The improved gross margin was mainly a result of exchange rate changes, but reflected also a shift in the product mix towards products such as fashion and food supplements, as well as strategic pricing through promotional product bundling and active price comparisons with competitors.

Sales and administration expenses amounted to SEK 145 million in 2009, representing 8.3 per cent of net sales. In 2008, sales and administration expenses amounted to SEK 110 million, representing 8.5 per cent of net sales. The decrease in relation to net sales was mainly attributable to the Company's achievement of further economies of scale as well as cost advantages stemming from the integration of LinusLotta.com and BookPlus.fi into the Company's infrastructure.

- Operating income in the **Entertainment business area** amounted to SEK 93 million, representing 74.1 per cent of CDON Group's operating income in 2009. Operating income of this business area increased by 6.9 per cent from SEK 87 million in 2008, as a result of the business area taking market shares and broadening its product range, which resulted in increased sales. Operating margin decreased to 7.0 per cent in 2009 from 8.2 per cent in 2008, as reduced margins for the BookPlus.fi internet store affected the result negatively, in combination with a larger share of net sales for the period stemming from games and consumer electronics, where margins are lower than for other products of the business area.
- Operating income in the **Fashion business area** amounted to SEK 7 million, representing 5.6 per cent of CDON Group's operating income in 2009. Operating income of this business area increased by SEK 26 million from SEK -19 million in 2008, primarily as a result of increased net sales and a realisation of synergies mainly from centralised administration for Nelly.com and LinusLotta.com, with effect from May 2009. Operating margin amounted to 3.5 per cent during 2009.
- Operating income in the **Sports & Health business area** amounted to SEK 26 million, representing 20.9 per cent of CDON Group's operating income in 2009. Operating income of this business area increased by 67.3 per cent from SEK 16 million on 2008, which was attributable mainly to increased net sales. Operating margin for the business area was improved to 12.4 per cent in 2009 from 10.8 per cent in 2008, primarily as a result of improved purchasing prices.

Income before tax

CDON Group's income before tax equals the Company's operating income plus interest income and similar income statement items, less interest expenses and similar income statement items. Income before tax increased by 52.1 per cent from SEK 75 million

[1] See "Marketing" in section "Business overview" for an explanation of SEM and SEO.

in 2008 to SEK 113 million in 2009. Interest income and similar income statement items decreased by 83.2 per cent from SEK 4 million in 2008 to SEK 1 million in 2009 as a result of lower interest rates and reduced cash and cash equivalents in interest-bearing accounts. Interest expenses and similar income statement items remained largely unchanged and amounted to SEK 13 million during both 2009 and 2008. Interest expenses decreased in 2009 while exchange rate differences for financial items increased.

Net income for period

The period's net income equals income before tax, less CDON Group's current and deferred tax during the period. Net income for the period increased by 65.8 per cent from SEK 49 million in 2008 to SEK 80 million in 2009. Tax expenses increased by 26.5 per cent from SEK 26 million in 2008 to SEK 33 million in 2009, representing tax expenses of 34.8 per cent and 29.0 per cent, respectively, of income before tax for the respective year. The decrease in tax expenses in relation to income before tax is primarily explained by reduced losses where deferred tax is not reported as well as revaluations of deferred tax.

Total income for period

The period's total income equals net income for the period adjusted for translation differences in shareholders' equity in foreign subsidiaries. The period's total income increased by 49.1 per cent from SEK 53 million in 2008 to SEK 79 million in 2009, for reasons stated above. The period's translation differences amounted to SEK –2 million, compared to SEK 4 million in 2008, caused by a negative development of the Swedish krona's exchange rate in relation to primarily the Norwegian and Danish krona, as well as the euro. At the same time, this resulted in a positive exchange rate effect for the Company on gross income, as approximately 20 per cent of purchases but approximately 50 per cent of sales are made other currencies than the Swedish krona.

Comparison between financial years 2008 and 2007

Net sales

CDON Group's net sales increased by 41.3 per cent from SEK 910 million in 2007 to SEK 1,286 million in 2008, which was mainly a result of acquisitions and a geographical expansion, which caused increased sales across all business areas and all geographical markets where the Company is active.

- Net sales for the **Entertainment business area** amounted to SEK 1,062 million in 2008, or 82.6 per cent of CDON Group's net sales in 2008 and 99.2 per cent in 2007. Net sales of this business area increased by 17.7 per cent from SEK 903 million in 2007, mainly as a result of the acquisition of BookPlus.fi in Finland, but also increased sales in CDON.COM's existing product range as well as a broadening with new product ranges.
- Net sales for the **Fashion business area** amounted to SEK 79 million in 2008, or 6.1 per cent of CDON Group's net sales in 2008 and 0.8 per cent in 2007. Net sales of this business area increased heavily from SEK 7 million in 2007, which was partly due to strong organic sales growth during 2008, and partly due to the acquisition and consolidation of parts of the Company's operations within Fashion, with effect from 1 September 2007. Consequently, operating income for 2007 is only attributable to the period of September to December 2007.
- Net sales for the **Sports & Health business area** amounted to SEK 145 million, or 11.3 per cent of CDON Group's net sales in 2008. The Company did not run any business in the Sports & Health business area during 2007, and current business is reported in the business area from 1 February 2008.

Operating income

CDON Group's operating income increased by 4.5 per cent from SEK 79 million in 2007 to SEK 83 million in 2008, which was due to increased net sales in accordance with the above stated. The Company's operating margin amounted to 6.4 per cent in 2008 and 8.7 per cent in 2007.

The Company's cost of goods and services sold amounted to SEK 1,094 million in 2008, representing 85.1 per cent of net sales. In 2007, cost of goods and services sold amounted to SEK 778 million, representing 85.5 per cent of net sales. The decrease in relation to net sales was mainly due to the product mix in acquired operations enabling higher margins than CDON Group's previous product mix.

Sales and administration expenses amounted to SEK 110 million in 2008, representing 8.5 per cent of net sales. In 2007, sales and administration expenses amounted to SEK 53 million, representing 5.8 per cent of net sales. The increase in relation to net sales was mainly due to CDON Group's integration of acquired companies with a higher percentage share of sales and administration in relation to sales, in combination with costs associated with this integration and work with operational improvements.

- Operating income for the **Entertainment business area** amounted to SEK 87 million, representing 105.0 per cent of CDON Group's operating income in 2008. Operating income of this business segment increased by 6.3 per cent from SEK 82 million in 2007, which was due to increased sales in existing product categories and a broadening with new product categories. To some extent, this increase has been neutralised by a deterioration of operating margin (to 8.2 per cent in 2008 from 9.0 per cent in 2007), in part caused by increased distribution costs and lower postal revenue as a proportion of net sales.

- Operating income for the **Fashion business area** amounted to SEK –19 million in 2008, compared to SEK –1 million in 2007. This decrease of operating income was a result of significant expansion costs in combination with extensive operational improvements, as the integration of the business area's internet stores into CDON Group's infrastructure to a large part was carried out in 2008. The Company's operations in the Fashion business area was acquired and consolidated with effect from 1 September 2007, and, consequently, the operating income mentioned above for 2007 refers only to the period from September to December 2007.
- Operating income for the **Sports & Health business area** amounted to SEK 16 million, representing 18.9 per cent of CDON Group's operating income in 2008. The business operated within the Sports & Health business area was acquired in 2008.

Income before tax

CDON Group's income before tax equals the Company's operating income, plus interest income and similar income statement items, less interest expenses and similar income statement items. Income before tax decreased by 17.8 per cent from SEK 91 million in 2007 to SEK 75 million in 2008. Interest income and similar income statement items decreased by 65.3 per cent from SEK 13 million in 2007 to SEK 4 million in 2008, mainly as a result of the change in exchange rate differences. Interest expenses and similar income statement items increased from SEK 1 million in 2007 to SEK 13 million in 2008, primarily due to the Company's increase in borrowings to finance acquisitions.

Net income for period

The period's net income equals income before tax, less CDON Group's current and deferred tax during the period. The period's net income decreased by 53.4 per cent from SEK 104 million in 2007 to SEK 49 million in 2008. Net income in 2007 included profit from discontinued operations of SEK 41 million. Net tax expenses decreased by 4.5 per cent from SEK 27 million in 2007 to SEK 26 million in 2008, representing 30.0 per cent and 34.8, respectively, of income before tax for respective year. Including net income from discontinued operations, tax expenses represented 20.7 per cent of income before tax. Tax expenses excluding income from discontinued operations increased in relation to income before tax, mainly as a result of losses where deferred tax has not been reported. Profit from the sale of TV-Shop was not liable to tax.

Net income from discontinued operations

Net income from discontinued operations refers to TV-Shop in 2007, when SEK 24 million was obtained in dividends and SEK 19 million in profit from the sale of TV-Shop.

[1] Klarna AB ("Klarna") provides invoicing and financing solutions for e-commerce.

Total net income for period

The period's total net income equals net income for the period adjusted for translation differences. In 2008, the period's total income decreased by 49.2 per cent from SEK 104 million in 2007 to SEK 53 million in 2008, for reasons stated above. The period's translation differences amounted to SEK 4 million in 2008, compared with SEK –0.3 million in 2007, caused by a positive development of the Swedish krona's exchange rate in relation to primarily the Norwegian and Danish krona, as well as the euro.

LIQUIDITY AND ACCESS TO CAPITAL

The table below shows Company cash flows for the periods stated. The table serves as a basis for analysis of the Company's cash flows, which follows.

Cash flows from operations

Group cash flows from operations primarily comprise payments from customers, payments to suppliers, salaries, marketing expenses, and other operating and administrative expenses, as well as those changes in working capital which affect cash flows. CDON Group defines its working capital as inventory and other current receivables, less accounts payable and other current liabilities.

Cash flow from operations totalled SEK –16 million for the period 1 January–30 September 2010. During the period working capital increased by SEK 98 million, which can be explained by normal seasonal fluctuations in working capital and the effect from a permanent decrease in accounts receivable, following the Group's outsourced invoice management for CDON.COM. Cash flow from the business totalled SEK 95 million for the period 1 January–30 September 2009, partly as a result of a decrease in operating capital of SEK 19 million.

In 2009, the Group reported cash flows from operations at SEK 219 million. During the year, working capital fell by SEK 91 million. This reflected a SEK 73 million decrease in current receivables as a result of CDON Group's initiation of collaboration with Klarna.[1] The SEK 62 million increase in other current liabilities was partially offset by the SEK 40 million decline in trade liabilities. Despite ongoing expansion, the Company's inventory increased only slightly, by SEK 4 million, largely due to its efforts to increase the rate of inventory turnover.

Cash flows from operations totalled SEK 111 million in 2008, while working capital declined by SEK 27 million. This reflected a SEK 92 million increase in accounts payable, a consequence of significant purchasing activity during the fourth quarter in order to gain more favourable payment terms. Other contributory factors included a SEK 3 million reduction in other current liabilities, partly neutralised by a SEK 51 million increase in inventory. This increase is explained by the Company's expansion through its newly acquired companies, and an SEK 18 million increase in current receivables resulting from increased sales.

Cash flows from operations totalled SEK 105 million in 2007, while working capital declined by SEK 2 million. This was mainly due to a SEK 11 million increase in trade receivables, and a SEK 7 million increase in other current liabilities, to some extent neutralised by a SEK 3 million increase in inventory and a SEK 12 million rise in current receivables.

Cash flows from investment activities

CDON Group's investment activities comprise investments in, and sales of fixed assets, as well as the acquisition of shares in subsidiaries.

Cash flow from investment activities totalled SEK –9 million for the period 1 January-30 September 2010, compared with SEK –3 million for the corresponding period in 2009, which primarily reflects the acquisition of Lekmer.com in March 2010 with a cash flow of SEK –4 million, and a cash flow effect of SEK 6 million related to the sale of a warehouse facility in September 2009.

In 2009, cash flows from investment activities amounted to SEK –6 million. During the year, the Group invested SEK 3 million in fixed assets and SEK 6 million in subsidiaries, of which SEK 3 million was used to finance the purchase of minority shares in NLY Scandinavia AB (Nelly.com) while SEK 3 million was paid in additional consideration to acquire Helsingin Dataclub OY (BookPlus.fi) in 2007. SEK 4 million was generated from the sale of fixed assets.

In 2008, the Group reported cash flows in investment activities of SEK –200 million. During the year, SEK 2 million was invested in fixed assets and SEK 199 million in subsidiaries, whereof SEK 192 was paid in consideration for 100 per cent of Gymgrossisten Nordic AB, while SEK 3 million was used to acquire minority shares in NLY Scandinavia AB and SEK 4 million was used to pay additional consideration relating to the purchase of Helsingin Dataclub OY.

In 2007, Group cash flows from investment activities amounted to SEK 26 million. During the year, SEK 8 million was invested in fixed assets, primarily relating to a new enterprise and resource planning system, and SEK 35 million in subsidiaries, of which SEK 8 million was paid in consideration for an 89.0 per cent share in NLY Scandinavia AB and SEK 13 million paid in consideration in order to acquire 100 per cent of Helsingin Dataclub OY. Additionally, SEK 15 million was paid in consideration for a 90.1 per cent share in Linus & Lotta Postorder AB (LinusLotta.com). The disposal of TV-Shop generated SEK 70 million.

Cash flows from financing activities

CDON Group's cash flows from financing activities have primarily comprised the Group's contribution to MTG, the Company's net proceeds from the so called cash pool arrangement within MTG and shareholder dividends. The cash-pool arrangement refers to centralised liquidity management where MTG function as an internal bank for subsidiaries. Under this structure, MTG's central credit facility has been allocated to the subsidiary through a Group account linked to the central account. The Company's Group relationship with MTG is due to end in conjunction with the distribution of its shares, which means Group that contribution will no longer be made. In addition, the Company will no longer be participating in the cash pool arrangement following the abandonment of the Group relationship.

Cash flow from financing activities totalled SEK 42 million for the period 1 January-30 September 2010, compared with SEK –129 million for the corresponding period in 2009. Cash flow from financing activities during the period mainly reflected fluctuations in utilisation of credit facilities provided by the parent company Modern Times Group MTG AB, as well as the offset issue of SEK 239 million.

In 2009, cash flows from financing activities were SEK –255 million, whereof SEK 79 million comprised Group contribution to MTG, while utilisation of the cash-pool arrangement produced net cash flow of SEK 26 million for the Company. Furthermore, a SEK 150 million dividend was paid to MTG, corresponding to SEK 300 per share.

In 2008, cash flows from financing activities amounted to SEK 49 million. During this period SEK 12 million was paid in respect of the Company's borrowings, with SEK 9 million used for amortisation. Furthermore, a Group contribution of SEK 93 million was paid to MTG. The utilisation of the cash-pool arrangement produced a net cash flow of SEK 154 million for the Company. No dividend was paid to MTG in 2008.

In 2007, cash flows from financing activities amounted to

Group (SEK million)	January–September		Full Year		
	2010	2009	2009	2008	2007
Cash flows before changes in working capital	82	77	128	84	103
Net cash flows from operations	–16	95	219	111	105
Net cash flows to/from investment activities	–9	–3	–6	–200	26
Net cash flows to/from financing activities	42	–129	–255	49	–190
Change in cash and cash equivalents	18	–37	–42	–40	–58

SEK –189 million, of which SEK 39 comprised Group contribution to MTG, while utilisation of the cash-pool arrangement produced net cash flow of SEK –150 million for the Company. No dividend was paid to MTG in 2007.

WORKING CAPITAL

As at 30 September 2010, in order to finance its working capital need, CDON Group had cash and cash equivalents totalling SEK 21 million. CDON Group considers the existing working capital sufficient for the current needs for the coming twelve-month period.

TANGIBLE FIXED ASSETS AND INVESTMENTS

The book value of tangible fixed assets as at 30 September 2010 was SEK 3 million, and comprised entirely of equipment, tools, and fixtures and fittings. As at 30 September 2010, CDON Group did not own any real estate.

At the time this prospectus was published, no significant investments are in progress, nor has the Company made any commitments towards significant investments in the future.

INTANGIBLE ASSETS

As at 30 September 2010, the value of CDON Group's intangible assets amounted to SEK 259 million, comprising goodwill of SEK 193 million, trademarks of SEK 42 million, capitalised expenses of SEK 24 million and other intangible assets of SEK 1 million. The impairment need for these assets is reviewed on a continuous basis, if there is reason to question if accounted value exceeds recoverable value. Impairment tests take place at least once a year. The most recent impairment test was carried out in November 2010 and did not result in any write-downs.

SENSITIVITY ANALYSIS

CDON Group's ongoing development is influenced by a variety of factors, among them those treated in this section and in section "Risk factors". The table to the right illustrates the hypothetical effects on the Company's results for the full year 2009 in the event certain factors change. These calculations are hypothetical, and are not to be seen as an indication that these factors are more or less likely to change, or, if they change, the size of that change. Actual change, and its effects, may be more or less significant than what is stated in the table to the right. In addition, it is likely other actual changes will affect other items, and that measures taken as a result of this change by CDON Group, and others, may affect other items. The sensitivity analysis should therefore be interpreted with caution. When estimating the Group's future performance, prospective investors ought not to place too much faith in thos hypothetical changes applied to CDON Group's results in 2009.

Sensitivity analysis 2009

Effect	Change percentage points), all other factors unchanged	Impact on net income (SEK million)	Impact on net income as at-centage
Exchange rate EUR/SEK	+/– 5%	+/–5	+/–5
Exchange rate NOK/SEK	+/– 5%	+/–13	+/–11
Exchange rate DKK/SEK	+/– 5%	+/–5	+/–5
Interest rate	+/– 1%	+/–2	+/–2
Number of returns	+/– 5%	+/–1	+/–1
Shipping	+/– 5%	+/–7	+/–6

DEVELOPMENTS SINCE MOST RECENT REPORTING DATE

A summary of CDON Group's performance in the first nine months of the current financial year can be found in CDON Group's reviewed interim report for the period 1 January–30 September 2010 (see section "Interim report for 1 January–30 September 2010"), in addition to this section.

A cash issue of 297,002 shares with a par value of SEK 2.00 was carried out in October, as decided on the Extraordinary General Meeting of CDON Group on 24 September, and increased CDON Group's share capital by SEK 594,004. CDON Group thereafter has a total of 66,342,124 issued shares.

Following a resolution passed at CDON Group's Extraordinary General Meeting held on 25 November 2010, MTG Investment AS, a wholly owned company of MTG, has subscribed to SEK 250 million worth of convertible debentures in CDON Group, see section "Capital structure and refinancing" for further information.

In October part of the minority, 5.54 per cent of share capital and votes, in NLY Scandivia AB was acquired at the amount of SEK 21 million.

No significant further changes, in addition to those stated above, have occured regarding CDON Group's financial position, or its position in the market, since the latest period for which interim reporting information was published.

FUTURE PROSPECTS

CDON Group does not intend to provide the market with development forecasts in the future. The Company's objectives and long-term strategies are outlined in section "Business overview".

Regarding CDON Group's development in the near future, the Company anticipates continued growth within the e-commerce market in those sectors in which it is active and considers itself well positioned to benefit from this growth. However, the development is estimated to vary among business areas, with certain products expected to show a weaker development, for example CDs, whereas Fashion and Sports & Health are deemed to have clear potential for development.

CAPITAL STRUCTURE AND REFINANCING

THE COMPANY'S SHAREHOLDERS' EQUITY AND LIABILITIES

CDON Group's capitalisation as at 30 September 2010 is presented below.

(SEK million)	30 September 2010
Total short-term interest-bearing liabilities	85
Issued against guarantee or personal guarantee	-
Secured	-
Issued without guarantee/personal guarantee or security	85
Total long-term interest-bearing liabilities	-
Issued against guarantee or personal guarantee	-
Secured	-
Issued without guarantee/personal guarantee or security	-
Shareholders' equity	310
Share capital	132
Other paid-in capital	109
Reserves	0
Retained earnings including net income for the year	67
Minority interests	2

COMPANY'S LEVEL OF NET DEBT

CDON Group's level of net debt as at 30 September 2010 is presented below.

(SEK million)		30 September 2010
(A)	Cash	21
(B)	Other liquid resources	-
(C)	Short-term financial investments	-
(D)	Liquidity (A)+(B)+(C)	21
(E)	Short-term financial receivables	145
(F)	Short-term bank loans	-
(G)	Current portion of long-term liabilities	-
(H)	Other short-term financial liabilities	85
(I)	Short-term financial liabilities (F)+(G)+(H)	85
(J)	Short-term financial net debt (I)–(E)–(D)	–81
(K)	Long-term financial receivables	0
(L)	Long-term bank loans	-
(M)	Outstanding bank loans	-
(N)	Pension liabilities	-
(O)	Long-term financial liabilities (L)+(M)+(N)	-
(P)	Long-term financial net debt (O)–(K)	0
(Q)	Financial net debt (J)+(P)	–81

[1] See "Cash flows from financing activities" in section "Comments on financial development and future prospects" for further information concerning the cash pool arrangement.

CAPITAL STRUCTURE IN CONNECTION WITH LISTING

The tables to the left show CDON Group's capitalisation and level of net debt as at September 2010. At 2009 year-end, CDON Group's source of financing comprised of a Group-internal cash-pool[1], through which the Company had interest-bearing liabilities amounting to SEK 258 million and interest bearing receivables amounting to SEK 270 million within MTG.

During the third quarter of 2010, in conjunction with becoming securities exchange quoted, an offset issue was undertaken with the aim of creating a capital structure adapted to CDON Group as an independent company. This included the offset of a loan from MTG worth SEK 239 million against 65,545,122 newly issued shares in CDON Group. On 25 October 2010, MTG subscribed for 297,002 more shares in CDON Group. Subsequently, total shares in CDON Group amounted to 66,342,124, which is the same number as in MTG.

Following a resolution passed at CDON's Extraordinary General Meeting held on 25 November 2010, MTG Investment AS, a wholly-owned subsidiary of MTG, has subscribed to SEK 250 million worth of convertible debentures in CDON Group. This loan, which is unsubordinated, runs at an annual interest rate of 2.85 per cent, and is due to be repaid by 2 December 2015, provided that conversion has not been made prior to this. Conversion may be carried out from 15 June 2012 to 1 December 2015. The conversion rate shall correspond to 125 per cent of the volume-weighted share price during the first 20 days of trading, that is to say, the period from 15 December 2010 to 14 January 2011. Once the conversion rate has been established, it will be posted on the Company's website together with information regarding the extent of dilution the convertible debentures may cause. The convertible debentures were issued in order to provide increased financial flexibility during the Company's current phase of growth, in addition to enabling the exploitation of potential investment opportunities.

As at 30 September 2010, CDON has net cash of SEK 81 million, to which is added the proceeds concerning the conversion loan issued. In addition to this, the Company deems that it is possible to raise future financing, in the event this becomes necessary, in order to finance continued expansion. See section "Interim report for 1 January – 30 September 2010" for further information concerning CDON Group's financial position.

OFF BALANCE SHEET UNDERTAKINGS

At the time of the listing CDON Group has the following off balance sheet undertakings.

- Bank guarantees amounting to approximately SEK 34 million.
- Parent guarantees and capital adequacy guarantees amounting to approximately SEK 18 million.

BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITORS

BOARD OF DIRECTORS

The Board of Directors of CDON Group consists of eight people, including the Chairman of the Board. The members of the Board are elected on an annual basis at the Annual General Meeting to serve until the end of the next Annual General Meeting. The Board of Directors has its registered office in the muncipality of Malmö. The Company's current Board members, their position, age and time of their election, as well as education, commitments and share holdings in CDON Group after the distribution, including holdings of closely related parties, are described in this section.

The Board members, their position, time of first appointment, whether they are considered independent in relation to the Company and executive management, as well as their relation to the major shareholder are outlined in the table below. All members of the Board have their address at the Company.

Name	Position	Member of the board since	Independence in relation to the Company	Independence in relation to major shareholder
Hans-Holger Albrecht	Chairman of the Board	2000	No	No
Mia Brunell Livfors	Non-Executive Director	2010	No	No
Lars-Johan Jarnheimer	Non-Executive Director	2010	Yes	Yes
Mengmeng Du	Non-Executive Director	2010	Yes	Yes
Anders Nilsson	Non-Executive Director	2007	No	No
Lars Nilsson	Non-Executive Director	2010	Yes	No
Henrik Persson	Non-Executive Director	2010	Yes	No
Florian Seubert	Non-Executive Director	2010	Yes	Yes

Hans-Holger Albrecht

Position: Chairman of the Board
Born: 1963
Nationality: German

Hans-Holger has been Chairman of the Board of Directors of CDON Group since 2000. He has served as President and Chief Executive Officer of MTG since 2000, prior to which he served as Head of the Group's Pay-TV operations and Viasat Broadcasting and as Chief Operating Officer of MTG. Hans-Holger serves as co-chairman of CTC Media, Inc., which is Russia's biggest independent TV broadcaster and in which MTG is the largest shareholder with a 38.3 per cent equity interest, since 2003 and as member of the Board since 2002. He is also a member of the Boards of Millicom International Cellular S.A. since 2010 and the International Emmy Association in New York and serves (and has served) as Board member and Chief Executive Officer of subsidiaries to MTG. He has had previous Board assignments in Oy Suomen Uutisradio Ab (Radio Nova), Radio Koko Suomi Oy and Mediamätning i Skandinavien MMS Aktiebolag. Hans-Holger graduated with a Doctorate in Law from the University of Bochum in Germany.

Shares in MTG entitling to 11,400 shares in CDON Group

Mia Brunell Livfors

Position: Non-Executive Director
Born: 1965
Nationality: Swedish

Mia has been a member of the Board of CDON Group since August 2010. She serves as Chief Executive Officer of Investment AB Kinnevik since 2006, prior to which she served as Chief Financial Officer of MTG between 2001 and 2006 and in various financial management positions between 1992 and 2001. Mia serves as Chairman of the Board of Metro International S.A. since 2008 and as member of the Board since 2006. She is also member of the Boards of MTG since 2007, Millicom International Cellular S.A. since 2007, Tele 2 AB since 2006, Transcom Worldwide S.A. since 2006, H & M Hennes & Mauritz AB since 2008, Attling Holding AB, including subsidiaries, since 2008, serves (and has served) as Board member and executive officer of subsidiaries of Investment AB Kinnevik and has served as Board member and executive officer of subsidiaries of MTG. She was previously member of the Boards of Vosvik AB between 2008 and 2009, Bergvik Skog AB between 2006 and 2008, CTC Media Inc., between 2006 and 2008, Invik & Co. AB (today MFG Finance AB) between 2006 and 2007 and CDON Group between 2001 and 2006. Mia studied Business Administration at Stockholm University.

Shares in MTG entitling to 5,505 shares in CDON Group

Lars-Johan Jarnheimer

Position: Non-Executive Director
Born: 1960
Nationality: Swedish
Lars-Johan has been a member of the Board of CDON Group since August 2010. He is member of the Boards of Energibolaget i Sverige Holding AB since 2010, INGKA Holding B.V. (the parent company of the IKEA Group of Companies), Apoteket AB since 2009, Seamless Distribution AB since 2009, Teleopti AB since 2009 and Arvid Nordquist Handels AB since 1997. Lars-Johan has been member of the Board and Chief Executive Officer of Jarnverken AB since 2009 and member of the Board and Chief Executive Officer of Varningsinfo i Sverige AB since 2009, as well as Chairman of the Non Governmental Organisation Riksförbundet BRIS (Children's Rights in Society). He served as Chief Executive Officer of Tele 2 AB between 1999 and 2008, and previously held various positions at IKEA, H & M Hennes & Mauritz, SARA Hotels, SAAB Opel Sverige AB, TV3 AB and Comviq International AB. He was previously member of the Boards of SCD Invest Aktiebolag between 2001 and 2009 as well as member of the Board and Chief Executive Officer of Swedish Cable & Dish Aktiebolag between 2000 and 2008. Lars Johan was previously also member of the Boards of MTG between 1997 and 2008, Millicom International Cellular S.A. between 2001 and 2007, Aktiebolaget Finvision (now merged with Förvaltning AB Eris & Co) between 2007 and 2009, Aktiebolaget SCD Finans between 2007 and 2008, NC Intressenter Aktiebolag between 2003 and 2006, as well as Board member and executive officer of subsidiaries of Tele 2 AB. Lars-Johan graduated with a Master's degree in Economics from Linnaeus University in Växjö, Sweden.
Shares in MTG entitling to 2,000 shares in CDON Group

Mengmeng Du

Position: Non-Executive Director
Born: 1980
Nationality: Swedish
Mengmeng has been a member of the Board of CDON Group since September 2010. She has been Project Leader at Alumni AB, an executive search and leadership services consultancy since 2010. She was Vice President Product Development of Stardoll AB, the world's largest online fashion and games community for girls, from 2009, prior to which she was Project Manager and Director of Product Development at Stardoll AB. Before joining the Company in 2008, Mengmeng was a management consultant with Bain & Company in Sweden from 2005. She holds a Masters of Science in Economics and Business from Stockholm School of Economics and a Master of Science in Computer Science and Engineering from the Royal Institute of Technology in Stockholm.
Shares in MTG entitling to 0 shares in CDON Group

Anders Nilsson

Position: Non-Executive Director
Born: 1967
Nationality: Swedish
Anders has been a member of the Board of CDON Group since 2007. He serves as Chief Operating Officer of MTG and head of MTG's Online business area since January 2008. Anders is also Head of MTG's Bulgarian TV operations since October 2008, Head of the Group's Baltic free-TV operations since February 2009, and Head of the Group's free-TV operations in Slovenia since March 2010. Anders has also held senior management positions within MTG Radio AB and MTG's former Publishing business, was Chief Operating Officer of MTG between 2000 and 2003 and was Head of MTG Sweden between 2003 and 2007. He serves as Chairman of the Boards of the search engine optimisation and search engine marketing company Relevant Traffic Europe AB, and subsidiaries, since 2006, as well as Board member and executive officer of MTG subsidiaries. He has previously served as member of the Boards of Mediamätning i Skandinavien MMS Aktiebolag between 2004 and 2008 and CDON Group between 2000 and 2004. Anders joined MTG in 1992. Anders studied Law at Lund University.
Shares in MTG entitling to 3,300 shares in CDON Group

Lars Nilsson

Position: Non-Executive Director
Born: 1956
Nationality: Swedish
Lars has been a member of the Board of CDON Group since September 2010. He has been Chief Financial Officer of Tele2 since 2007 and is, in addition Deputy CEO since 2010, and was also Interim President and CEO of the company during 2010. Lars has previously served as Executive Vice President and Chief Financial Officer of Axfood Aktiebolag, one of the largest food retailers in Scandinavia, as CFO of Fritidsresor AB, as President and CEO of Aros Fondkommission, and as CFO of ABB Financial Services AB. He has served as member of the Board of Filippa K Group AB between 2007 and 2010 and serves (and has served) as Board member of

subsidiaries of Tele 2 AB. He was previously also member of the Boards of Swedish Cable & Dish Aktiebolag between 2007 and 2008, Barnevik & Wallin Fond AB between 2006 and 2007 as well as subsidiaries of Axfood Aktiebolag. Lars holds a Master Degree in Economics from Linköping University in Sweden.
Shares in MTG entitling to 0 shares in CDON Group

Henrik Persson

Position: Non-Executive Director
Born: 1974
Nationality: Swedish
Henrik has been a member of the Board of CDON Group since August 2010. He has been Head of New Investments at Investment AB Kinnevik since 2007 and was previously Kinnevik's Director of Corporate Communications between 2004 and 2007. Henrik serves (and has served) as Board member of subsidiaries of Investment AB Kinnevik, as well as member of the Boards of Guider Media Group Europe AB since 2010, Vosvik AB, and subsidiaries, since 2009 and Mellersta Sveriges Lantbruks AB since 2007. He also serves as member of the Boards of Black Earth Farming Ltd since 2006, Relevant Traffic Europe AB since 2006 and Aktiebolaget Karlskrona Lampfabrik since 2006. He was previously member of the Board of Pontus Frithiof i Gamla Stan AB between 2005 and 2007. Henrik has studied Economics at Lund University.
Shares in MTG entitling to 400 shares in CDON Group

Florian Seubert

Position: Non-Executive Director
Born: 1973
Nationality: German
Florian has been a member of the Board of CDON Group since September 2010. He is co-founder of the leading European online pet supplies retailer zooplus, and has been a Member of the Company's Management Board and Chief Financial Officer since 2000. Zooplus has been listed on the Frankfurt Stock Exchange since 2008. Florian is also the founder and a Director of various zooplus subsidiaries and affiliates around the world, and was previously an Associate with JP Morgan Securities. He is member of the Board of Styrmon Ltd since 2008 and has assignments in EOS Partnership GmbH. Florian holds a Master of Arts degree in Politics, Philosophy and Economics from the University of Oxford.
Shares in MTG entitling to 0 shares in CDON Group

EXECUTIVE MANAGEMENT

Mikael Olander

President & Chief Executive Officer
Born: 1963
Mikael Olander serves as CEO of CDON Group. He was appointed CEO of CDON AB in 2000, which was then a year old, and still purely a music record online retailer. Under Mikael's management, CDON.COM has gradually expanded and developed to become the leading Nordic online entertainment retailer. Mikael has been the CEO of CDON Group (previously MTG Internet Retailing) from the time it was created in 2007, following the acquisition of new companies by the Group. Before joining MTG, Mikael was a business area manager for Egmont Kärnan Aktiebolag between 1995 and 1999. He serves (and has served) as Board member and executive officer of subsidiaries of CDON Group. Prior to that, he has been on the Swedish National Athletics decathlon team, won two Swedish Championships as well as the American NCAA (National Collegiate Athletic Association) Outdoor Track and Field Championships, and participated in the European Championships, World Championships and the Olympic Games. Mikael has a Bachelor of Science degree in Finance from Louisiana State University, and an MBA from the University of California, Los Angeles.
Shares in MTG entitling to 2,025 shares in CDON Group

Martin Edblad

Chief Financial Officer
Born: 1977
Martin Edblad joined Modern Times Group as a management trainee in 2004 and has since then held a number of finance related positions within MTG's Online business area, in particular within the internet retailing business. Martin became the controller for Internet Retailing in 2007, and the controller for MTG's whole Online business area in 2010. He was appointed CFO of CDON Group in 2010 when the spin-off and demerger process was initiated. Martin serves as Board member of subsidiaries of CDON Group. Before joining MTG, Martin spent five years working as a journalist for the daily business newspaper Dagens Industri. Martin has studied Business Administration at the Stockholm School of Economics, and holds a Bachelor's degree in Journalism from Stockholm University.
Shares in MTG entitling to 225 shares in CDON Group

Elisabeth Andersson

Head of Administration
Born: 1971
Elisabeth Andersson joined as COO of newly acquired LinusLotta.com in 2008. Starting 2009, she became Head of Logistics and Customer Services at CDON.COM and as of 2010 she is also the Head of Administration of CDON Group, which includes Human Resources. Elisabeth joined the Company with more than ten years of experience in logistics, both from the Electrolux Group and Tradimus (currently Aditro). Between 2005 and 2008, Elisabeth headed Tradimus Logistics' Malmö office. She has a Master of Science degree in Engineering from Lund University.
Shares in MTG entitling to 0 shares in CDON Group

Fredrik Bengtsson

Head of Communications
Born: 1974
Fredrik Bengtsson joined CDON AB as Marketing Director of CDON.COM in 2004. He has also been the Head of Business Development in MTG Internet Retailing (the current CDON Group) since its creation in 2007, and he has also been responsible for Group wide marketing activities. He has served as Head of Communications at CDON Group since 2010. Prior to joining CDON, Fredrik held the position as Sales and Marketing Director for private lending at Ikano Bank SE, and was project manager and part owner in the advertising agency Eminent Communications Sweden Aktiebolag before that. Fredrik is also member of Sharpshooter Handelsbolag since 2004. Fredrik has a Bachelor's degree in Informatics from University of Gothenburg, School of Business, Economics and Law.
Shares in MTG entitling to 100 shares in CDON Group

Christofer Gordon

Chief Technical Officer
Born: 1973
Christofer Gordon was employed as Head of IT and Development at CDON.COM in 2006. From 2007, when MTG Internet Retailing (current CDON Group) was created, he has held the position of Chief Technical Officer in the Group. Before joining CDON, Christofer worked with advertising systems for daily newspapers at the software company Mactive, where he started his career as a Systems Developer and finished as Director of Development. Christofer has studied Design of Information Systems at Lund University.
Shares in MTG entitling to 230 shares in CDON Group

Ola Jarvi

CEO Heppo and Lekmer
Born: 1971
Ola Jarvi joined CDON.COM in 2000 as Head of Marketing, and has since then held a number of different positions within today's CDON Group, including Head of Sales, and COO of CDON.COM. Ola became the COO of MTG's whole internet retailing business in 2008. Ola serves as Board member and executive officer of subsidiaries of CDON Group. From 2010, Ola has been the head of the newest internet retailing stores, Lekmer and Heppo. Prior to joining MTG, Ola worked with marketing at Micro Bildelar, which was then owned by the Ikano Group. He has a Masters degree in Business from Lund University.
Shares in MTG entitling to 445 shares in CDON Group

Peter Rosvall

CEO Nelly and Gymgrossisten
Born: 1980
Peter Rosvall joined MTG as a management trainee in 2004 and has since then held several positions within MTG's internet retailing business, including being responsible for CDON.COM's digital services, and as Head of Logistics and IT for CDON.COM and TV-Shop (then part of the business). Following their acquisitions, starting 2007, Peter is responsible for Nelly.com/LinusLotta.com and Gymgrossisten.com/Bodystore.com. He serves as Board member and executive officer of subsidiaries of CDON Group. Peter has a Masters degree in Business from University of Gothenburg, School of Business, Economics and Law.
Shares in MTG entitling to 400 shares in CDON Group

AUDITORS

The Annual General Meeting on 15 June 2009 decided to re-elect KPMG AB, Box 16106, SE-103 23 Stockholm, with Authorised Public Accountant Carl Lindgren as chief auditor. In August 2010 George Pettersson was appointed chief auditor for CDON Group. George Pettersson was born on 31 August 1964 and is a member of FAR. The appointment will be effective until the Annual General Meeting in 2012.

KPMG AB has served as auditor throughout the period to which the historical financial information in this prospectus relates. Independent auditors from KPMG AB have reviewed the financial report included in this prospectus for CDON Group as at 31 December 2009, with comparative figures for 2008 and 2007, as shown in the audit included in this prospectus.

Georg Petterson is MTG's cheif auditor. Carl Lindgren was previously MTG's chief auditor.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Executive remuneration[1] for the financial year of 2009 is presented below. No remuneration was paid to the Board of Directors for 2009. At the Extraordinary General Meeting on 24 September 2010 the Company adopted remuneration guidelines for executive management for 2010. These guidelines are set forth in section "Corporate governance". The Extraordinary General Meeting also resolved that remuneration would be paid for the period until the end of the 2011 Annual General Meeting to the Chairman of the Board in the amount of SEK 600,000, while the other members of the Board would receive SEK 300,000 each, as well as a total of SEK 400,000 for work on the Board's committees.

2009 (SEK thousand)	Fixed salary	Variable salary	Other benefits	Pension costs	Option expenses	Total
Chief Executive Officer	2,140	675	-	302	662	3,779
Other senior managers (two people)[2]	1,449	322	-	187	44	2,002
Total	**3,589**	**997**	**0**	**489**	**706**	**5,781**

Share-based incentive scheme

At the time of this prospectus, CDON Group has no share-based incentive schemes. However, MTG has adopted an incentive scheme, the costs of which are shown in the above table.

Termination and severance pay

The Company and the Chief Executive Officer have a mutual notice period of twelve months. The Company and other senior managers also have a mutual notice period of twelve months. Neither the Chief Executive Officer nor other senior managers are entitled to severance pay, in addition to the salary and allowances payable during the period of notice.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

None of the individuals on the CDON Group Board of Directors or Executive Management has been convicted in a fraud-related case over the past five years. None of the individuals on the CDON Group Board of Directors or Executive Management has acted as substitute in companies that have been subject to bankruptcy, liquidation (due to insolvency) or reconstruction, have been subject to accusations or sanctions by authorities or an organisation representing a certain professional category that is restricted by public law or is subject to trade ban over the past five years. There are no family ties among the individuals on the CDON Group Board of Directors and management. There are no conflicts of interest within administrative, management and supervisory bodies or other individuals in executive management.

[1] Note that executive remuneration for the financial year of 2009 only relates to the Chief Executive Officer and two additional senior managers.
[2] Additional members of Executive Management were elected after the end of full year 2009.

CORPORATE GOVERNANCE

CDON GROUP AB'S CORPORATE GOVERNANCE POLICIES AND PRACTICES

CDON Group AB is a Swedish public limited liability company. The Company's governance is, from the date of the listing on Nasdaq OMX Stockholm, based on the Articles of Association, the Swedish Companies Act, the listing rules of Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance, and other relevant Swedish and international laws and regulations.

The Company follows the Code in most aspects, but deviates from its recommendations in respect of the membership of the Remuneration Committee, which is explained below.

GOVERNANCE STRUCTURE

Annual General Meeting

The Annual General Meeting is the highest decision-making body in a limited liability company and it is at the Annual General Meeting where all shareholders can exercise their right to decide on issues affecting the Company and its operations.

The Annual General Meeting of shareholders shall be held within six months after the end of the financial year. At the Annual General Meeting, resolutions shall be passed with respect to the adoption of the income statement and balance sheet as well as the consolidated income statement and statement of financial position, the disposition of the Company's earnings according to the adopted balance sheet, the discharge of liability for the Board of Directors and the Chief Executive Officer, appointment of the Board of Directors and their Chairman and the Company's auditors, and certain other matters provided for by law and the Articles of Association.

Shareholders wishing to have matters considered at the Annual General Meeting should submit their proposals in writing at least seven weeks before the Annual General Meeting in order to guarantee that their proposals may be included in the notice to the Meeting.

Shareholders who wish to participate in the Annual General Meeting must be duly registered as such with Euroclear Sweden AB. The shareholders may then attend and vote at the meeting in person or by proxy. A shareholder wishing to attend the Annual General Meeting must notify CDON Group of his or her intention to attend. The manner in which to notify CDON Group can be found in the notice convening the Annual General Meeting.

Those shareholders, who cannot attend the Annual General Meeting in person may be represented by a proxy.

NOMINATION PROCEDURE

The Nomination Committee

The Nomination Committee's tasks include:

- To evaluate the Board of Directors' work and composition
- To submit proposals to the Annual General Meeting regarding the election of Board Directors and the Chairman of the Board
- To prepare proposals regarding the election of Auditors in cooperation with the Audit Committee (when appropriate)
- To prepare proposals regarding the fees to be paid to Board Directors and to the Company's Auditors
- To prepare proposals for the Chairman of the Annual General Meeting
- To prepare proposals for the administration and order of appointment of the Nomination Committee for the Annual General Meeting.

Following a resolution of the Extraordinary General Meeting of CDON Group AB at 24 September 2010, a Nomination Committee will be established in January 2011 in consultation with the largest shareholders of the Company as at 31 December 2010. Cristina Stenbeck will be proposed to become a member of the Committee and will also act as its convenor. The members of the Nomination Committee do not receive any remuneration for their work.

The Nomination Committee will submit a proposal for the composition of the Board of Directors and Chairman of the Board to be presented to the 2011 Annual General Meeting for approval. Shareholders wishing to propose candidates for election to the CDON Group AB Board of Directors should submit their proposals in writing to CDON Group AB, Nomination Committee, P.O. Box 385, SE-201 23 Malmö, Sweden.

Responsibilities and duties of the Board of Directors

The Board of Directors is appointed to provide effective support for, and control of, the activities of the Executive Management of the Company. The Board has adopted working procedures for its internal activities which include rules pertaining to the number of Board meetings to be held, the matters to be handled at such regular Board meetings, and the duties of the Chairman. The work of the Board is also governed by rules and regulations which include the Companies Act, the Articles of Association, and the Swedish Code of Corporate Governance.

In order to carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Committee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not. The Board has also adopted procedures for instructions and mandates to the Chief Executive Officer.

BOARD OF DIRECTORS

Members of the Board

The Board of Directors of CDON Group AB is described in detail in section "Board of Directors, Executive Management and Auditors"

Remuneration Committee

The Remuneration Committee comprises Mia Brunell Livfors, Chairman, Hans-Holger Albrecht and Lars-Johan Jarnheimer as members. The Board of Directors commissions the work of the Remuneration Committee. The responsibilities of the Remuneration Committee include issues related to salaries, pension plans, bonus programmes and the employment terms for the Chief Executive Officer and Executive Management within CDON Group. The Committee also advises the Board on long-term incentive schemes.

The Swedish Code of Corporate Governance states that the members of the Committee are to be independent of the Company and its executive management with the exception of the Chairman of the Board who may chair the Committee regardless whether this criteria is met or not. Mia Brunell Livfors and Hans-Holger Albrecht are not independent of the Company and its management due to their respective roles as Director of the Board and Chief Executive Officer in Modern Times Group MTG AB and the significant business relationship and other significant financial dealings existing between MTG and CDON Group. The Company therefore deviates from this rule in the Code. The reason for the deviation is that both Mia Brunell Livfors and Hans-Holger Albrecht have significant experience in establishing and defining remuneration principles across listed companies, and that the Committee thereby have the appropriate competence.

Audit Committee

The Audit Committee comprises Lars Nilsson as Chairman, and Anders Nilsson and Florian Seubert as members. The Audit Committee's responsibility is to (i) monitor the Company's financial reporting, (ii) in terms of the financial reporting, monitor the efficiency of the Company's internal control, internal audit and risk management, (iii) stay informed about the audit of the annual report and consolidated accounts, (iv) review and monitor the auditor's impartiality and independence and in this respect particularly notice whether the auditor provides the Company any other services than auditing, and (v) assist in the establishment of suggestions for the General Meeting's decision on choice of auditor. The Audit Committee focuses on assessing the quality and accuracy in financial reporting, changes in accounting policies when applicable, internal controls, internal audit, risk assessment, the qualification and independence of the auditors, adherence to prevailing rules and regulations and, where applicable, transactions with related parties. Further, the Committee assists the Nomination Committee with suggestions to the election of auditors at the Annual General Meeting.

Remuneration to Board members

The remuneration of the Board members is proposed by the Nomination Committee, comprising the Company's largest shareholders and approved by the Annual General Meeting. The Nomination Committee proposal is based on benchmarking of peer group company compensation and company size.

EXTERNAL AUDITORS

KPMG was elected as CDON Group's auditor at the Annual General Meeting in 2009 and has been external auditor since 1997. Election of the auditor will be made at the 2012 Annual General Meeting.

The auditors report their findings to the shareholders by means of the auditors' report, which is presented to the Annual General Meeting. In addition, the auditors report detailed findings at each of the ordinary meetings of the Audit Committee and to the full Board once a year.

Audit assignments have involved the examination of the annual report and financial accounting, the administration by the Board and the CEO, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or the implementation of such other tasks.

EXECUTIVE MANAGEMENT

CDON Group's Executive Management comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), and other key executives.

Chief Executive Officer

The CEO is responsible for the ongoing management of the Company in accordance with the guidelines and instructions established by the Board.

The CEO and the Executive Management team, supported by the various employee functions, are responsible for the adherence to the Group's overall strategy, financial and business control, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports and communication with the stock market and other issues. The Company guidelines and policies issued include financial control, communication, brands, business ethics and personnel policies.

There is an operational board for each of the segments. The Chief Executive Officer chairs the operational board meetings, which also are attended by the Executive Management of the relevant business segments and the Chief Financial Officer.

Executive remuneration

The current guiding principles for executive remuneration were approved at the Extraordinary General Meeting on 24 September 2010 ahead of the listing in accordance with the below:

Remuneration guidelines

The objective of the guidelines is to ensure that CDON Group can attract, motivate and retain senior executives, within the context of CDON Group's peer group, which consists of Nordic online and offline retailing companies. The remuneration shall be based on conditions which are both market competitive and aligned with shareholders' interests. Remuneration to the Executives shall consist of a fixed and variable salary, as well as the possibility of participation in a long-term incentive programme and pension schemes. These components shall create a well balanced remuneration reflecting individual performance and responsibility, both short-term and long-term, as well as CDON Group's overall performance.

Fixed salary

The Executives' fixed salary shall be competitive and based on the individual Executive's responsibilities and performance.

Variable salary

The Executives may receive variable remuneration in addition to fixed salaries. The contracted variable remuneration will generally not exceed a maximum of 50 per cent of the fixed annual salary. The variable remuneration shall be based on the performance of Executives in relation to established goals and targets.

Other benefits

CDON Group provides other benefits to the Executives in accordance with local practice. Other benefits can include, for example, a company car and company health care. Occasionally, housing allowance could be granted for a limited time period.

Pension

The Executives shall be entitled to pension commitments based on those that are customary in the country in which they are employed. Pension commitments will be secured through premiums paid to insurance companies.

Notice of termination and severance pay

The maximum notice period in any Executive's contract is twelve months, during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments.

Deviations from the guidelines

In special circumstances, the Board of Directors may deviate from the above guidelines, for example additional variable remuneration in the case of exceptional performance. In such a case the Board of Directors shall explain the reason for the deviation at the following Annual General Meeting.

INTERNAL CONTROL REPORT

The processes for internal control, risk assessment, control activities and monitoring regarding the financial reporting are designed to ensure reliable overall financial reporting and external financial statements in accordance with International Financial Reporting Standards, applicable laws and regulations and other requirements for listed companies on Nasdaq OMX Stockholm. This process involves the Board, Executive Management and personnel.

Control environment

The Board has specified a set of instructions and working plans regarding the roles and responsibilities of the Chief Executive Officer and the Board committees. The Board also has a number of established basic guidelines, which are important for its work on internal control activities. This includes monitoring performance against plans and prior years. The Audit Committee assists the Board in overseeing various issues such as internal audit and accounting principles applied by the Group.

The responsibility for maintaining an effective control environment and internal control over financial reporting is delegated to the Chief Executive Officer. Other Executive Managers at various levels have respective responsibilities. The Executive Management regularly reports to the Board according to established routines and in addition to the Audit Committee's reports. Defined responsibilities, instructions, guidelines, manuals and policies together with laws and regulations form the control environment. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The Company has prepared a model for assessing risks in all areas in which a number of items are identified and measured. These risks are reviewed regularly by the Board of Directors and by the Audit Committee, and include both the risk of losing assets as well as irregularities and fraud. Designing control activities is of particular importance to enable the Company to prevent and identify shortcomings. The important areas are purchase-, logistics- and inventory processes, technical development and performance of the web platform as well as general IT-security. Assessing and controlling risks also involve the operational boards in each business area, where meetings are held at least four times a year. The Chief Executive Officer, the business area management and the Chief Financial Officer participate in the meetings. Minutes are kept for these meetings. The operational boards are further described under the heading "Executive Management".

Information and communication

Guidelines and manuals used in the Company's financial reporting are communicated to the employees concerned. There are formal as well as informal information channels to the Executive Management and to the Board of Directors for information from the employees identified as significant. Guidelines for external communication ensure that the Company applies the highest standards for providing accurate information to the financial market. In 2005, the Group has an established annual procedure for the operating management to give their opinion of the quality of the financial reporting, disclosure and procedures and compliance with internal and external guidelines and regulations.

Evaluation

The Board of Directors regularly evaluates the information provided by Executive Management and the Audit Committee. The Board receives regular updates of the Group's development between the meetings. The Group's financial position, its strategies and investments are discussed at every Board meeting. The Audit Committee reviews the quarterly reports prior to publication. The Audit Committee is also responsible for the follow-up of the internal control activities. This work includes ensuring that measures are taken to deal with any inaccuracy and to follow up suggestions for actions emerging from the internal and external audits.

The Company has an independent internal audit function responsible for the evaluation of risk management and internal control activities. This work includes scrutinising the application of established routines and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports the result of its reviews to the Audit Committee. The external auditors report to the Audit Committee at each ordinary meeting of the Committee.

SHARE CAPITAL AND OWNERSHIP

SHARE CAPITAL

CDON Group's Articles of Association stipulate that share capital be maintained at a level not lower than SEK 100,000,000, and not exceeding SEK 400,000,000. At time of printing, CDON Group's registered share capital amounts to SEK 132,684,248 distributed among 66,342,124 shares. Each share entitles to one vote at the General Meeting.

All shares to be listed for trade are freely transferable, and entitle the holder to an equal proportion of CDON Group's assets, profit, dividends, and surplus in the event of liquidation. In the event of new share issues, all shares carry the same preferential right. The shares are issued serially, with the total number of shares currently standing at 66,342,124. The Company was originally registered in 1936. It has been a company within MTG since 1997, and the name was changed to MTG Internet Retailing AB in 2008, and then to CDON Group AB in 2010. The Company's shares are Swedish krona denominated, with a quota value of SEK 2 per share.

The Company's shares are governed under the terms of the Swedish Companies Act (2005:551). In conjunction with being listed for trade, CDON Group's shares are registered on an electronic VPC register of shares, according to legislation (1998:1479) which regulates the book entry of financial instruments. This register, in addition to the book entry of shares, is administered by Euroclear Sweden AB, Box 7822, SE-103 97, Stockholm. The ISIN code for CDON Group shares is SE0003652163.

Resolutions pertaining to the distribution of profits is passed at the Annual General Meeting, or Extraordinary General Meeting. The entitlement to receive dividends is enjoyed by shareholders listed in both the Company share register and the electronic VPC register of shares, as at the stipulated record date. Both the dividend record date and the date on which dividends are to be paid out are established by the Annual General Meeting, or Extraordinary General Meeting, or by the Board of Directors acting with the authorisation of the meeting. Dividends are normally paid as a cash sum per share but payment may also be issued in other ways. Payment of cash dividends is administered by Euroclear Sweden AB. If the recipient shareholder cannot be reached by Euroclear Sweden AB, the amount receivable remains with the Company in question, with the only time restriction being the ten-year limitation period. On expiration of the limitation period, the dividend sum is retained by the Company. There are no specific procedures, nor restrictions, regarding the payment of dividends applying to shareholders resident outside of Sweden. However, shareholders not fiscally domiciled in Sweden are ordinarily liable to Swedish withholding tax, see section "Tax considerations in Sweden".

The shares are not subject to offers made as a consequence of mandatory bids, the right of redemption, or the obligation of redemption. There have been no public takeover bids in respect of the Company's shares.

The table below shows the historical development of the Company's share capital since its establishment in 1936, as well as changes in the number of shares and the share capital. For further information about the offset issue and the cash issue, see section "Capital structure and refinancing".

Date	Event	Change share capital	Change number of shares	Share capital following change	Number of shares following change
1936-12-11	Establishment	1,000,000	2,000	1,000,000	2,000
24-09-2010	Split	0	498,000	1,000,000	500,000
2010-09-24	Offset issue	131,090,244	65,545,122	132,090,244	66,045,122
2010-10-26	Cash issue	594,004	297,002	132,684,248	66,342,124

CONVERTIBLE

Following a resolution passed at CDON's Extraordinary General Meeting held on 25 November 2010, MTG Investment AS, a wholly-owned subsidiary within MTG, has subscribed to SEK 250 million worth of convertible debentures in CDON Group. This loan, which is unsubordinated, runs at an annual interest rate of 2.85 per cent, and is due to be repaid by 2 December 2015, provided that conversion has not been made earlier. Conversion may be carried out from 15 June 2012 to 1 December 2015. The conversion rate shall correspond to 125 per cent of the volume-weighted share price during the first 20 days of trading, that is to say, the period from 15 December 2010 to 14 January 2011. Once the share price has been established, it will be posted on the Company website together with information regarding the extent of dilution the convertible debentures may cause.

In the event of a change in ownership control within the Company, the convertible bondholder is entitled to demand repayment in advance. A change in ownership control also results in the recalculation of the conversion rate. Among the other events which may lead to a recalculation of the conversion rate is the distribution of profits.

OWNERSHIP STRUCTURE

CDON Group's ownership structure will initially correspond to that of MTG. MTG's shareholder list as at 30 November 2010 is presented in the table below. However, the table includes only Class A and Class B shares, whereas Class C shares, which do not entitle to any dividend in the form of shares in CDON Group, have been excluded from the table since these are in MTG's possession.

Shareholder	Number of shares	Proportion of capital, %
Investment AB Kinnevik	13,503,856	20.4
Lannebo Funds	2,157,345	3.3
Capital Group Funds	2,123,000	3.2
SEB Funds	2,011,106	3.0
Fidelity Funds	1,814,343	2.7
AMF Insurance & Funds	1,719,036	2.6
Swedbank Robur Funds	1,640,433	2.5
SHB Funds	1,608,302	2.4
Nordea Funds	1,441,527	2.2
Government of Norway	977,519	1.5
Second AP Fund	871,293	1.3
Anima Regni LP	836,648	1.3
Enter Funds	569,700	0.9
First AP Fund	564,231	0.9
Other shareholders	34,503,785	52.0
Total	66,342,124	100.0

Source: SIS.

SHAREHOLDER AGREEMENTS

The Company is not aware of the existence of any agreements between shareholders in the Company.

AUTHORISATION

There is no authorisation sanctioning the Board of Directors of CDON Group, or its subsidiaries, to pass resolutions in respect of the increase of share capital through new share issues, convertible share option rights, etc. nor the raising of participating loans.

ARTICLES OF ASSOCIATION

Adopted by the Extraordinary General Meeting of CDON Group AB on 24 September 2010.

§ 1

The name of the Company is CDON Group AB. The Company is a public company (publ).

§ 2

The Board of directors shall have its registered office in the municipality of Malmö.

§ 3

The primary purpose of the Company's business shall be to generate profit for its shareholders.

The object of the Company's business is mail order and retailing on the internet with film, music, games, books, ready-made clothing, food, health, beauty, toys, baby carriages and other childrens accessories, interior decorating, fashion, building supplies, tools, auto parts, and consumer electronics, to own shares and other participation rights and share certificates and other similar securities as a part of the business, to own and manage real estate as well as movables, and carry on other activities compatible therewith.

The Company shall have the right to guarantee or otherwise pledge security for obligations assumed by other companies within the group.

§ 4

The Company's share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000.

The number of shares in the Company shall be not less than 50,000,000 and not more than 200,000,000.

§ 5

The Board shall consist of no less than three and no more than nine directors.

§ 6

The Company shall have no more than three auditors with up to three deputy auditors.

§ 7

A general meeting should be held in Malmö or in Stockholm.

Notice of an annual general meeting and any extraordinary general meeting where any proposed amendment to the articles of association is to be addressed, shall be given no earlier than six and no later than four weeks prior to the meeting.

Notice of any other extraordinary general meeting shall be given no earlier than six and no later than two weeks prior to the meeting.

Notice of a general meeting of shareholders shall be made by announcement in Post- och Inrikes Tidningar, Svenska Dagbladet, and in Metro in those places in Sweden where Metro at the time of the notice is issued.

§ 8

A shareholder that wishes to participate at the general meeting shall, firstly, have been registered as shareholder in a transcript of the entire share register with respect to the situation five business days before the meeting, and secondly, register with the Company no later than 1 p.m. on the registration day set forth in the notice convening the meeting. Such registration day must not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve, New Year's Eve or any day earlier than five week days prior to the meeting.

A shareholder attending a general meeting may be accompanied by an assistant, however only where the shareholder has provided notification hereof in accordance with the foregoing paragraph.

§ 9

The shareholder or nominee who on the record date is registered in the share register and in a central securities depository register pursuant to Chapter 4 of the Financial Instruments Accounts Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 paragraph 6-8 of the mentioned Act, shall be deemed to be authorised to exercise the rights set out in Chapter 4, Section 39 of the Companies Act (2005:551).

§ 10

The Company's financial year shall be the calendar year.

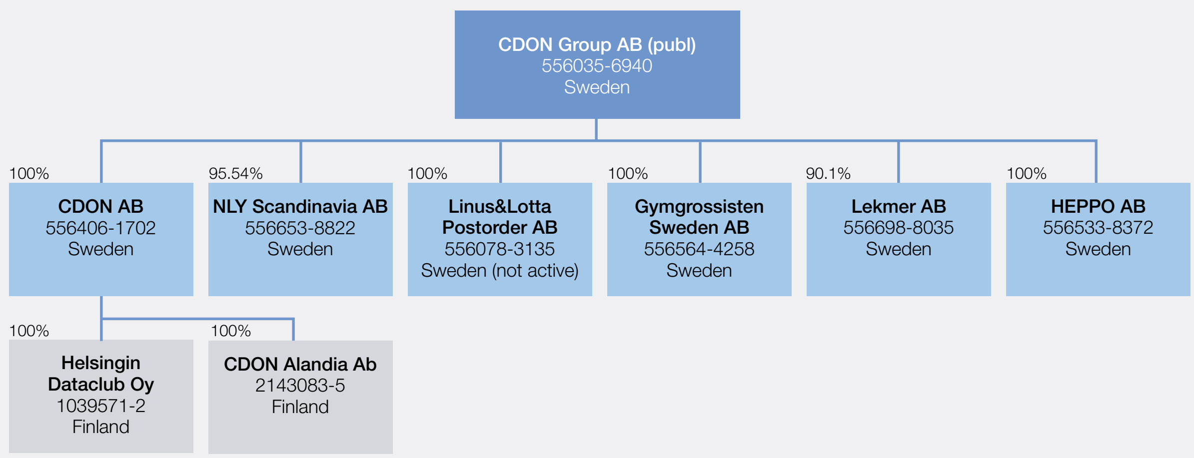
LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

THE GROUP'S LEGAL STRUCTURE

The CDON Group's Parent Company, CDON Group AB (publ) (company registration number 556035-6940), is a Swedish public limited liability company that was registered in 1936. The Company's operations are conducted in accordance with the Swedish Companies Act (2005:551). The Company's registered office is in the municipality of Malmö.

CDON Group AB (publ) is at present directly or indirectly the parent company of eight subsidiaries, which are operating in Sweden, Norway, Finland, Denmark and Germany. The diagram below illustrates the legal structure of CDON Group, including CDON Group's ownership stake and the country of domicile of the subsidiaries.

Legal structure of CDON Group



Source: CDON Group.

MAJOR AGREEMENTS

Distribution agreements

CDON has entered into several distribution agreements with suppliers of digital music and films, CDs, DVDs and Blue Ray discs, software, telecom products, home electronics etc. The terms and conditions of these contracts vary, but the majority are rolling contracts with a six months notice period. Some of these agreements provide the supplier with a right to scrutinise CDON's accounting records and financial reporting with regard to the products and services covered by the contract concerned.

Agreement on sale of customer invoices

All companies in CDON Group have entered into agreements with Klarna AB to the effect that Klarna AB will acquire all customer invoices from the companies. Under these agreements, the companies undertake to grant Klarna AB exclusivity with regard to these services and to satisfy certain requirements as to payment periods, amount of credit and claim procedures with these customers. The majority of the agreements are on a rolling basis, with a six months notice period.

Air time agreements

CDON Group has entered into agreements with MTG's subsidiary Viasat Broadcasting UK Ltd ("Viasat") regarding the purchase of air time on Viasat's free-TV channels in Denmark, Norway and Sweden. The agreements run from 1 January 2011 until 31 December 2013. The agreements can be terminated per 31 December 2012 if notice of termination is made on 30 September 2012 at the latest. The advertising airtime in the agreement corresponds to the annual average of advertising volumes purchased by CDON Group on Viasat's free-TV channels in 2008, 2009 and 2010. The purchase price reflects the market rates paid by CDON Group for advertising airtime. The agreements guarantee Viasat a certain annual revenue. CDON Group has historically been able to utilise unsold advertising airtime on Viasat's free-TV channels at a discount to the prevailaing market price of sold advertising airtime of corresponding type. This "discount" is estimated to have amounted to SEK 15 million (14.5) for the period January - September 2010.

Agreement on hosting of web systems
Several companies within the Group have entered into agreements with Pulsen Production AB ("Pulsen") regarding the hosting of web systems and, in several cases, some ancillary services, by which Pulsen guarantees that a certain degree of accessibility is achieved for the web systems. If termination is not made within three months before the end of the agreement period, the agreement period is extended, one year at a time.

Logistics agreement
The Group has entered a number of logistics agreements with suppliers regarding distribution of products to customers. These agreements comprise logistics services such as customer service, goods reception, warehousing, repackaging, logistics services towards customers and postal services.

INTELLECTUAL PROPERTY RIGHTS
The Company seeks to register and actively endeavour to protect its brands, names and domain names in the jurisdictions in which CDON Group currently conducts business. CDON Group's intellectual property rights are managed centrally. CDON Group's main intellectual property rights are its brands, the most important of which are "CDON", "Gymgrossisten" and "Nelly" plus its domain names.

TRANSACTIONS WITH CLOSELY RELATED PARTIES
In the past few years, the following agreements and arrangements have been in place between the Group and companies closely related to MTG.

- The Group has purchased credit services from Transcom Credit Management Services AB.
- The Group has bought telecom and data communication services from Tele2 Sverige AB, as well as operating and maintenance services from subsidiary Datametrix companies.
- The Group has bought advertising and management services from Viasat Broadcasting UK Ltd.
- The Group has sold management services and products to MTG companies.

In preparation for the distribution and listing of CDON Group shares, agreements between the Group and companies closely related to MTG have been reviewed. The following agreements and arrangements exist between the Group and companies closely related to MTG.

- The Group buys telephony services from Tele2 Sverige AB.
- The Group buys switchboard and IT services from Datametrix companies.
- The Group buys TV advertising time from Viasat Broadcasting UK Ltd.
- The Group buys accounting services from MTG Accounting AB.
- The Group rents premises from MTG companies.
- The Group has the intention to buy internal audit services from Audit Value International.

CDON Group has previously been given volume discounts from MTG on purchases of marketing. The value of this benefit is estimated to have amounted to around SEK 20 million in 2009, in terms of lower cost to CDON Group. Any cost increase from now on will depend on the level of acquired advertising time by CDON Group. Other transactions have taken place at arm's length.

On 2 October 2008, the former shareholders and now employees of Lekmer AB (556698-8035), Patric Palmefjord, Johan Englund and Niclas Larsson, furnished in association with former shareholder Lars Ögren a guarantee in respect of Lekmer AB's then and future obligations in favour of Nordea Bank AB (publ). The undertaking is for an amount totalling SEK 650,000. Furthermore, on 2 January 2007 and 18 September 2008, Lekmer AB issued promissory notes in favour of Patric Palmefjord in the amounts of SEK 500,000 and 600,000, respectively. All the undertakings described above have ceased.

A family member of the Company's head of administration, Elisabeth Andersson, owns the Company Logistikfabriken, which had contractual relationships, now terminated, with CDON Group during 2007 and 2008. The contractual relationships comprised project management in connection with modification of parts of CDON AB's logistics platform.

DISPUTES
A VAT liability of approximately EUR 463,000 related to the Company's Finnish subsidiary CDON Alandia Ab has not been reported in due time to the tax authorities, which according to the Company's judgment may cause interest expenses and fines of between EUR 100,000 and 200,000. The Company have not made accruals for these expenses in the quarterly report as per 30 September 2010.

CDON Group is not, and has not been, party to any judicial proceedings or arbitration proceedings during the twelve last months that recently have had or may have any major effects on the Company's financial position or profitability.

INSURANCE
CDON Group maintains insurance covering among other things damage to/loss of property, business disruptions, general liability, product liability, goods in transit, damage/loss caused by criminal acts by employees and liability on the part of senior

executives and members of the Board of Directors. CDON Group considers that its insurance cover is in line with other companies in the industry and that it is sufficient in view of the risks that are normally associated with the Company's operations. However, there is no guarantee that CDON Group will not be affected by losses that are not covered by this insurance.

INTERESTS OF ADVISERS

Handelsbanken Capital Markets is providing CDON Group and MTG with financial advice and other services in connection with the distribution and listing of CDON Group shares on Nasdaq OMX Stockholm, in return for which Handelsbanken Capital Markets will be paid a fee. In addition, the Company will reimburse Handelsbanken's external costs.

From time to time, Handelsbanken Capital Markets provides MTG and parties closely related to MTG with services within the scope of their day-to-day operations in connection with other transactions.

COSTS ASSOCIATED WITH THE DISTRIBUTION AND LISTING

CDON Group's costs in connection with the distribution and listing of CDON Group shares on Nasdaq OMX Stockholm are expected to amount to approximately SEK 11 million which are estimated to incur during the fourth quarter in 2010. The costs relate mainly to financial advice, auditors, legal experts, printing of prospectuses, company presentations etc.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available at the Company's head office, during office hours on business days, and on the Company's website at www.cdongroup.com

1. The Company's Articles of Association,
2. The Group's audited annual report for historical financial statements 2007-2009, and
3. The Group's unaudited interim report for the first half of 2010 and a reviewed interim report for the period 1 January–30 September 2010.

TAX CONSIDERATIONS IN SWEDEN

The following is a summary of certain Swedish tax issues, based on tax legislation currently in effect. The summary is intended only as general information for shareholders with an unlimited tax liability in Sweden, unless otherwise stated. The summary is not intended to deal comprehensively with all tax matters that may arise in this context. For instance, it does not deal with the rules that apply where shares are held as current assets in a business operation or partnership. Moreover, it does not cover the special rules that may apply to holdings in companies that have been closely held companies. Nor does it cover the specific rules that may apply to the corporate sector with respect to tax exempt capital gains and dividends on "shares held for business purposes" (Sw: näringsbetingade andelar). Special tax rules that are not described below may also apply for certain categories of tax payers, such as investment companies and investment funds. Taxation for each individual shareholder depends on their specific circumstances. Specific tax consequences, which are not described below, may arise. Each shareholder should therefore consult a tax advisor regarding the tax consequences that may arise as a result of the holding.

TAXATION ON DISPOSAL OF SHARES

Individuals

Capital gains and capital losses on disposal of shares become taxable as income from capital. The tax rate is 30 per cent. The capital gain or capital loss is calculated as the difference between the sales proceeds, after deduction of sales expenses, and the tax basis. The tax basis of all shares of the same class and type is added together and computed collectively using the average method. For listed shares the tax basis may alternatively be determined under the standard rule during a divestment as 20 per cent of the net sale revenue after sales expense deductions.

Capital losses on listed shares are deductible. Such losses may be fully deducted against capital gains in the same year on shares and other listed securities that are taxed as shares (except for units in mutual funds containing only Swedish receivables, known as Swedish interest funds). Capital losses from such listed shares as specified above that cannot be deducted in this manner are deductible by 70 per cent against other capital income.

If a deficit arises in the capital income category, a reduction of the tax on income from employment and from business operations, as well as the state real estate tax and the municipal real estate charge, is allowed. The tax reduction amounts to 30 per cent of any deficit not exceeding SEK 100,000 and 21 per cent of any remaining deficit. Remaining deficit may not be carried forward to a later fiscal year.

LIMITED LIABILITY COMPANIES

In the case of limited liability companies, capital gains are usually taxed in the business operations category at a tax rate of 26.3 per cent. Capital gains and capital loss are calculated in the same way as for individuals, as set forth above.

Deductible capital losses on shares are only deductible against taxable capital gains from shares and other securities that are taxed as shares. Capital losses of this nature are also deductible against taxable capital gains from shares and other securities within the same group given that group contributions rights exist between the companies and both companies request this for the same fiscal year. Capital losses that have not been utilised in a given fiscal year may be carried forward (by the Company that had the loss) and be deductible against taxable capital gains on shares and other securities taxed as shares in the following fiscal years for an unlimited time.

TAXATION OF DIVIDENDS

Individuals

For individuals, dividends are normally taxed at a rate of 30 per cent as income from capital. Tax for individuals is withheld on the dividend by Euroclear Sweden AB or, for nominee-registered shares, by the nominee.

Limited liability companies

For limited companies, dividends are taxed as income from business operations at 26.3 per cent. Specific rules apply for certain types of legal entities. The Company is not responsible for any tax at the source being withheld.

LEX ASEA

Under the so-called Lex ASEA rules (Chapter 42 § 16 Income Tax Act), dividends from a Swedish limited liability company in the form of shares in a subsidiary are recognised as income if certain conditions are met. The Company has determined that these conditions are met and that MTG's distribution of shares in CDON Group is therefore exempt from taxation for the recipient.

ALLOCATION OF TAX BASIS

Since the distribution of shares is subject to Lex ASEA, the tax basis for shares in MTG will be allocated between the shares in MTG and CDON Group. This is done so that the reduction in value of shares in MTG due to the dividend is attributed to the shares distributed in CDON Group, while the remaining acquisition cost will be the new acquisition cost of shares in MTG. MTG intends to apply to the Swedish Tax Agency for General Advice on how much of the acquisition cost of shares in MTG should be attributed to these shares and to the shares received in CDON Group. This advice will be published on both the MTG and CDON Groups websites.

SHAREHOLDERS WITH LIMITED TAX LIABILITY

For shareholders with limited tax liability in Sweden and who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30 per cent. However, this tax rate is generally reduced by tax treaties between Sweden and other countries for the avoidance of double taxation. Euroclear Sweden normally effects the withholding tax deduction. If shares are nominee-registered, the nominee is responsible for deduction of tax.

Shareholders with a limited tax liability in Sweden and who are not carrying on business operations from a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares. However, shareholders may be subject to tax in their countries of residence. According to a certain rule, individuals with limited tax liability in Sweden may be liable for capital gains taxation when Swedish shares have been sold if they at some point during the calendar year when the sale has taken place, or during the previous ten calendar years, have lived or permanently stayed in Sweden. However, the application of this rule is in many cases limited by tax treaties.

INTERIM REPORT
1 JANUARY – 30 SEPTEMBER 2010

cdongroup

Q3 Interim report: 1 January – 30 September 2010

CDON Group AB (publ) ("CDON Group" or "the Group") announces its financial results for the third quarter and nine months ended 30 September 2010.

Third Quarter Highlights

- Net sales up 29% year on year to SEK 513.7 (397.8) million
- Gross profit up 11% year on year to SEK 93.0 (84.0) million
- Operating profit of SEK 30.8 (31.7) million, with an operating margin of 6.0%
- Net income of SEK 19.3 (19.6) million
- Earnings per share of SEK 4.05[1] (38.00)
- Pan-Nordic launch of online shoe retailer Heppo.com
- Set-off issue of shares by which SEK 239.0 million in loans from parent company Modern Times Group MTG AB (publ) ("MTG") were exchanged for 65,545,122 CDON Group shares at SEK 3.646 per share

Nine Month Highlights

- Net sales up 27% year on year to SEK 1,441.1 (1,131.1) million
- Gross profit up 21% year on year to SEK 281.2 (232.1) million
- Operating profit up 30% year on year to SEK 96.5 (74.5) million, with an operating margin of 6.7%
- Net income up year on year to SEK 64.2 (45.1) million
- Earnings per share of SEK 32.76[2] (89.23)

Mikael Olander, CEO of CDON Group, commented: "The Group has delivered another quarter of strong sales growth and passed the milestone of SEK 2 billion of rolling twelve month sales for the first time. All segments reported sales growth and the Fashion segment once again doubled its sales year on year. This performance has consolidated our position as a leading pure-play e-commerce business in the Nordic region, and reflects the ongoing migration of retail sales from traditional high street outlets to the internet.

"The high levels of organic growth, as well as the consolidation of the Lekmer.se toy store, the launch of Heppo.com and the expansion of Nelly.com, demonstrate the scalability of our platform and the ability to efficiently develop our existing businesses, acquire and launch new internet stores, and expand into new markets. At the same time and despite the investments that we have made, we have continued to deliver healthy margins and return on capital employed.

"For the remaining year we expect to see continued healthy growth for the Sports & Health and Fashion businesses, but do also expect the ongoing industry-wide decline in CD sales to adversely impact the Entertainment segment while it gradually migrates to new product areas."

[1] Calculated on the weighted average number of shares of 4,774,682 for the period Jul-Sep 2010.
[2] Calculated on the weighted average number of shares of 1,940,552 for the period Jan-Sep 2010.

Significant events

CDON Group launched new online shoe retailer Heppo.com in Sweden on 31 August 2010. The online store has subsequently been rolled out into Norway, Denmark and Finland during September 2010. Heppo.com is a part of CDON Group's Fashion business segment and complements CDON Group's existing fashion retailing portfolio.

The Extraordinary General Meeting of CDON Group shareholders, which was held on 24 September 2010, resolved to implement a set-off directed share issue to MTG. MTG has subscribed for a total of 65,545,122 CDON Group shares at SEK 3.646 per share. Payment for the shares has been made by the off-setting of SEK 239,000,000 of total loans previously provided by MTG to CDON Group. CDON Group's share capital has thereby increased to SEK 132,090,244. In connection with the set-off share issue it was further decided to implement a share split at a ratio of 250:1. The share split has been taken into account for the reporting period. CDON Group hereby has a total of 66,045,122 issued shares. Furthermore, a decision to carry out a cash issue before 15 of December 2010 of a maximum of 317,002 shares, with a par value of SEK 2.00, whereby the share capital will be increased by a maximum of SEK 634,004 was taken. (See the paragraph "Significant events after the reporting date").

Significant events after the reporting date

MTG announced on 21 October that an Extraordinary General Meeting of MTG shareholders, which was held in Stockholm on the same day, had voted to approve the proposed distribution of all CDON Group shares to MTG shareholders. MTG shareholders will receive one share in CDON Group for each MTG class A and/or class B share that they hold. MTG class C shareholders are not entitled to the dividend.

The dividend of CDON Group shares is conditional upon the registration of the CDON Group share issue with the Swedish Companies Registration Office; the approval for listing of the Group's shares by Nasdaq OMX Stockholm; and the review and approval of the related prospectus by the Swedish Financial Supervisory Authority by no later than 28 February 2011. The intention is that the CDON Group shares be listed and commence trading on Nasdaq OMX Stockholm after the dividend has been made.

Following a resolution passed at an Extraordinary General Meeting of CDON Group shareholders, which was held in Stockholm on 25 November 2010, MTG Investment AS, a wholly-owned subsidiary of MTG has subscribed to CDON Group convertible bonds in the total amount of SEK 250.0 million. This bond issue is unsubordinated, bears interest of 2.85 percent per annum, and is due to be repaid on 2 December 2015 if it has not been repaid or converted prior to maturity. The bonds may be converted into CDON Group shares between 15 June 2012 and 1 December 2015, and the conversion rate has been set at 125 percent of the volume-weighted share price during the first 20 days of trading after listing, (the period from 15 December 2010 to 14 January 2011). The conversion price will be made available on CDON Group's website (www.cdongroup.com) once it has been established, together with information about the potential dilution effects of the conversion of the bonds.

CDON Group acquired an additional 5.54% of shares from minority share holders in NLY Scandinavia AB (Nelly.com) in October for SEK 21.0 million in cash. CDON Group now owns 95.54% of the shares in NLY Scandinavia AB.

A cash issue of 297,002 shares with a par value of SEK 2.00 was carried out in October, as decided on the Extraordinary General Meeting of CDON Group on 24 September, and increased CDON Group's share capital by SEK 594,004. CDON Group thereafter has a total of 66,342,124 issued shares.

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 15.0 (14.5) million for the period January - September 2010.

Financial summary

(SEK thousand)	2010 Jul-Sep	2009 Jul-Sep	*Change (%)*	2010 Jan-Sep	2009 Jan-Sep	*Change (%)*
Net sales	**513,741**	397,795	29.1%	**1,441,101**	1,131,063	27.4%
Gross profit	**93,030**	83,959	*10.8%*	**281,186**	232,116	*21.1%*
Gross margin (%)	***18.1%***	*21.1%*		***19.5%***	*20.5%*	
Operating profit	**30,780**	31,666	-2.8%	**96,545**	74,465	29.7%
Operating margin (%)	***6.0%***	*8.0%*		***6.7%***	*6.6%*	
Net interest & other financial items	**-5,517**	-4,046	-	**-14,152**	-10,907	-
Income before tax	**25,263**	27,620	*-8.5%*	**82,393**	63,558	*29.6%*
Net income	**19,251**	19,617	*-1.9%*	**64,232**	45,142	*42.3%*
Basic earnings per share (SEK)*	**4.05**	38.00	-	**32.76**	89.23	-
Diluted earnings per share (SEK)*	**4.05**	38.00	-	**32.76**	89.23	-
Total assets	**729,863**	593,527	*23.0%*	**729,863**	593,527	*23.0%*

* Earnings per share for all periods have been recalculated following the ongoing 250:1 share split. The number of issued shares for these periods is 500,000. The earnings per share for the periods January to September and July to September 2010 have also, and besides taking into account the ongoing 250:1 share split, been calculated to reflect the ongoing share issue, by which the amount of issued shares will increase from 500,000 to 66,045,122. The weighted average number of shares for the first nine months of 2010 amounted to 1,940,552, and to 4,774,682 for the third quarter of 2010.

Group Overview

Group net sales were up 29% year on year in the third quarter, and up 27% for the year to date, following sales growth and continued market share gains for each business segment in both periods.

The Group's sites attracted 26.8 (20.9) million visits and generated 1,125,000 (941,000) orders during the third quarter. A total of 76.7 (62.3) million visits and 3.1 (2.6) million orders were registered during the first nine months of the year.

The Group’s consolidated cost of goods sold increased by 34% year on year to SEK 420.7 (313.8) million in the third quarter and by 29% to SEK 1,159.9 (898.9) million for the year to date. The Group reported a lower gross margin of 18.1% (21.1%) in the quarter, and decreased gross margin of 19.5% (20.5%) for the year to date. The gross margins for both periods were affected by the adverse effects of the Swedish krona reporting currency appreciating against the Norwegian and Danish currencies and the euro. The majority of the Group's costs are Swedish krona denominated whilst almost half of the Group's sales are in other currencies.

The Group reported a 13% year on year increase in sales, general and administrative expenses to SEK 63.0 (55.7) million in the third quarter, which reflected the larger sales volumes, the acquisition of Lekmer.se in the second quarter and the launch of Heppo.com in the third quarter. Sales, general and administrative expenses were up 15% for the year to date to SEK 183.6 (159.9) million. The Group therefore reported a 3% year on year decline in operating profits for the third quarter and a 30% increase in profits for the year to date, with operating margins of 6.0% and 6.7% for the two respective periods.

The Group's net interest and other financial items amounted to SEK -5.5 (-4.0) million in the third quarter and SEK -14.2 (-10.9) million for the year to date, which primarily reflected the higher level of financial gearing following the payment of a SEK 150.0 million dividend to parent company Modern Times Group MTG AB in November 2009, as well as the impact of foreign exchange rate gains and losses in the respective periods. Group pre-tax profits declined 9% year on year in the third quarter but increased by 30% for the year to date.

The Group reported income tax expenses of SEK -6.0 (-8.0) million in the third quarter and SEK -18.2 (-18.4) million for the year to date, which included the recognition of tax loss carry-forwards in the second and third quarters of 2010 (cf. note 2). Group consolidated net income therefore declined by 2% year on year in the third quarter but increased by 42% for the year to date, with earnings per share of SEK 4.05 and SEK 32.76 for the two respective periods. The total number of shares outstanding amounted to 2,000 at the beginning of the reporting period, and to 66,045,122 at end of the reporting period, following the decision to implement a set-off directed share issue whereby the parent company Modern Times Group MTG AB has subscribed for a total of 65,545,122 CDON Group shares at SEK 3.646 per share. A decision to implement a share split at a ratio of 250:1 was also taken in connection to the set-off share issue.

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Segmental Operating Review

Entertainment

(SEK thousands)	2010 Jul-Sep	2009 Jul-Sep	*Change (%)*	2010 Jan-Sep	2009 Jan-Sep	*Change (%)*
Net sales	328,270	300,672	*9.2%*	930,183	838,924	*10.9%*
Operating profit	20,951	21,448	*-2.3%*	56,312	52,157	*8.0%*
Operating margin (%)	*6.4%*	*7.1%*		*6.1%*	*6.2%*	
No. of visits (thousands)	15,875	14,323	*10.8%*	45,376	44,163	*2.7%*
No. of orders (thousands)	867	796	*8.9%*	2,425	2,187	*10.9%*
Average shopping basket (SEK)	364	370	*-1.6%*	363	356	*2.0%*

The Entertainment segment comprises the CDON.COM, BookPlus.fi and Lekmer.se internet stores. Segment sales were up 9% year on year in the quarter and up 11% for the year to date, despite the ongoing industry-wide decline in CD sales. The segment accounted for 63.9% (75.6%) of total Group sales in the quarter and 64.5% (74.2%) of sales for the first nine months of the year. Lekmer.se, which was consolidated in the second quarter of 2010, has performed according to plan and generated healthy sales growth in the third quarter. BookPlus.fi also developed strongly in the quarter and is well positioned to take further market shares in the Finnish online book sales market. CDON.COM reported increased sales of all product categories except CDs, which represented the third largest product category in the quarter. The global market for CDs is in structural decline due to the growth of amongst other music streaming over the internet. The fastest growing categories are electronic products and books.

Segment operating profits were down 2% year on year in the third quarter but up 8% for the year to date, with operating margins of 6.4% and 6.1% for the two respective periods. The segment's third quarter operating profitability was adversely impacted by the consolidation of Lekmer.se, increased marketing spend, the introduction of a new online retailing platform for Lekmer.se, and the year on year appreciation of the Swedish krona against the Norwegian and Danish currencies, and the euro.

The second quarter is typically the seasonally weakest period of the year for the Entertainment segment. The fourth quarter is typically the seasonally strongest period of the year for the segment and the retail industry in general, due to Christmas sales in particular. The first and third quarters are typically of approximately equal size on a seasonal basis.

Fashion

(SEK thousands)	2010 Jul-Sep	2009 Jul-Sep	*Change (%)*	2010 Jan-Sep	2009 Jan-Sep	*Change (%)*
Net sales	112,488	47,332	*137.7%*	298,494	136,483	*118.7%*
Operating profit	1,458	2,334	*-37.5%*	14,221	2,231	*537.4%*
Operating margin (%)	*1.3%*	*4.9%*		*4.8%*	*1.6%*	
No. of visits (thousands)	9,352	5,391	*73.5%*	26,769	14,578	*83.6%*
No. of orders (thousands)	159	75	*112.0%*	439	222	*97.7%*
Average shopping basket (SEK)	693	615	*12.7%*	690	596	*15.8%*

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 third quarter and for the year to date, and accounted for 21.9% (11.9%) of total Group sales in the quarter and 20.7% (12.1%) of sales for the first nine months of the year. The sales growth reflected the increasing popularity of Nelly.com across the Nordic region, as well as the contribution of newly launched Heppo.com.

Segment operating profits were down 38% year on year in the third quarter with an operating margin of 1.3% following the launch of Heppo.com across the Nordic region and Nelly.com in Germany, as well as an overall increase in marketing expenditure. Segment operating profits were up 537% for the year to date with an increased operating margin of 4.8%.

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. This reflects the Spring and Autumn fashion line launches, but can be distorted by changes to typical weather patterns. The first and the third quarters are typically of equal size on a seasonal basis, when adjusted for underlying growth during the year.

Sports & Health

(SEK thousands)	2010 Jul-Sep	2009 Jul-Sep	*Change (%)*	2010 Jan-Sep	2009 Jan-Sep	*Change (%)*
Net sales	72,983	52,589	*38.8%*	212,424	159,012	*33.6%*
Operating profit	8,844	7,901	*11.9%*	26,953	20,121	*34.0%*
Operating margin (%)	*12.1%*	*15.0%*		*12.7%*	*12.7%*	
No. of visits (thousands)	1,547	1,217	*27.1%*	4,539	3,607	*25.8%*
No. of orders (thousands)	100	70	*42.9%*	290	207	*40.1%*
Average shopping basket (SEK)	731	746	*-2.0%*	727	765	*-5.0%*

The Sports & Health segment comprises the Gymgrossisten.com, Fitnesstukku.fi and Bodystore.com internet stores. Segment net sales were up 39% year on year in the third quarter and up 34% for the year to date, and accounted for 14.2% (13.2%) of total Group sales in the quarter and 14.7% (14.1%) of sales for the first nine months of the year. The sales growth primarily reflected market share gains for Gymgrossisten.com in Norway and for Fitnesstukku.fi.

Segment operating profits increased by 12% year on year in the third quarter and by 34% for the year to date, with operating margins of 12.1%, and 12.7% for the two respective periods. The year on year decline in operating margin in the quarter reflected the realisation of a non-recurring capital gain of SEK 2.2 million from the sale of a warehouse in the third quarter of 2009.

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 wellbeing in the early part of the year. The remaining quarters are typically of approximately equal size, when adjusted for underlying growth during the year.

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Financial position

Group total assets grew by 23% year on year to SEK 729.9 (593.5) million as at 30 September, and compared to SEK 741.2 million at the end of 2009, which reflected the net effect of the SEK 150.0 million dividend paid to MTG in November 2009 and the ongoing expansion of the Fashion and the Entertainment businesses, mainly with regards to broadened assortment. Inventory levels increased year on year to SEK 219.2 (124.2) million, compared to SEK 153.0 million at the end of 2009.

Capital employed increased by SEK 45.3 million year on year to SEK 395.3 million as at 30 September, and the Group's rolling twelve month return on capital employed increased year on year to 44.1% (28.5%).

Cash flow from operating activities before changes in working capital decreased year on year to SEK 26.3 (30.8) million in the third quarter and to SEK 81.9 (76.8) million for the first nine months of the year. The Group reported a SEK 14.2 (53.1) million change in working capital in the quarter, which primarily reflected higher accounts payable related to improved payment terms towards suppliers. The Group reported a SEK -97.5 (18.5) million change in working capital for the year to date, which reflected the usual seasonal working capital patterns. The year on year development primarily reflected the effect 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 -1.6 (1.9) million in the quarter and SEK -8.6 (-2.9) million for the year to date, which primarily reflected the acquisition of Lekmer.se in March, with a cash flow impact of SEK -4.0 million, as well as a cash flow effect of SEK 6.0 last year related to the sale of a warehouse facility in September 2009.

Group cash flow to financing activities amounted to SEK -32.6 (-107.5) million in the third quarter and SEK 42.5 (-129.2) million for the year to date, which primarily reflected the fluctuations in utilised credit facilities provided by parent company Modern Times Group MTG AB. The Group's total interest-bearing borrowings amounted to SEK 84.9 (116.0) million at the end of the nine month period, compared to SEK 258.4 million at the end of 2009, which reflected the set-off share issue, whereby parent company Modern Times Group MTG AB subscribed to 65,545,122 newly issued shares at a price of 3.646 krona per share, by the set-off of a SEK 239.0 million receivable on CDON Group.

The Group's cash and cash equivalents therefore increased by SEK 6.3 (-21.8) million in the quarter and by SEK 18.3 (-36.7) million for the year to date, to end the period at SEK 21.3 (3.8) million, compared to SEK 3.0 million at the end of 2009.

Group net cash (here defined as interest-bearing current and non-current assets and cash less Interest-bearing liabilities) therefore amounted to SEK 81.0 (-43.3) million as at 30 September, and compared to net cash of SEK 14.7 million at the end of 2009.

Parent company

The parent company CDON Group had no sales in the first nine months of 2010. Net interest and other financial items amounted to SEK -2.5 (-0.9) million in the third quarter and SEK -7.6 (-3.0) million for the year to date. Income before tax amounted to SEK -3.0 (-1.0) million in the quarter and SEK -8.9 (-3.0) million for the first nine months of the year. The parent company made no investments in non-current assets during the first nine months of 2010.

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 operations
- The expensing of transaction (acquisition) related fees
- The determination of the fair value of conditional purchase prices at the date of acquisition and the recognition in the income statement or other comprehensive income of the effects of the revaluation of liabilities related to conditional purchase prices
- The recognition as shareholder transactions (reported directly in equity) of additional acquisitions made after achieving decisive influence
- The two options for recognising non-controlling interests and goodwill: the recognition of non-controlling interests at fair value by including goodwill or as a part 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 affect 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, general and administrative expenses', which are described in Note 1 to this report.

'RFR 2.3 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. In addition, expenses related to business combinations (IFRS 3) in legal entities will also hereafter 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 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

Related party transactions for the period are of the same character and amounts as the transactions described in the 2009 annual report. Transactions with MTG companies are presented in note 3.

As outlined in the "Significant events after the reporting date" section, MTG Investment AS, a wholly-owned subsidiary of MTG has subscribed to SEK 250.0 million of CDON Group convertible bonds.

As also outlined in the "Significant events after the reporting date" section, CDON Group has signed an agreement with MTG subsidiary Viasat Broadcasting UK Ltd regarding the purchase of advertising airtime on Viasat's free-TV channels in 2011 and 2012, with an opportunity to extend the agreement for a third year by mutual consent and according to the terms stipulated in the agreement.

Financial results for the fourth quarter and full year of 2010

The financial results for the fourth quarter and full year of 2010 will be published on 2 February 2011.

30 November 2010

Mikael Olander
President & CEO

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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 (CDON.COM, BookPlus.fi, Lekmer.se), Fashion (Nelly.com, LinusLotta.com, Heppo.com), and Sports & Health (Gymgrossisten.com, Fitnesstukku.fi, 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.

www.CDON.COM www.nelly.com www.heppo.com www.gymgrossisten.com www.fitnesstukku.fi www.bodystore.com www.lekmer.se www.bookplus.fi www.LinusLotta.com

Auditors' Review Report concerning this interim report

Introduction

We have reviewed the interim report for CDON Group AB as of September 30, 2010 and the nine month period ending on this date. The Board of Directors and the President and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

The focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of the Interim Financial Information Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, performing an analytical examination and applying other review procedures. A review has a different focus and is substantially less in scope than an audit conducted according to Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, November 30, 2010

KPMG AB

George Pettersson
Authorized Public Accountant

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CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Net sales	513,741	397,795	1,441,101	1,131,063	1,746,162
Cost of goods and services	-420,711	-313,836	-1,159,915	-898,947	-1,397,691
Gross profit	93,030	83,959	281,186	232,116	348,471
Sales and administration expenses	-63,028	-55,658	-183,633	-159,941	-224,066
Other operating income and expenses, net	778	3,365	-1,008	2,290	734
Operating profit	30,780	31,666	96,545	74,465	125,139
Net interest & other financial items	-5,517	-4,046	-14,152	-10,907	-11,808
Profit before tax	25,263	27,620	82,393	63,558	113,331
Tax	-6,012	-8,003	-18,161	-18,416	-32,835
Net income for the period	19,251	19,617	64,232	45,142	80,496
Attributable to:					
Equity holders of the parent	19,339	19,002	63,570	44,616	79,554
Non-controlling interests	-88	615	662	526	942
Net income for the period	19,251	19,617	64,232	45,142	80,496
Basic earnings per share (SEK)*	4.05	38.00	32.76	89.23	159.09
Diluted earnings per share (SEK)*	4.05	38.00	32.76	89.23	159.09

* Earnings per share for all periods have been recalculated with regards to the current split of 250:1. The number of shares for these periods is 500,000. Earnings per share for the periods Jan-Sep and Jul-Sep 2010 have, in addition to the recalculation following the 250:1 split, been recalculated with regards to the ongoing share issue, whereby the number of shares has increased from 500,000 to 66,045,122. The weighted average number of shares for the period Jan-Sep 2010 is 1,940,552 and 4,774,682 for the period Jul-Sep 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONDENSED (SEK thousand)					
Profit for period	19,251	19,617	64,232	45,142	80,496
Other comprehensive income					
Translation difference for the period	-911	-1,911	-2,292	-2,250	-1,683
Other comprehensive income for the period	-911	-1,911	-2,292	-2,250	-1,683
Total comprehensive income for period	18,340	17,706	61,940	42,892	78,813
Total comprehensive income attributable to:					
Parent company shareholders	18,428	17,218	61,278	42,366	77,895
Non-controlling interests	-88	488	662	526	918
Total comprehensive income for the period	18,340	17,706	61,940	42,892	78,813
Shares outstanding at period's end	66,045,122	500,000	66,045,122	500,000	500,000
Average number of shares, basic*	4,774,682	500,000	1,940,552	500,000	500,000
Average number of shares, diluted*	4,774,682	500,000	1,940,552	500,000	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 the ongoing share issue 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-Sep and Jul-Sep 2010 have, except for the split 250:1, been recalculated with regards to the ongoing share issue, where the number of shares has increased from 500,000 to 66,045,122.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)	2010 30 Sep	2009 30 Sep	2009 31 Dec
Non-current assets			
Goodwill	192,568	189,612	189,865
Other intangible assets	66,425	63,942	62,696
Total non-current assets	258,993	253,554	252,561
Machinery and equipment	3,404	1,757	1,953
Total machinery and equipment	262,397	255,311	254,514
Current assets			
Inventories	219,188	124,168	152,977
Current interest-bearing receivables	144,534	155,578	270,027
Current non-interest-bearing receivables	82,411	54,678	60,595
Total receivables	226,945	210,256	330,622
Cash and cash equivalents	21,333	3,792	3,045
Total current assets	467,466	338,216	486,644
Total assets	729,863	593,527	741,158
Equity			
Equity attributable to owners of the parent	308,373	213,878	6,738
Non-controlling interest	2,035	1,060	1,473
Total equity	310,408	214,938	8,211
Non-current liabilities			
Non interest bearing			
Deferred tax	15,870	18,086	15,051
Provisions	4,515	1,020	1,217
Total non-current liabilities	20,385	19,106	16,268
Current liabilities			
Current interest-bearing liabilities	84,907	116,033	258,380
Current non-interest-bearing liabilities	314,163	243,450	458,299
Total current liabilities	399,070	359,483	716,679
Total equity and liabilities	729,863	593,527	741,158
Memorandum items			
Pledged assets	None	None	None
Contingent liabilities	None	None	None

CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED (SEK thousand)	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Cash flows from operating activities	26,335	30,814	81,903	76,794	127,703
Changes in working capital	14,151	53,058	-97,536	18,520	91,235
Cash flows from operations	40,486	83,872	-15,633	95,314	218,938
Investments in subsidiaries	0	-3,225	-5,055	-6,231	-6,231
Investments in other non-current assets	-1,640	-879	-3,466	-2,653	-3,226
Other cash flows from investing activities	10	5,975	-45	5,975	3,861
Cash flows to/from investing activities	-1,630	1,871	-8,566	-2,909	-5,596
Shareholder dividends and share buy-backs	-	-	-	-	-150,000
Other cash flows from/to financing activities	-32,560	-107,527	42,487	-129,150	-104,906
Cash flows to/from financing activities	-32,560	-107,527	42,487	-129,150	-254,906
Change in cash and cash equivalents for the period	6,296	-21,784	18,288	-36,745	-41,564
Cash and cash equivalents at period's start	15,037	26,868	3,045	42,046	42,046
Translation difference, cash and cash equivalents	0	-1,292	0	-1,509	2,563
Cash and cash equivalents at period's end	21,333	3,792	21,333	3,792	3,045

STATEMENT OF CHANGES IN EQUITY (SEK thousand)	2010 30 Sep	2009 30 Sep	2009 31 Dec
Opening balance	8,211	171,452	171,452
Total comprehensive income for the period	61,940	42,892	78,813
Effects of employee option program	430	0	509
New share issue	239,000	-	-
Acquisition of non-controling interests	827	-	-
Shareholder dividends	-	-	-150,000
Group contributions, net after tax	-	-	-93,157
Shareholder contributions	-	594	594
Closing balance	310,408	214,938	8,211

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SEGMENTAL REPORTING

NET SALES (SEK thousand)	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Oct-Dec	**2009 Jan-Sep**	**2009 Full year**	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	**2010 Jan-Sep**
Entertainment	296,667	241,585	300,672	497,769	**838,924**	**1,336,693**	328,941	272,972	328,270	**930,183**
Fashion	34,010	55,141	47,332	66,142	**136,483**	**202,625**	69,035	116,971	112,488	**298,494**
Sport & Health	56,683	49,740	52,589	51,697	**159,012**	**210,709**	71,757	67,684	72,983	**212,424**
Total operational business areas	387,360	346,466	400,593	615,608	**1,134,419**	**1,750,027**	469,733	457,627	513,741	**1,441,101**
Parent and holding companies	-	-	-	-	**-**	**-**	-	-	-	**-**
Eliminations	-43	-515	-2,798	-509	**-3,356**	**-3,865**	0	0	0	**0**
TOTAL OPERATING ACTIVITIES	**387,317**	**345,951**	**397,795**	**615,099**	**1,131,063**	**1,746,162**	469,733	457,627	513,741	**1,441,101**
CONSOLIDATED TOTAL	**387,317**	**345,951**	**397,795**	**615,099**	**1,131,063**	**1,746,162**	469,733	457,627	513,741	**1,441,101**

OPERATING PROFIT (SEK thousand)	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Oct-Dec	**2009 Jan-Sep**	**2009 Full year**	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	**2010 Jan-Sep**
Entertainment	18,496	12,213	21,448	40,562	**52,157**	**92,719**	24,186	11,175	20,951	**56,312**
Fashion	-3,159	3,056	2,334	4,780	**2,231**	**7,011**	3,857	8,906	1,458	**14,221**
Sport & Health	5,359	6,861	7,901	6,079	**20,121**	**26,200**	10,126	7,983	8,844	**26,953**
Total operational business areas	20,696	22,130	31,683	51,421	74,509	125,930	38,169	28,064	31,253	**97,486**
Group central operations	-7	-19	-19	-746	**-45**	**-791**	-258	-210	-473	**-941**
CONSOLIDATED TOTAL	**20,689**	**22,111**	**31,664**	**50,675**	**74,464**	**125,139**	37,911	27,854	30,780	**96,545**

CONSOLIDATED OPERATING SEGMENTS CONDENSED SALES (SEK thousand) Revenues from external customers	2009 Jan-Mar	2009 Apr-Jun	2009 Jul-Sep	2009 Oct-Dec	**2009 Jan-Sep**	**2009 Full year**	2010 Jan-Mar	2010 Apr-Jun	2010 Jul-Sep	**2010 Jan-Sep**
Entertainment	296,624	241,081	297,876	497,247	**835,581**	**1,332,828**	328,941	272,972	328,270	930,183
Fashion	34,010	55,141	47,332	66,142	**136,483**	**202,625**	69,035	116,971	112,488	298,494
Sport & Health	56,683	49,729	52,587	51,710	**158,999**	**210,709**	71,757	67,684	72,983	212,424
Total	**387,317**	**345,951**	**397,795**	**615,099**	**1,131,063**	**1,746,162**	**469,733**	**457,627**	**513,741**	**1,441,101**
Revenues from other segments										
Entertainment	43	504	2,796	522	**3,343**	**3,865**	-	-	-	-
Fashion	0	0	0	0	**-**	**-**	-	-	-	-
Sport & Health	0	11	2	-13	**13**	**-**	-	-	-	-
Parent and holding companies	0	-	-	-	**-**	**-**	-	-	-	-
Total	**43**	**515**	**2,798**	**509**	**3,356**	**3,865**	**0**	**0**	**0**	**0**

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PARENT COMPANY INCOME STATEMENT CONDENSED (SEK thousand)	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Net sales	0	0	0	0	0
Gross profit	0	0	0	0	0
Administrative expenses	-474	-16	-1,335	-38	-77
Operating profit	-474	-16	-1,335	-38	-77
Other net financial items	-2,477	-917	-7,560	-2,974	-19,925
Profit before tax	-2,951	-933	-8,895	-3,012	-20,002
Tax	651	241	1,988	792	1,119
Profit for the period	-2,300	-692	-6,907	-2,220	-18,883

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME CONDENSED (SEK thousand)	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Profit for the period	-2,300	-692	-6,907	-2,220	-18,883
Other comprehensive income					
Profit for the period	-2,300	-692	-6,907	-2,220	-18,883

PARENT COMPANY STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)	2010 30 Sep	2009 30 Sep	2009 31 Dec
Non-current assets			
Shares and participating interests	248,060	256,738	301,490
	248,060	256,738	301,490
Current assets			
Current receivables	2,803	1,078	131,729
	2,803	1,078	131,729
Total assets	250,863	257,816	433,219
Equity			
Equity	246,335	178,975	16,240
Current liabilities			
Other interest-bearing liabilities	1,957	75,616	230,049
Non-interest-bearing liabilities	2,571	3,225	186,930
	4,528	78,841	416,979
Total equity and liabilities	250,863	257,816	433,219
Memorandum items			
Pledged assets	None	None	None
Contingent liabilities	None	None	None

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KEY RATIOS

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

* Earnings per share for all periods have been recalculated with regards to the current split of 250:1. The number of shares for these periods is 500,000. Earnings per share for the periods Jan-Sep and Jul-Sep 2010 have, in addition to the recalculation following the 250:1 split, been recalculated with regards to the ongoing share issue, where the number of shares has increased from 500,000 to 66,045,122. The weighted average number of shares for the period Jan-Sep 2010 is 1,940,552 and 4,774,682 for the period Jul-Sep 2010.

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

*** Calculated on present number of shares, as per November 2010, 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 the last four quarters as a percentage of average equity for the last four
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

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Note 1

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)	2009 Jan-Dec Before reclassification	2009 Jan-Dec Reclassification	2009 Jan-Dec After reclassification
Net sales	1,746,162		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 income 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

TAX	2010 Jul-Sep	2010 Jan-Sep
Tax for the period	-7,354	-22,179
Recognition of previously unused tax loss carry-forwards in the period	1,342	4,018
Tax for the period	**-6,012**	**-18,161**

Remaining tax loss carry-forwards, SEK 2,868 thousand, has not been valued as per the balance sheet date

Note 3

RELATED PARTY TRANSACTIONS - MTG COMPANIES BALANCE SHEET ITEMS	**2010 30 Sep**	2009 30 Sep	2009 31 Dec
Current receivables			
Current interest-bearing receivables	**144,534**	155,578	270,027
Current non-interest-bearing receivables	**2,429**	54	989
Total related party receivables	**146,963**	**155,632**	**271,016**
Current liabilities			
Current interest-bearing liabilities, cash pool accounts	**84,907**	116,033	258,380
Current non-interest-bearing liabilities	**2,659**	4,590	129,325
Total related party current liabilities	**87,566**	**120,623**	**387,705**

RELATED PARTY TRANSACTIONS - MTG COMPANIES INCOME STATEMENT ITEMS	**2010 Jul-Sep**	2009 Jul-Sep	2009 Jan-Dec
Net sales	**0**	292	359
Sales and administration expenses	**-28,838**	-24,518	-34,957
Net interest & other financial items	**-8,850**	-6,127	-7,549
Income effect from related party transactions	**-37,688**	**-30,645**	**-42,506**

Modern Times Group MTG AB holds all shares in CDON Group AB

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CONSOLIDATED INCOME STATEMENT

(SEK thousand)	Note	2009	2008	2007
Net sales	3	1,746,162	1,286,028	909,922
Cost of goods and services		–1,476,858	–1,093,936	–777,957
Gross income		**269,304**	**192,092**	**131,965**
Selling & administrative expenses		–144,971	–109,722	–53,210
Other operating income	5	2,207	271	340
Other operating expenses	5	–1,401	–	–
Operating income	5, 9, 10, 11, 12, 22, 24, 25, 27	**125,139**	**82,641**	**79,095**
Interest revenue and other financial income	7	738	4,381	12,630
Interest expense and other financial costs	7	–12,546	–12,507	–1,087
Income before tax		**113,331**	**74,515**	**90,638**
Current tax expenses	8	–35,315	–25,587	–27,178
Deferred tax expenses	8	2,480	–365	–
Net income for the year from continuing operations		**80,496**	**48,563**	**63,460**
Net income for the year from discontinued operations	6	–	–	40,832
Net income for the year		**80,496**	**48,563**	**104,292**
Attributable to:				
Equity holders of the parent		79,554	48,563	104,434
Minority interest		942	0	–142
Net income for the year		**80,496**	**48,563**	**104,292**
Basic earnings per share (SEK)	16	39,777.00	24,281.50	52,217.00
Diluted earnings per share (SEK)	16	39,777.00	24,281.50	52,217.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK thousand)	Note	2009	2008	2007
Net income for the year		80,496	48,563	104,292
Other comprehensive income				
Change in currency translation differences		–1,683	4,289	–313
Other comprehensive income for the year, net of tax	8, 17	**–1,683**	**4,289**	**–313**
Total comprehensive income for the year		**78,813**	**52,852**	**103,979**
Attributable to:				
Equity holders of the parent		77,895	52,842	104,121
Minority interest		918	10	–142
Total comprehensive income for the year		**78,813**	**52,852**	**103,979**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SEK thousand)	Note	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
ASSETS				
Non-current assets				
Intangible assets	9			
Capitalised expenditure		23,823	24,229	7,654
Patents and trademarks		38,873	41,813	–
Goodwill		189,865	184,895	38,547
Total intangible assets		**252,561**	**250,937**	**46,201**
Tangible assets	10			
Buildings		–	3,981	–
Equipment, tools and installations		1,953	1,379	1,470
Total tangible assets		**1,953**	**5,360**	**1,470**
Long-term financial assets				
Deferred tax asset	8	–	1,364	–
Total long-term financial assets		**–**	**1,364**	**–**
Total non-current assets		**254,514**	**257,661**	**47,671**
Current assets				
Inventories				
Finished goods and merchandise		152,849	147,435	71,973
Advances to suppliers		128	1,751	–
Total inventories		**152,977**	**149,186**	**71,973**
Current receivables				
Accounts receivables	13	19,051	79,307	55,995
Accounts receivables, MTG companies		388	273	287
Tax receivables		583	2,409	2,129
Current interest-bearing receivables, MTG cash pool accounts		270,027	102,010	177,360
Other current receivables, non interest-bearing MTG companies		601	897	50
Other current receivables, non interest-bearing		29,707	40,500	42,150
Prepaid expense and accrued income	14	10,265	7,637	5,012
Total current receivables		**330,622**	**233,033**	**282,983**
Cash and cash equivalents	15, 21			
Cash and bank		3,045	42,046	82,377
Total cash and cash equivalents		**3,045**	**42,046**	**82,377**
Total current assets		**486,644**	**424,265**	**437,333**
Total assets		**741,158**	**681,926**	**485,004**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(SEK thousand)	Note	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company	17			
Share capital		1,000	1,000	1,000
Other paid-in capital		800	800	800
Reserves		2,411	4,070	–209
Retained earnings including net income for the year		2,527	165,027	173,066
Total equity attributable to equity holders of the parent company		**6,738**	**170,897**	**174,657**
Minority interest				
Minority interest		1,473	555	599
Total equity		**8,211**	**171,452**	**175,256**
Non-current liabilities	21			
Non-interest bearing				
Deferred tax liability	8	15,051	18,690	450
Provisions	18	1,217	1,020	4,218
Total non-current non-interest bearing liabilities		**16,268**	**19,710**	**4,668**
Total non-current liabilities		**16,268**	**19,710**	**4,668**
Current liabilities	21			
Interest-bearing				
Interest-bearing liabilities, MTG cash pool accounts		258,380	102,173	14,879
Total current interest-bearing liabilities		**258,380**	**102,173**	**14,879**
Non-interest-bearing				
Advances from customers		694	46	237
Accounts payable		200,060	240,750	132,844
Accounts payable, MTG companies		2,067	2,394	2,251
Tax liability		2,285	2,144	1,345
Other liabilities MTG companies		127,258	80,473	93,396
Other liabilities		30,828	19,482	33,132
Accrued expense and prepaid income	19	95,107	43,302	26,996
Total current non-interest bearing liabilities		**458,299**	**388,591**	**290,201**
Total current liabilities		**716,679**	**490,764**	**305,080**
Total liabilities		**732,947**	**510,474**	**309,748**
Total equity and liabilities		**741,158**	**681,926**	**485,004**

For information about pledged assets and contingent liabilities, see note 20.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK thousand) Note 8, 17	Equity attributable to the equity holders of the parent company: Share capital	Paid-in capital	Trans-lation reserve	Retained earnings incl net income for the year	Total	Minority interest	Total equity
Balance as of 1 January 2007	**1,000**	**800**	**104**	**135,608**	**137,512**	**–**	**137,512**
Total comprehensive income for the year 2007			–313	104,434	104,121	–142	103,979
Group contribution, net of tax				–66,766	–66,766		–66,766
Minority acquisition					–	741	741
Effect of employee share option programmes				–210	–210		–210
Balance as of 31 December 2007	**1,000**	**800**	**–209**	**173,066**	**174,657**	**599**	**175,256**
Total comprehensive income for the year 2008			4,279	48,563	52,842	10	52,852
Group contribution, net of tax				–56,985	–56,985		–56,985
Minority acquisition					–	–54	–54
Effect of employee share option programmes				383	383		383
Balance as of 31 December 2008	**1,000**	**800**	**4,070**	**165,027**	**170,897**	**555**	**171,452**
Total comprehensive income for the year 2009			–1,659	79,554	77,895	918	78,813
Dividends to shareholders (SEK 75,000 per share)				–150,000	–150,000		–150,000
Group contribution, net of tax				–93,157	–93,157		–93,157
Shareholders' contribution				594	594		594
Effect of employee share option programmes				509	509		509
Balance as of 31 December 2009	**1,000**	**800**	**2,411**	**2,527**	**6,738**	**1,473**	**8,211**

CONSOLIDATED STATEMENT OF CASH FLOW

(SEK thousand)	Note	2009	2008	2007
Cash flow from operations				
Net income for the year		80,496	48,563	104,292
Adjustments to reconcile net income/loss to net cash provided by operations	26	47,207	35,861	–1,265
Cash flow from operations		**127,703**	**84,424**	**103,027**
Changes in working capital				
Increase (–)/decrease (+) inventories		–3,887	–51,021	–2,722
Increase (–)/decrease (+) other current receivables		72,909	–18,069	–12,199
Increase (+)/decrease (–) accounts payable		–39,635	92,301	10,706
Increase (+)/decrease (–) other current liabilities		61,848	3,348	6,591
Total change in working capital		**91,235**	**26,559**	**2,376**
Net cash flow from operations		**218,938**	**110,983**	**105,403**
Investment activities				
Investment in tangible and intangible assets		–3,226	–1,704	–8,368
Acquisitions of shares in subsidiaries and associated companies	4	–6,231	–198,714	–35,355
Disposal of non-current assets		3,861	178	–
Proceeds from sales of shares in subsidiaries and other companies	6	–	–	69,664
Cash flow to investing activities		**–5,596**	**–200,240**	**25,941**
Financing activities				
Borrowings		–	–9,000	–
Change in other interest-bearing liabilities		–	–3,277	–
Group contribution paid out		–79,146	–92,911	–39,230
Cash pool accounts, net		–25,760	154,114	–150,129
Dividends		–150,000	–	–
Cash flow from/to financing activities		**–254,906**	**48,926**	**–189,359**
Net change in cash and cash equivalents		**–41,564**	**–40,331**	**–58,015**
Cash and cash equivalents at beginning of year		**42,046**	**82,377**	**140,392**
Translation differences in cash and cash equivalents		2,563	–	–
Cash and cash equivalents at end of year		**3,045**	**42,046**	**82,377**

PARENT COMPANY INCOME STATEMENT

(SEK thousand)	Note	2009	2008	2007
Administrative expenses		–77	–141	–518
Operating result	9, 10, 24, 25, 27	**–77**	**–141**	**–518**
Dividends from group companies (TV-Shop)	7	–	–	23,500
Gain on sale of TV-Shop Europe AB		–	–	44,136
Write-down of shares in subsidiaries	7	–15,748	–	–
Interest revenue and other financial income	7	979	10,103	6,037
Interest expense and other financial costs	7	–5,156	–13,802	–1,836
Income before tax		**–20,002**	**–3,840**	**71,319**
Current tax expenses	8	1,119	2,056	–1,157
Net income for the year		**–18,883**	**–1,784**	**70,162**

PARENT COMPANY BALANCE SHEET

(SEK thousand)	Note	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
ASSETS				
Non-current assets				
Long-term financial assets				
Shares and participations in Group companies	11	301,490	253,513	51,766
Receivable from Group companies	28	–	–	7,561
Total long-term financial assets		**301,490**	**253,513**	**59,327**
Total non-current assets		**301,490**	**253,513**	**59,327**
Current assets				
Current receivables				
Receivable from Group companies		130,660	86,488	88,866
Current interest-bearing receivables, MTG cash pool accounts		142	635	138,770
Tax receivables		–	910	–
Other receivables		927	–	117
Total current receivables		**131,729**	**88,033**	**227,753**
Cash and cash equivalents				
Cash and cash equivalents	15, 21	–	–	–
Total cash and cash equivalents		**–**	**–**	**–**
Total current assets		**131,729**	**88,033**	**227,753**
Total assets		**433,219**	**341,546**	**287,080**

PARENT COMPANY BALANCE SHEET

(SEK thousand)	Note	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
SHAREHOLDERS´ EQUITY AND LIABILITIES				
Shareholders´equity	17			
Restricted equity				
Share capital		1,000	1,000	1,000
Total restricted equity		**1,000**	**1,000**	**1,000**
Non-restricted equity				
Premium reserve		800	800	800
Retained earnings		33,323	181,971	106,523
Net income for the year		–18,883	–1,784	70,162
Total non-restricted equity		**15,240**	**180,987**	**177,485**
Total shareholders´ equity		**16,240**	**181,987**	**178,485**
Current liabilities				
Interest-bearing liabilities				
Interest-bearing liabilities, MTG cash pool accounts		230,049	63,559	–
Total current interest-bearing liabilities		**230,049**	**63,559**	**–**
Non-interest bearing liabilities				
Accounts payable		–	83	7
Liabilities to Group companies		60,505	16,746	15,497
Liabilities to MTG companies		126,400	79,146	92,911
Other liabilities		–	–	163
Accrued expense and prepaid income	19	25	25	17
Total current non-interest bearing liabilities		**186,930**	**96,000**	**108,595**
Total current liabilities		**416,979**	**159,559**	**108,595**
Total shareholders´ equity and liabilities		**433,219**	**341,546**	**287,080**
Memorandum items				
Pledged assets		None	None	None
Contingent liabilities	20	None	None	None

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted equity	Non-restricted equity		
(SEK thousand) Note 17	Share capital	Premium reserve	Retained earnings	Total
Balance as of 1 January 2007	**1,000**	**800**	**109,496**	**111,296**
Group contributions to other MTG companies, net of tax			–2,973	–2,973
Total change in net assets recognised directly in equity			**–2,973**	**–2,973**
Net income for the year 2007			70,162	70,162
Total change in net assets, excluding transactions with shareholders			**67,189**	**67,189**
Balance as of 31 December 2007	**1,000**	**800**	**176,685**	**178,485**
Group contributions to other MTG companies, net of tax			5,286	5,286
Total change in net assets recognised directly in equity			**5,286**	**5,286**
Net income for the year 2008			–1,784	–1,784
Total change in net assets, excluding transactions with shareholders			**3,502**	**3,502**
Balance as of 31 December 2008	**1,000**	**800**	**180,187**	**181,987**
Group contributions to other MTG companies, net of tax			3,136	3,136
Total change in net assets recognised directly in equity			**3,136**	**3,136**
Net income for the year 2009			–18,883	–18,883
Total change in net assets, excluding transactions with shareholders			**–15,747**	**–15,747**
Dividends to shareholders (SEK 75,000 per share)			–150,000	–150,000
Balance as of 31 December 2009	**1,000**	**800**	**14,440**	**16,240**

PARENT COMPANY CASH FLOW STATEMENT

(SEK thousand)	2009	2008	2007
Cash flow from operations			
Net income for the year	–18,883	–1,784	70,162
Adjustments to reconcile net income/loss to net cash provided by operations:			
Gain from sale of shares in subsidiaries	–	–	–44,136
Write-down of shares in subsidiaries	15,748	–	–
Total adjustments to reconcile net income/loss to net cash provided by operations	**15,748**	**0**	**–44,136**
Cash flow from/to operations	**–3,135**	**–1,784**	**26,026**
Changes in working capital			
Increase (–)/decrease (+) short-term receivables	–44,189	1,585	–45,097
Increase (+)/decrease (–) accounts payable	–83	76	7
Increase (+)/decrease (–) other liabilities	91,013	–12,671	62,372
Total changes in working capital	**46,741**	**–11,010**	**17,282**
Net cash flow to operations	**43,606**	**–12,794**	**43,308**
Investment activities			
Investment in shares in subsidiaries	–63,725	–201,747	–23,987
Proceeds from sales of shares in subsidiaries and other companies	–	–	94,023
Cash flow to investing activities	**–63,725**	**–201,747**	**70,036**
Financing activities			
Receivables/liabilities from Group companies	–	7,561	–7,561
Dividends to shareholders	–150,000	–	–
Change in cash pool accounts MTG	246,129	294,605	–63,579
Group contribution, paid out	–76,010	–87,625	–42,204
Cash flow from financing activities	**20,119**	**214,541**	**–113,344**
Net change in cash and cash equivalents	–	–	–
Cash and cash equivalents at beginning of year	–	–	–
Cash and cash equivalents at end of year	–	–	–

NOTES

CDON Group AB is a company domiciled in Sweden. The Company's registered office is located at Bergsgatan 20, P.O. Box 385, SE-201 23 Malmö, Sweden. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries.

The Group's annual report has been prepared for the first time in 2009. The accounting policies set out below have been applied consistently to all periods, unless otherwise stated below.

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and its interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission. Recommendation RFR 1.2 on Supplementary Accounting Rules for Groups as issued by the Swedish Financial Reporting Board has also been applied in the preparation of the report.

The consolidated accounts have been prepared based on the acquisition values except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale. The changes in the value of available-for-sale instruments are reported in other comprehensive income until derecognised, with the exception of assets with a significant long-term decrease in value where the value change is reported in the income statement.

Change in accounting principles and new accounting standards Standards and interpretations as issued by IASB.

The following Accounting standards and interpretations are applied from 1 January 2009:

Changes in IFRS 2 Share-based payment – clarification relating to vesting and non-vesting conditions, and in respect of cancellation, and how conditions that are not vesting conditions shall be taken into account in the financial statements. One of the clarifications is that if an employee sells shares that were purchased with the intention of receiving shares or options in the future, the entire remaining cost should be recognised immediately and not allocated over the remaining vesting period. MTG has issued two long-term incentive plans with both vesting and non-vesting conditions where personnel within the CDON Group participate. The change may affect the Group's financial statements going forward, but has not had any material effect on this annual report.

Changes in IFRS 7 Financial instruments: Disclosures – amendments to fair vale measurement disclosures and additional disclosure requirements regarding liquidity risks. Financial instruments recorded at fair value should be classified into a three level hierarchy depending on the quality of the source of data used derive at the fair value. The change may affect the disclosures regarding the Group's financial instruments at fair value going forward.

IFRS 8 Operating Segments – the reports should reflect the management segments. Defined segments coincide with the management approach.

IFRIC 13 Customer Loyalty Programmes – the interpretation will be applied if and when such a loyalty programme will be introduced.

IAS 1 Presentation of Financial Statements – changes in the presentation of financial statements – Revenues and expenses previously recognised directly into equity are now recognised in other comprehensive income, which is disclosed in a separate statement "Consolidated statement of comprehensive income" directly after the consolidated income statement. The Company has chosen to use the new titles for the reports – Statement of comprehensive income; statement of financial position; statement of changes in equity and statement of cash flows. The statements have been changed for all comparable periods throughout the annual report. The changes have not affected any amounts, neither earnings per share nor other items in the financial reports.

IAS 38 Intangible Assets – amendments clarify that expenditure on advertising and promotional activities is recognised as an expense at the time that the benefit or goods or services become available to the entity.

The changes in accounting principles have not had any material affect on the Group's income statement or financial position nor earnings per share, but will affect the disclosures and presentation of the financial reports, if and when applicable.

The following new and changed accounting standards and interpretations have an effect on the Group's financial reports. They will be applied from 1 January 2010:

Revised IFRS 3 Business combinations and changed IAS 27 Consolidated and Separate Financial Statements – the changes relate to the definition of operations, transaction costs for acquisitions will be expensed, conditional considerations must be determined at fair value at the time of the acquisition and effects of revaluations of liabilities related to the conditional considerations are recognised as a revenue or expense in the income statement or other comprehensive income. Further, additional acquisitions made after decisive influence is achieved are recognised as shareholder transactions and recorded directly in equity. There will be two alternative for the recognition of minority interests and goodwill. One alternative is to recognise the minority at fair value by including goodwill, another alternative is to include the minority interests in net assets. The choice of method is made for each acquisition separately.

The following new and changed Accounting standards and interpretations are not judged to have an effect on the Group's financial reports. They will be applied from 1 January 2010 or later:

IFRS 2 Share-based payment – amendments relating to Group cash settled remuneration

IAS 24 Related party disclosures – amendments regarding the definition of related parties

IAS 32 Financial instruments: Presentation – amendments regarding the classification of new shares issues

IAS 39 Financial instruments: Recognition and Measurement – amendments relating to items which may be used for hedge accounting

IFRIC 16 Hedges of a Net Investment in a Foreign Operation – relate to hedging of net investments and where the hedging instrument can be held

IFRIC 17 Distribution of Non-cash Assets to Owners – liabilities for dividends are recognised at fair value at the date of decision with the corresponding decrease in retained earnings

Classification Non-current assets and liabilities comprise in all material aspects amounts expected to be recovered or paid after twelve months or more from the closing day. Current assets and liabilities comprise in all material aspects amounts expected to be recovered or paid within twelve months from the closing day.

Consolidated accounts The consolidated accounts include the parent company and all subsidiaries. All companies in which the Group holds or controls more than 50 per cent of the votes, or in which the Group through agreements exercises decisive influence, are consolidated as subsidiaries.

The consolidated accounts for the year were prepared based on the purchase method, as specified in the International Financial Reporting Standards. By this method, the book value of the parent company's shares in each subsidiary is netted against that subsidiary's acquisition value, in other words, the subsidiary's shareholders' equity at the time of acquisition based on the fair value of that subsidiary's net assets. Results for companies acquired during the year are included in the consolidated statement of comprehensive income only for the period during which they were controlled.

The Group's shareholders' equity includes only that part of each subsidiary's equity added after acquisition. The difference between the acquisition value of shares in a subsidiary and identifiable assets, liabilities and contingent liabilities measured at fair values at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is recognised in the income statement in the period of acquisition.

Additional investments for business combinations achieved in stages without change in control are accounted for as an equity transaction

Functional currency and reporting currency The functional currency of the parent company is the Swedish krona (SEK). This is also the reporting currency for the Group and the parent company.

Financial statements of foreign operations The balance sheets of the Group's foreign subsidiaries are translated into Swedish krona (SEK). The translation is based on the exchange rates ruling at the balance sheet date, while the income statements are translated using an average rate for the period. The resulting translation differences are charged in other comprehensive income.

Transactions eliminated on consolidation Intra-group balances and any unrealised gains and losses or revenues and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Minority interest In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as minority interest. For negative shareholders' equity, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share of the deficit through a binding commitment and have an ability to fulfil this. The minority interest is reported in total equity.

Revenue recognition Revenue is recognised at the time the service is performed. Accordingly, the Group reports revenue from:

- Sale of goods in accordance with the terms of sales, i.e. when the goods have been transferred to the shipping agent, less returns
- Sale of services when the services are provided
- Dividend income from investments when the shareholders' right to receive payment has been established.

Receivables and liabilities denominated in foreign currencies The Group's monetary receivables and liabilities that are denominated in foreign currencies are translated into local currency using exchange rates prevailing on the closing date. Realised and unrealised gains/losses on foreign exchange (exchange rate differences) are reported in the income statements. Exchange rate differences attributable to operating receivables and liabilities are reported in operating income, while differences attributable to financial assets or liabilities denominated in foreign currencies are reported under financial items. Exchange rate differences on financial loans, representing an expansion or reduction of the parent company's net investment in the subsidiary, are reported in other comprehensive income.

Non-current tangible and intangible assets Non-current assets are reported net after deductions for accumulated depreciation and amortisation according to plan. Depreciation and amortisation according to plan are normally calculated on a straight-line schedule based on the acquisition value of the asset and its estimated useful life. The non-current assets are classified in the following categories:

Capitalised expenditure	3–10 years
Patents and trademarks	Trademarks being part of a purchase price allocation are normally judged to have indefinite lives, other rights and licenses are amortised over the estimated revenue period based on the terms of the license
Goodwill	Impairment tests annually or if triggered by events
Machinery and equipment	3–5 years

Capitalised expenditure Expenditure on development activities, whereby new or substantially improved products and processes, is capitalised if the process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the direct costs and, when appropriate, cost of direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised expenditures are stated at cost less accumulated amortisation and impairment losses. The capitalised expenditure relate mainly to software and software platforms.

Goodwill Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and any contingent liabilities.

Goodwill is recognised as an asset and reviewed for impairment test at least annually. Any impairment is recognised immediately in the income statement and cannot be reversed.

Goodwill arising from acquisitions of associated companies is included in the reported value of shares in associated companies. Impairment tests are made on the total asset. Goodwill arising on acquisitions before the date of transition to IFRS, 1 January 2004, was retained at the previous Swedish GAAP amounts, subject to being tested for impairment at that date. This goodwill was written off in 2007 as a consequence of the sale of TV-Shop.

Other intangible assets Other intangible assets, such as trademarks, are stated at cost less accumulated amortisation and impairment losses. Trademarks forming part of a purchase price allocation are normally judged to have indefinite useful lives. Trademarks arising at acquisitions are judged to have indefinite useful lives as trademarks are assets that by nature are part of the company's income generating assets as long as the company is a going concern.

Machinery and equipment Items of machinery and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of machinery and equipment have different useful lives, they are accounted for as separate items of machinery and equipment.

Impairment of tangible and intangible non-current assets The Group reviews the carrying amounts of its tangible and intangible assets annually but not later than at the balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

Financial instruments Financial assets and liabilities include liquid funds, securities, derivative instruments, other financial receivables, accounts receivables, accounts payable, leasing undertakings and loan liabilities.

Recognition and derecognition in the statement of financial position Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Trade receivables are recognised when the invoice is sent. A liability is recognised when the delivery of goods or services is made and there is a contractual obligation to pay, regardless whether the invoice has been received or not. Trade payables are recognised when an invoice has been received.

Financial assets are derecognised in the statement of financial position when the contractual rights to cash flows from the asset expires, become due or when the Company loses control over the asses. Financial liabilities are derecognised when the obligations are fulfilled or extinguished in any other way.

Financial instruments recorded at fair value should be classified into a three level hierarchy depending on the quality of the source of data used to derive at the fair value.

Loans and receivables Receivables are stated at accrued cost less impairment losses. The receivables are reviewed monthly to determine whether there is an indication of impairment. Doubtful accounts receivable are reported with the amount at which, after a careful assessment, it is deemed likely to be paid.

Financial assets and liabilities at fair value through net income Derivatives at fair value that are not subject to hedge accounting are recognised as financial assets or liabilities and categorised as held for trading. The assets and liabilities are valued at fair value with the changes in value reported in the result of the year.

Other liabilities Loan liabilities are recognised initially at the amount received less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Other liabilities are stated at accrued cost and include accounts payable, leasing undertakings and other liabilities.

Accounting for leases A financial lease is a contract that entails the lessee to a material extent enjoying all economic benefits and bearing all economic risks associated with the asset regardless of whether or not the lessee retains the legal right of ownership of the asset. For financial leases, the leasing asset is reported as a non-current asset and the obligation for future payments as a liability in the lessee's statement of financial position. An operating lease is a lease that does not fulfil the conditions for a financial lease. For operating leases, the rental expense is reported in the lessee's accounts distributed equally over the period during which the asset is used.

Inventories Inventories are valued at the acquisition cost or net realisable value, whichever is lower. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighed average basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provisions for obsolescence are included in cost of goods sold.

Prepaid expenses Prepaid expenses are recognised as prepaid expenses as it is probable that the future economic benefit will flow to the Company and the value can be measured with reliability. The costs are allocated over the contract period.

Corporate income tax Tax expenses reported includes actual Swedish and foreign corporate income taxes and deferred tax arising from temporary differences between accounts for financial reporting and accounts for tax assessment, calculated using the liability method. Such temporary differences are caused mainly by differences between taxable value and the reported value of assets and liabilities. A deferred tax asset is reported corresponding to the value of loss carry forwards if it is judged likely that they will be applied to taxable income in the foreseeable future. Income for the year is charged with tax on taxable earnings for the year and with tax estimated for the change in temporary differences for the year as current tax and deferred tax expenses respectively in each Group company.

Provisions A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably calculated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pensions The major part of the pensions plans are defined-contribution plans. The Group's payments to defined contribution plans are reported as costs in the period when the employee performed the services to which the fee relates. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The defined-benefit pension plans are so called multi-employer plans and recognised as defined-contribution plans in accordance with URA42.

Share-based payments Modern Times Group MTG AB has issued equity-settled share-based payments to certain employees within the CDON Group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments including social security costs are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value expense is reported in the income statement as atsonnel costs with the corresponding increase in equity. The fair value is re-valued each quarter as a basis for the calculation of social security costs.

Fair value is measured by use of the Black & Scholes' model, taking into consideration the terms and conditions of the allotted financial instruments.

Parent company The parent company has prepared the Annual Report according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2.2 Accounting for Legal Entities. RFR 2.2 involves application of all IFRSs and interpretations endorsed by the European

Commission, except where the possibility to apply IFRS is restricted by the Swedish Company Act and due to tax rules. IAS 27 Consolidated and Separate Financial Statements was applied from 1 January 2009. The amendments related to the treatment of dividends, where all dividends received should be recognised as revenue, as opposed to reducing the cost of the investment, which previously was the case with dividends related to post-acquisition retained earnings.

Group contributions The parent company reports Group contributions in accordance with UFR 2. Group contributions are therefore reported according to their economic reality, namely having the purpose of minimising the Group's tax. Since they do not constitute consideration for fulfilment of services, they are taken directly to equity after deducting the tax component.

Shareholders' contribution Shareholders' contribution paid is recognised as an increase in shares in subsidiaries. When the contribution is given to cover losses made, an impairment test is made. Impairment is recognised in the income statement.

NOTE 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRSs requires the Board of Directors and the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates are reviewed by the MTG Audit Committee.

Key sources of estimation uncertainty Note 4 and 9 contain information of the assumptions and the risk factors relating to goodwill impairment. In note 18, the basis for provisions made and litigations are described.

Goodwill and other intangible assets Intangible assets, except goodwill and intangible assets with indefinite useful lives, are amortised and depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue.

The Group reviews annually, or at the balance sheet date at the latest, the carrying amounts to determine whether there is any indication that the assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is estimated by management through calculated future cash flows. Although management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the valuations.

Goodwill is subject to impairment tests yearly or when triggered by events. The impairment review requires management to determine the fair value of the cash generating units on the basis of cash flow projections and internal forecasts and business plans. For further information, see note 9 Intangible assets.

Obsolescence assessments inventory The Group reviews the inventory monthly to determine whether there is an indication of impairment. A write-down is reported in cost of goods sold with the amount at which, after a careful assessment, inventory is judged to be obsolete. If actual obsolescence differs from these estimates or management adjusts these estimates in future, changes in the valuation may materially impact the income for the period as well as the financial position.

Provisions and contingent liabilities Liabilities are recognised when a present obligation exist as a result of a past event, it is probable that economic benefits will be transferred, and reliable estimates can be made of the amount of this obligation. In such a case, a provision is calculated and recognised in the statement of financial position. A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

The Group regularly reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered, are the nature of the litigation, claims, legal processes and potential level of damages, the opinions and views of the legal counsellors, and the management's intentions to respond to the litigations or claims. To the extent the estimates and judgements do not reflect the actual outcome; this could materially affect the income for the period and the financial position. For further information, see note 18 Provisions.

Deferred tax Deferred taxes are recognised for temporary differences as well as for unutilised tax loss carry-forwards. A deferred tax asset is calculated as a tax value of the loss carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax asset is not reported in some countries. If actual results differ from these estimates or management adjusts these estimates in future, changes in the valuation may materially impact the income for the period as well as the financial position. For further information, see note 8 Taxes.

Critical accounting judgments and choices in applying the Group's accounting policies Certain critical accounting judgements and choices made in applying the Group's accounting policies are described below:

Returned goods reservations The Group make reservations for potential returns of goods based on actual outcomes on a yearly basis. As a consequence, if actual results differ from these estimates or management adjusts these estimates in the future, changes in the valuation may materially impact the income for the period as well as the financial position.

NOTE 3 BUSINESS SEGMENTS

The business is primarily divided into three business segments.

- Entertainment comprise CDON.COM and BookPlus.fi, which are internet retailers for CDs, DVDs, and books. Lekmer.com, an internet retailer for toys, will be included from 2010.
- Sports & Health are internet retailers for food supplements and comprise Gymgrossisten.com, Bodystore.com and Fitnesstukku.fi.
- Fashion is an internet retailer for womens and children's clothing, and comprise Nelly.com and Linuslotta.com.

	External Sales			Operating income		
(SEK thousand)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Entertainment	1,332,828	1,062,210	902,852	92,719	86,736	81,604
Sports & Health	210,709	144,928	–	26,200	15,659	–
Fashion	202,625	78,890	7,070	7,011	–19,203	–1,208
Parent company and other companies	–	–	–	–791	–551	–1,301
Total	**1,746,162**	**1,286,028**	**909,922**	**125,139**	**82,641**	**79,095**

There are companies within the Entertainment segment that provide the other segments with goods and certain services. Such sales are made at market price.

	Internal sales		
(SEK thousand)	**2009**	**2008**	**2007**
Entertainment	3,865	227	2,041
Sports & Health	–	–	–
Fashion	–	–	–
Parent company and other companies	–	–	–
Total internal sales	**3,865**	**227**	**2,041**

The business segments are responsible for the management of the operational assets and their performance is measured at the same level. Financing is managed centrally at MTG. Consequently, liquid funds, interest-bearing receivables and liabilities are not allocated to the business segments.

	Assets			Liabilities		
(SEK thousand)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Entertainment	170,729	251,037	200,547	368,899	359,848	276,238
Sports & Health	281,737	249,295	–	73,188	36,081	–
Fashion	75,167	53,050	40,317	36,144	19,627	13,622
Parent company and other companies	131,612	87,398	88,983	188,152	97,020	109,588
Total	**659,245**	**640,780**	**329,847**	**666,383**	**512,576**	**399,448**
Eliminations	–191,816	–104,274	–104,579	–191,816	–104,274	–104,579
Unallocated assets/liabilities	273,729	145,420	259,736	258,380	102,172	14,879
Total	**741,158**	**681,926**	**485,004**	**732,947**	**510,474**	**309,748**

(SEK thousand)	Capital expenditure 2009	2008	2007	Depreciation and amortisation 2009	2008	2007
Entertainment	2,898	1,099	7,899	2,516	1,120	724
Sports & Health	47	509	–	3,425	3,393	–
Fashion	281	96	469	201	372	91
Parent company and other companies	–	–	–	–	–	–
Total	**3,226**	**1,704**	**8,368**	**6,142**	**4,885**	**815**

The Group's business segments operate mainly in the Nordic countries. Net sales and assets are shown below by geographical area. Sales are shown per country from which the revenues are derived.

(SEK thousand)	Net sales 2009	2008	2007	Non-current assets 2009	2008	2007
Sweden	900,979	670,566	453,734	231,189	234,634	33,063
Norway	403,373	289,715	240,519	–	–	–
Finland	276,938	204,454	109,703	23,325	21,663	14,608
Denmark	159,733	118,314	103,124	–	–	–
Rest of Europe	5,139	2,979	2,842	–	–	–
Total	**1,746,162**	**1,286,028**	**909,922**	**254,514**	**256,297**	**47,671**

NOTE 4 OPERATIONS ACQUIRED

Acquisitions 2009

The Group has acquired additional shares from minority holders during the year. Part of the minority, 0.5 per cent of the capital and voting rights in NLY Scandinavia AB was acquired and additional purchase prices were paid for Helsingin Dataclub OY. These acquisitions are reported within the Fashion and Entertainment segment respectively.

Summary of acquisitions

Group (SEK thousand)	2009 Net cash outflow	Net identifiable assets and liabilities	Goodwill
Additional acquisition minority NLY Scandinavia AB	3,225	–	3,225
Additional consideration from previous years, paid out Helsingin Dataclub OY	3,006	–	3,006
Total	**6,231**	**–**	**6,231**

Acquisitions 2008

The Group's major acquisitions during 2008 was Gymgrossisten, Sweden. The detailed purchase price allocations are found below.

Additional purchase prices were paid for NLY Scandinavia AB and Helsingin Dataclub OY during 2008 in accordance with the acquisition agreements. These acquisitions are reported within the Fashion and Entertainment segment respectively.

Summary of acquisitions

Group (SEK thousand)	2008 Net cash outflow	Net identifiable assets and liabilities	Goodwill
Gymgrossisten	191,506	68,211	130,215
Additional acquisition minority NLY Scandinavia AB	3,321	–	3,321
Additional consideration from previous years, paid out Helsingin Dataclub OY	3,887	–	3,887
Total	**198,714**	**68,211**	**137,423**

Gymgrossisten

The Group declared an unconditional offer for Gymgrossisten Nordic AB on 23 January 2008. Gymgrossisten is a leading online supplier of food supplements. MTG controlled 99.42 per cent of the shares on 8 February 2008 and initiated a mandatory tender for the remaining issued and outstanding shares. As at 24 November, MTG was in control of 100 per cent of the shares. The result is reported within the Sports & Health segment with effect from 1 February 2008. The total consideration was SEK 198 milion including transaction costs of SEK 2 million.The acquisition gave rise to separately identified immaterial rights of SEK 60 million and goodwill of SEK 130 million.

The goodwill in 2008 comprise of strategic benefits, market position and synergy effects.

Net assets acquired (SEK thousand)	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	5,207		5,207
Intangible assets	9,041	60,400	69,441
Inventories	26,192		26,192
Trade and other receivables	7,332		7,332
Cash and cash equivalents	6,920		6,920
Deferred tax liabilities	–1,126	–16,912	–18,038
Trade and other payables	–28,843		–28,843
Net identifiable assets and liabilities	**24,723**	**43,488**	**68,211**
Goodwill on acquisition			130,215
Total consideration			**198,426**
Liquid funds in acquired companies			–6,920
Net cash outflow			**191,506**

Contributions during 2008 from the acquired companies by segment:

From the acquisition date (SEK thousand)	Sports & Health
Net sales	144,928
Operating income	15,659
Net income	6,975

If the acquisition had occurred on 1 January (SEK thousand)	Sports & Health
Net sales	157,438
Operating income	19,620
Net income	10,153

Acquisitions 2007

Acquisitions during the year comprise 89 per cent of NLY Scandinavia AB, an online fashion retailer, 100 per cent of Helsingin Dataclub Oy, the Finnish online book retailer, and 90.1 per cent of Linus & Lotta Postorder AB, the Swedish online childrens' clothes retailer, for a total cash consideration of appr SEK 47 million. NLY Scandinavia AB and Linus & Lotta Postorder AB are reported within the Fashion segment, Helsingin Dataclub OY in the Entertainment segment.

Summary of acquisitions

Group (SEK thousand)	2007 Net cash outflow	Net identifiable assets and liabilities	Goodwill
NLY Scandinavia AB	8,139	–388	14,970
Helsingin Dataclub OY	12,695	8,687	14,419
Linus & Lotta Postorder AB	14,521	7,261	9,158
Total	**35,355**	**15,560**	**38,547**

NLY Scandinavia AB

Net assets acquired (SEK thousand)	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	365		365
Inventories	2,052		2,052
Trade and other receivables	627		627
Cash and cash equivalents	36		36
Deferred tax receivables	792		792
Trade and other payables	–4,260		–4,260
Net identifiable assets and liabilities	**–388**	**–**	**–388**
Goodwill on acquisition			14,970
Minority			43
Total consideration			**14,625**
Optional acquisitions			–6,450
Liquid funds in acquired companies			–36
Net cash outflow			**8,139**

Helsingin Dataclub OY

Net assets acquired (SEK million)	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	189		189
Inventories	1,886		1,886
Trade and other receivables	2,217		2,217
Cash and cash equivalents	10,411		10,411
Trade and other payables	–6,016		–6,016
Net identifiable assets and liabilities	**8,687**	**–**	**8,687**
Goodwill on acquisition			14,419
Total consideration			**23,106**
Liquid funds in acquired companies			–10,411
Net cash outflow			**12,695**

Linus & Lotta Postorder AB

Net assets acquired (SEK thousand)	Book value	Fair value adjustment	Recognised values
Property, plant and equipment	21		21
Inventories	6,012		6,012
Trade and other receivables	4,174		4,174
Cash and cash equivalents	1,139		1,139
Trade and other payables	–4,085		–4,085
Net identifiable assets and liabilities	**7,261**	**–**	**7,261**
Goodwill on acquisition			9,158
Minority interest			–759
Total consideration			**15,660**
Liquid funds in acquired companies			–1,139
Net cash outflow			**14,521**

Contributions during 2007 from the acquired companies by segment:

From the acquisition date (SEK thousand)	Entertainment	Fashion
Net sales	–	7,070
Operating income	–	–1,208
Net income	–	–1,287

Acquisitions after the balance sheet date

Contracted future additional considerations of SEK 1,106 thousand has been paid out in the first quarter of 2010. The consideration is related to Helsingin Dataclub OY.

NOTE 5 OTHER OPERATING INCOME AND EXPENSES

Group (SEK thousand)	2009	2008	2007
Other operating income			
Gain from sale on non-current assets	2,148	–	–
Gain from exchange rate differences	59	271	340
Total	**2,207**	**271**	**340**
Other operating expenses			
Loss from exchange rate differences	–1,401	–	–
Total	**–1,401**	**–**	**–**

NOTE 6 DISCONTINUED OPERATIONS

The Group sold the TV-Shop segment in June 2007. The consideration was SEK 94,023 thousand. Net income before tax was SEK 290 thousand. Tax expenses was 1,846 thousand, and net loss for the year SEK -1,556 thousand.

Net income from discontinued operations

Group (SEK thousand)	2007
Sales	168,692
Expenses	–168,402
Net income before tax	290
Tax	–1,846
Net loss	**–1,556**
Dividend to parent company	23,500
Gain from sales of discontinued operations	18,888
Total gain from discontinued operations	**40,832**
Earnings per share from discontinued operations (SEK)	20,416,00

Cash flow from discontinued operations

Group (SEK thousand)	2007
Cash flow from operations	22,022
Cash flow from investing activities	–
Cash flow from financial activities	–981
Cash flow from discontinued operations	**21,041**

Group Effect on assets and liabilities	2007
Non-current assets	10,520
Inventories	46,342
Trade receivables	20,847
Other receivables	32,320
Cash, bank	24,359
Long-term liabilities	960
Accounts payables	56,969
Divested assets and liabilities, net	**76,459**
Consideration	94,023
Cash in sold entitites	–24,359
Cash flow effect	**69,664**

NOTE 7 FINANCIAL ITEMS

(SEK thousand)	2009	2008	2007
Group			
Interest revenue MTG cash pool accounts	738	4,381	6,131
Net exchange rate differences	–	–	6,499
Total	**738**	**4,381**	**12,630**
Interest expense MTG cash pool accounts	–8,287	–12,158	–1,084
Net exchange rate differences	–4,195	–263	–
Other financial items	–64	–86	–3
Total	**–12,546**	**–12,507**	**–1,087**
Net financial items	**–11,808**	**–8,126**	**11,543**

cont. note 7

(SEK thousand)	2009	2008	2007
Parent Company			
Dividends from subsidiaries (TV-Shop)	–	–	23,500
Total	**–**	**–**	**23,500**
Write-down of shares in subsidiaries	–15,748	–	–
Total	**–15,748**	**–**	**–**
Interest revenue from MTG cash pool accounts	30	1,943	2,377
Interest revenue from subsidiaries CDON Group	944	8,096	3,648
Exchange rate differences	5	–	12
Other financial revenues	–	64	–
Total	**979**	**10,103**	**6,037**
Interest expense to MTG cash pool accounts	–5,051	–11,820	–889
Interest expense to subsidiaries CDON Group	–105	–1,981	–947
Exchange rate differences	–	–1	–
Total	**–5,156**	**–13,802**	**–1,836**
Net financial items	**–19,925**	**–3,699**	**4,201**

The Group does not hedge its transaction exposure

NOTE 8 TAXES

Group

Distribution of tax expense (SEK thousand)	2009	2008	2007
Current tax			
Current tax expense	–35,118	–25,587	–26,015
Adjustment for prior years	8	–	–1,163
Total	**–35,110**	**–25,587**	**–27,178**
Deferred tax			
Temporary differences	2,275	–365	–
Total	**2,275**	**–365**	**–**
Total income tax expense in income statement	**–32,835**	**–25,952**	**–27,178**

Reconciliation of tax expense (SEK thousand)	2009	%	2008	%	2007	%
Tax/Tax rate in Sweden	–29,634	–26.3	–20,864	–28.0	–36,812	–28.0
Non-taxable income	–	–	657	0.9	11,538	8.8
Foreign tax rate differential	–25	0.0	–30	0.0	–	–
Effect of losses carry-forward not previously recognised	–	–	981	1.3	–	–
Non-deductible expenses	–1,043	–0.9	–424	–0.6	–345	–0.3
Losses where no deferred tax was recognised	–3,458	–3.1	–6,348	–8.5	–396	–0.3
Revalued tax losses carry-forward	1,611	1.4	–	–	–	–
Under/over provided in prior years	–286	–0.3	77	0.1	–1,163	–0.9
Effective tax/tax rate	**–32,835**	**–29.1**	**–25,951**	**–34.8**	**–27,178**	**–20.7**

(SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Deferred tax asset			
Tax value of losses carry-forward recognised	–	1,364	–
Total	**–**	**1,364**	**–**
Deferred tax liabilities			
Trademarks	8,596	9,152	–
Equipment	664	2,516	450
Capitalised expenditure	4,264	4,539	–
Other intangible assets	1,528	2,483	–
Total	**15,051**	**18,690**	**450**
Deferred tax net	**–15,051**	**–17,326**	**–450**

The movements in temporary differences net are explained below:

	2009					
(SEK thousand)	Opening balance 1 January	Deferred tax expense	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward	1,364	–1,364				0
Temporary differences in:						
Equipment	–2,516	1,852				–664
Intangible assets	–16,174	1,787				–14,387
Total	**–17,326**	**2,275**				**–15,051**

	2008					
(SEK thousand)	Opening balance 1 January	Deferred tax expense	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward	–		1,364			1,364
Temporary differences in:						
Equipment	–450	–1,103	–963			–2,516
Intangible assets	–	738	–16,912			–16,174
Total	**–450**	**–365**	**–16,511**			**–17,326**

	2007					
(SEK thousand)	Opening balance 1 January	Deferred tax expense	Acquisition of subsidiary	Other comprehensive income	Translation differences	Closing balance 31 December
Tax losses carryforward						–
Temporary differences in:						
Equipment			–450			–450
Total			**–450**			**–450**

The Group had no recognised losses carry-forward without expiration date as at 31 December 2009, as compared to SEK -5 million in 2008. Deferred tax receivables for 2009, 2008 and 2007 include the tax value of the losses carry-forward in all countries where it is judged likely that the Group will be able to apply its losses carry-forward to a taxable surplus. As a consequence, deferred tax assets are not recognised in some countries.

Unrecognised tax losses carry-forward by expiry date (SEK thousand)	2009	2008	2007
No expiry date	23,364	19,184	–
Total	**23,364**	**19,184**	**–**

Parent company

Distribution of tax expenses (SEK thousand)	2009	2008	2007
Current tax relating to Group contributions	1,119	2,056	–1,157
Total tax	**1,119**	**2,056**	**–1,157**

Reconciliation of tax expense (SEK thousand)	2009	%	2008	%	2007	%
Tax/tax rate in Sweden	5,261	–26.3	1,075	–28.0	–19,969	–28.0
Non-deductible expenses	–4,142	20.7	–	–	–126	–0.2
Non-taxable income	–	–	–	–	18,938	26.6
Effect of losses carry-forward not previously recognised	–	–	981	–25.5	–	–
Effective tax/tax rate	**1,119**	**–5.6**	**2,056**	**–53.5**	**–1,157**	**–1.6**

NOTE 9 INTANGIBLE ASSETS

	Group		
(SEK thousand)	Capitalised expenditure	Patents and trademarks	Goodwill
Accumulated acquisition costs			
Opening balance 1 January 2007	452	–	–
Investments during the year	7,463		
Acquisitions through business combinations			38,222
Translation differences			325
Closing balance 31 December 2007	**7,915**	**–**	**38,547**
Opening balance 1 January 2008	7,915	–	38,547
Investments during the year	1,099	320	
Acquisitions through business combinations	16,212	44,188	143,487
Translation differences			2,861
Closing balance 31 December 2008	**25,226**	**44,508**	**184,895**
Opening balance 1 January 2009	25,226	44,508	184,895
Investments during the year	1,564		
Acquisitions through business combinations	0		6,264
Translation differences			–1,294
Closing balance 31 December 2009	**26,790**	**44,508**	**189,865**
Accumulated amortisation and impairment losses			
Opening balance 1 January 2007	–188	–	–
Amortisation during the year	–73		
Closing balance 31 December 2007	**–261**	**–**	**–**
Opening balance 1 January 2008	–261	–	–
Amortisation during the year	–736	–2,695	
Closing balance 31 December 2008	**–997**	**–2,695**	**–**

(SEK thousand)	Group Capitalised expenditure	Patents and trademarks	Goodwill
Opening balance 1 January 2009	–997	–2,695	–
Amortisation during the year	–1,970	–2,940	–
Closing balance 31 December 2009	**–2,967**	**–5,635**	**–**
Book value carried forward			
As at 1 January 2007	264	–	–
As at 31 December 2007	7,654	–	38,547
As at 1 January 2008	7,654	–	38,547
As at 31 December 2008	24,229	41,813	184,895
As at 1 January 2009	24,229	41,813	184,895
As at 31 December 2009	23,823	38,873	189,865

Only external expenditure have been capitalised. The identified intangible assets comprise trademarks of indefinite useful lives of SEK 32,684 thousand. The remaining part, SEK 11,504 thousand, refer to customer relations with a lifetime of four years.

Amortisation by function (SEK thousand)	2009	2008	2007
Cost of goods and services	–3,018	–2,636	–
Administrative expenses	–1,892	–795	–73
Total	**–4,910**	**–3,431**	**–73**

Impairment tests for cash-generating units containing goodwill

Major cash generating units with significant carrying amounts of goodwill are:

(SEK thousand)	2009	2008	2007
Sports & Health	139,256	139,256	–
Entertainment	23,325	21,510	14,419
Fashion	27,284	24,129	24,128
Total	**189,865**	**184,895**	**38,547**

The changes in goodwill are due to additional purchases, and, to a minor extent, to translation differences.

Impairment testing

Impairment testing of the goodwill and other intangible assets with indefinite lives for cash-generating units in the business areas are based on calculations of the recoverable amount, and by use of a discounted cash flow model. The model involves among other factors terminal values, market growth rates, and working capital requirements. These cash flow projections calculated over a five year period are based on actual operating results, forecasts and financial projections, using historical trends, general market conditions, industry trends and other available information.

The cash flow projections are based on a sustainable growth rate which is individually estimated based on each unit's outlook. Individual assumptions are also made on cost and capital turnover development. The cash flow is discounted for each unit using an appropriate discount rate considering the cost of capital and risk with individual consideration taken only in special circumstances. CDON Group's competitors, with few or no exceptions, do not publish this kind of information, and therefore the Company has chosen to diverge from the rules in the standard regarding the disclosure requirements relating to goodwill and impairment tests. This question will be reviewed again before the 2010 annual report.

Sensitivity

The units, which do not indicate an impairment requirement, generally have such a margin that reasonably possible adverse changes in individual parameters would not cause the value in use to fall below the book value. However, cash flow projections are more uncertain and may also be influenced by factors not in control by the Company.

NOTE 10 TANGIBLE ASSETS

	Group	
(SEK thousand)	Equipment, tools	Buildings
Accumulated acquisition costs		
Opening balance 1 January 2007	2,377	–
Investments during the year	905	
Divestment during the year	–9	
Change in Group structure, reclassifications etc	123	
Closing balance 31 December 2007	**3,396**	**–**
Opening balance 1 January 2008	3,396	
Investments during the year	285	
Acquisitions through business combinations	1,046	4,160
Divestment during the year	–591	
Change in Group structure, reclassifications etc	–109	
Translation differences	55	
Closing balance 31 December 2008	**4,082**	**4,160**
Opening balance 1 January 2009	4,082	4,160
Investments during the year	1,662	
Divestment during the year		–4,160
Change in Group structure, reclassifications etc	125	
Translation differences	–13	
Closing balance 31 December 2009	**5,856**	**–**
Accumulated depreciation		
Opening balance 1 January 2007	–1,089	–
Depreciation during the year	–742	
Change in Group structure, reclassifications etc	–95	
Closing balance 31 December 2007	**–1,926**	**–**
Opening balance 1 January 2008	–1,926	
Divestment during the year	413	
Depreciation during the year	–1,275	–179
Change in Group structure, reclassifications etc	109	
Translation differences	–24	
Closing balance 31 December 2008	**–2,703**	**–179**
Opening balance 1 January 2009	–2,703	–179
Divestment during the year		299
Depreciation during the year	–1,006	–120
Impairment losses during the year	–106	
Change in Group structure, reclassifications etc	–96	
Translation differences	8	
Closing balance 31 December 2009	**–3,903**	**–**

(SEK thousand)	Group Equipment, tools	Buildings
Book values carried forwards		
As at 1 January 2007	1,288	–
As at 31 December 2007	1,470	–
As at 1 January 2008	1,470	–
As at 31 December 2008	1,379	3,981
As at 1 January 2009	1,379	3,981
As at 31 December 2009	1,953	–

Depreciation by function (SEK thousand)	2009	2008	2007
Cost of goods and services	–485	–	–
Administrative expenses	–642	–1,454	–742
Total	**–1,127**	**–1,454**	**–742**

Impairment losses by function (SEK thousand)	2009	2008	2007
Administrative expenses	–106	–	–
Total	**–106**	**–**	**–**

NOTE 11 LONG-TERM FINANCIAL ASSETS

Shares in subsidiaries (Parent company) (SEK thousand)	Co. Reg.no.	Registered office	Number of shares	Share capital (%)	Voting rights (%)	Book value
CDON AB	556406–1702	Stockholm	1,000	100	100	27,779
MTG Publiken AB	556533–8372	Stockholm	1,666	100	100	0
Linus & Lotta Postorder AB	556078–3135	Stockholm	9,000	90	90	–
Gymgrossisten Nordic AB	556690–6987	Stockholm	5,910,000	100	100	198,426
Gymgrossisten Sverige AB	556564–4258	Stockholm	1,000	100	100	60,500
NLY Scandinavia AB	556653–8822	Stockholm	172,100	90	90	14,785
Total						**301,490**

Shares in subsidiaries (Group) (SEK thousand)	Co. Reg.no.	Registered office	Number of shares	Voting rights (%)	Book value
CDON AB	556406–1702	Stockholm	1,000	100	100
Helsingin Dataclub OY		Finland	40	100	100
CDON Alandia AB		Finland	100	100	100
Linus & Lotta Postorder AB	556078–3135	Stockholm	9,000	90	90
Linus och Lotta AS		Norway		90	90
Gymgrossisten Nordic AB	556690–6987	Stockholm	5,910,000	100	100
Gymgrossisten Sverige AB	556564–4258	Stockholm	1,000	100	100
NLY Scandinavia AB	556653–8822	Stockholm	172,100	90	90
MTG Publiken AB	556533–8372	Stockholm	1,666	100	100

Shares and participation in Group companies, Parent company (SEK thousand)	2009	2008	2007
Accumulated acquisition values			
Opening balance 1 January	253,513	51,766	77,664
Write down of shares in subsidiaries	–15,748	–	–
Acquisition of subsidiaries	63,725	201,747	23,987
Sale of subsidiaries	–	–	–49,885
Closing balance 31 December	**301,490**	**253,513**	**51,766**

NOTE 12 NATURE OF EXPENSES

(SEK thousand)	2009	2008	2007
Net sales	1,746,162	1,286,028	909,922
Cost of goods sold	–1,160,151	–850,588	–616,649
Distribution costs	–215,176	–168,358	–120,194
Employee benefits expense	–97,767	–77,066	–36,470
Depreciation and amortisation expense	–6,142	–4,855	–815
Other expenses	–141,787	–102,520	–56,699
Operating Income	**125,139**	**82,641**	**79,095**

NOTE 13 ACCOUNTS RECEIVABLE

Group (SEK thousand)	31 Dec 2009	31 Dec 2008	31 Dec 07
Accounts receivable			
Gross accounts receivable	22,042	83,058	58,224
Less allowances for doubtful accounts	–2,991	–3,751	–2,229
Total	**19,051**	**79,307**	**55,995**
Allowance for doubtful accounts			
Opening balance 1 January	3,751	2,229	896
Provision for potential losses	4,590	5,388	4,664
Actual losses	–5,042	–3,866	–3,331
Translation differences	–308	–	–
Closing balance 31 December	**2,991**	**3,751**	**2,229**
Receivables due without provisions for bad debt			
<30 days	1,413	35,337	19,063
30-90 days	237	15,476	454
> 90 days	–	1,470	85
Total	**1,650**	**52,283**	**19,602**
Receivables due with provisions for bad debt			
> 90 days	2,991	3,751	2,229
Total	**2,991**	**3,751**	**2,229**

In 2009, the Group entered into a factoring agreement in Sweden.

NOTE 14 PREPAID EXPENSE AND ACCRUED INCOME

Group (SEK thousand)	31 Dec 2009	31 Dec 2008	31 Dec 07
Prepaid media costs	596	362	–
Prepaid costs for goods	8,629	3,076	3,043
Prepaid distribution costs	–	78	62
Other	1,040	4,121	1,907
Total	**10,265**	**7,637**	**5,012**

NOTE 15 CASH AND CASH EQUIVALENTS

Group (SEK thousand)	31 Dec 2009	31 Dec 2008	31 Dec 07
Bank balances	3,045	42,046	82,377
Total	**3,045**	**42,046**	**82,377**

Parent company (SEK thousand)	31 Dec 2009	31 Dec 2008	31 Dec 07
Bank balances	–	–	–
Total	**–**	**–**	**–**

NOTE 16 EARNINGS PER SHARE

(SEK thousand)	2009	2008	2007
Earnings per share before dilution			
Net income for the year attributable to equity holders of the parent company	79,554	48,563	104,434
Shares outstanding on 1 January	2,000	2,000	2,000
Weighted average number of shares before dilution	**2,000**	**2,000**	**2,000**
Basic earnings per share, SEK	**39,777.00**	**24,281.50**	**52,217.00**

There are no dilutive instruments in CDON Group AB.

NOTE 17 SHAREHOLDERS' EQUITY

Shares issued (SEK thousand)	Number of shares paid	Quota value
Shares issued	2,000	500
Total number of shares issued/total quota value as at December 31 2009	**2,000**	**500**

The holder of a share is entitled to 1 vote.

	Total
31 December 1936	2,000
Shares issued 31 December 2009	**2,000**

Parent company (SEK thousand)	2009	2008	2007
Group contributions paid out to the parent company (Modern Times Group MTG AB)	126,400	79,146	92,911

Paid-in capital/Premium reserve

The paid-in capital arises when shares are issued at a premium, i.e. shares were paid at a higher price than the quotient value.

Translation reserve in equity

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations to Swedish krona in the consolidated accounts.

Group (SEK thousand)	2009	2008	2007
Opening balance, 1 January	4,070	–209	104
This year's translation differences, net of tax	–1,659	4,279	–313
Total accumulated translation differences, 31 December	**2,411**	**4,070**	**–209**

Retained earnings

Retained earnings comprise of previously earned income.

Minority interest

In subsidiaries not wholly owned, the share of equity owned by external shareholders is recorded as minority interest. If the shareholders' equity is negative, a receivable is reported for the minority to the extent that minority owners are expected to contribute their share.

NOTE 18 PROVISIONS

Group (SEK thousand)	Total
Opening balance, 1 January 2007	210
Provisions during the year	4,008
Closing balance, 31 December 2007	**4,218**
Opening balance, 1 January 2008	4,218
Provisions during the year	27
Utilised during the year	–3,225
Closing balance, 31 December 2008	**1,020**
Opening balance, 1 January 2009	1,020
Provisions during the year	197
Closing balance, 31 December 2009	**1,217**
Included in non-current liabilities 31 December 2007	4,218
Included in non-current liabilities 31 December 2008	1,020
Included in non-current liabilities 31 December 2009	1,217

The provisions mainly comprise accrued social expenses on share-based payments.

NOTE 19 ACCRUED EXPENSE AND PREPAID INCOME

Group (SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Accrued personnel costs	12,912	8,950	3,076
Accrued freight costs	13,766	12,339	–
Accrued cost of returns	2,113	476	702
Accrued media costs	10,220	5,450	4,539
Accrued distribution costs	15,155	5,332	10,696
Accrued costs of goods sold	24,831	5,679	2,389
Prepaid income	2,444	487	818
Other	13,666	4,589	4,776
Total	**95,107**	**43,302**	**26,996**

Parent company (SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Accrued audit costs	25	25	–
Other	–	–	17
Total	**25**	**25**	**17**

NOTE 20 CONTINGENT LIABILITIES

Group (SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Guarantees external parties	–	–	–
Total	**–**	**–**	**–**

The CDON Group companies are parties to non-material litigation. The Company does not believe that liabilities related to these matters are likely to have a material adverse effect on the financial position of the Group. These litigations are therefore not included in the contingency liabilities. There are no pledged assets in 2009, 2008 or 2007.

Parent company (SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Guarantees external parties	–	–	–
Guarantees subsidiaries	–	–	–
Total	**–**	**–**	**–**

NOTE 21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital management

CDON Group is part of MTG and thus financial policies, capital management and financial risks are managed centrally at MTG.

Bank accounts are, with few exceptions, part of a cash pool system. Group contributions are used to minimise the tax expenses on Group level. Capital requirements are managed through shareholder's contribution from the parent company (MTG).

Group (SEK thousand)	2009	2008	2007
Interest-bearing receivables cash pool accounts MTG	270,027	102,010	177,360
Interest-bearing liabilities, cash pool accounts MTG	–258,380	–102,173	–14,879
Cash	3,045	42,046	82,377
Net cash	**14,692**	**41,883**	**244,858**
Equity including minority interest	8,211	171,452	175,256
Assets	741,158	681,926	485,004
Equity to assets	1%	25%	36%
Capital employed, average	337,615	322,884	207,083
Operating income	125,139	82,641	79,095
Return on Capital employed	37%	26%	38%

Financial policy

The CDON Group's financial risk management is centralised to the parent company (MTG) to capitalise on economies of scale and synergy effects in the financial sector and to minimise operational risks. The parent company functions as the Group's internal bank and is responsible for the management of financing and the financial risk policy. This includes netting and pooling of cash requirements, and payment flows.

Liquidity in the Group is concentrated with the central financing function and in local cash pool accounts.

Interest-bearing liabilities

Group (SEK thousand)	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007
Current liabilities			
Interest-bearing liabilities, cash pool accounts MTG	258,380	102,173	14,879
Total	**258,380**	**102,173**	**14,879**

The cash pool accounts is an intra-group liability between CDON Group AB and the parent company (MTG AB). Interest rates are set centrally at market rates.

Market risk - interest rate

Financing is handled through the cash pool system, and interest rates are set at market rate by MTG centrally.

Credit risk

Credit risk is defined as the exposure to losses in the event that one party to a financial instrument fails to fulfill their obligations. The credit risk exposure are based on the carrying amount for the financial assets, the major part comprising trade receivables and cash.

The credit risk with respect to the Group's trade receivables is diversified among a large number of customers, mainly private individuals. The credit risks on certain markets have increased since the autumn in 2008 due to the financial crises. Trade receivables are sold to a factoring company since 2009. See also note 13 Accounts receivable.

Insurable risks

The insurance cover is governed by MTG corporate guidelines, and centrally negotiated insurance policies cover the majority of its subsidiaries. In certain cases, local insurance policies have been put in place. Each business unit is responsible for assessing and managing the insurable risks associated with its day-to-day operations.

Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will adversely affect the income statement, financial position and/or cash flows. The risk can be divided into transaction exposure and conversion exposure.

Transaction exposure

Transaction exposure is the risk that arises from net inflow or outflow of a foreign currency required by operations and financing. The transactions are not hedged.

The entities' net foreign exchange cash flow was distributed among the currencies as follows:

Currency (SEK thousand)	2009	2008	2007
DKK	102,253	120,171	63,746
NOK	260,579	194,041	167,161
EUR	–108,826	–64,597	79,395
USD	–14,290	–19,216	–101

Market risks – exchange risk

A five per cent change in NOK/SEK would have a net currency flow affect on income before tax of approximately SEK 13 (10.8) million, while the respective change in DKK would affect income before tax by approximately SEK 5 (6.3) million, in EUR 5 (3.4) million.

Conversion exposure

Conversion exposure is the risk that arises from equity in a foreign subsidiary or associated company that is denominated in a foreign currency. There are no hedging positions for conversion exposure.

Net foreign assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	2009		2008		2007	
Currency	SEK thousand	%	SEK thousand	%	SEK thousand	%
NOK	–935	–7	–2,639	–13	–	–
EUR	15,246	107	23,627	113	21,798	100
Totalt	**14,311**	**100**	**20,988**	**100**	**21,798**	**100**

A 5 per cent change in EUR/SEK would affect equity by approximately SEK 1 (1.1) million.

Financial assets are reported in the statement of financial position in cash and cash equivalents, interest-bearing long-term receivable, accounts receivables, and accounts receivables MTG companies. Financial liabilities are reported in accounts payable, and short-term interest-bearing liabilities. The Company judges the book values and the fair values to correspond for these items.

NOTE 22 LEASE AND OTHER COMMITMENTS

Lease and other commitments for future payments at 31 December 2009

Group (SEK thousand)	Future rent on non-cancelable leases
2010	2,852
2011	1,550
2012	–
2013	–
2014	–
2015 and thereafter	–
Total lease and other commitments	**4,402**
This year's operational costs	
Minimum lease fees	2,852
Variable fees	–
Total operational costs	**2,852**

Lease and other commitments for future payments at 31 December 2008

Group (SEK thousand)	Future rent on non-cancelable leases
2009	2,389
2010	2,389
2011	2,389
2012	419
2013	–
2014 and thereafter	–
Total lease and other commitments	**7,586**
This year's operational costs	
Minimum lease fees	2,389
Variable fees	–
Total operational costs	**2,389**

Lease and other commitments for future payments at 31 December 2007

Group (SEK thousand)	Future rent on non-cancelable leases
2008	2,277
2009	2,277
2010	2,277
2011	2,277
2012	363
2013 and thereafter	–
Total lease and other commitments	**9,471**
This year's operational costs	
Minimum lease fees	2,277
Variable fees	–
Total operational costs	**2,277**

NOTE 23 AVERAGE NUMBER OF EMPLOYEES

	2009		2008		2007	
Group	Men	Women	Men	Women	Men	Women
Sweden	100	93	85	69	48	20
Finland	6	4	10	3	–	–
Total	**106**	**97**	**95**	**72**	**48**	**20**
Total number of employees		**203**		**167**		**68**

Gender distribution senior executives

Group	Men %	Women %
Board of Directors	100	–
CEO	100	–
Other senior executives	80	20
Total	**82**	**18**

Parent company	Men %	Women %
Board of Directors	100	–
Total	**100**	**–**

The parent company have no employees.

NOTE 24 SALARIES, OTHER REMUNERATION, AND SOCIAL AND SECURITY EXPENSES

Group (SEK thousand)	2009	2008	2007
Personnel expenses			
Wages and salaries	66,453	55,395	28,269
Social security expenses	17,210	15,452	8,046
Pension costs - defined contribution plans	4,118	5,766	2,314
Share-based payments	509	383	48
Social security expenses on share-based payments	197	27	735
Total	**88,487**	**77,023**	**39,412**

(SEK thousand)	2009	2008	2007
Board of Directors, CEO and other senior executives	4,586	4,071	3,328
of which, variable salary	997	758	928

The parent company has no employees, the senior executives are employed by the subsidiaries.

Remuneration to senior executives

There are no fees paid to the Board of Directors in CDON Group AB. The remuneration to the Chief Executive Officer is paid in accordance with the guidelines approved of by the MTG Annual General Meeting. The remuneration guidelines are described in detail in MTG's Annual Reports.

The current senior executive remuneration programme consists of a combination of fixed salary, variable salary and participation in incentive programmes.

Remuneration to the CEO and other senior executives comprises a base salary and bonus. Other senior executives include segment managers and the Chief Financial Officer.

The variable remuneration shall be based on the performance in relation to established goals. The general contractual bonus system is based on an earnings period of one year, and does normally not exceed 50 per cent of the base salary. However, in some cases an extra bonus above the 50 per cent target has been granted based on exceptional performance, and, in other cases, due to the cash bonus paid out in connection with the exercise of the share options from the 2005 programme and the forfeited 2006 warrants, in accordance with the decision of the Annual General Meeting.

The CEO and the other members of the Company's senior exeecutives are entitled to customary pension commitments based on the national pension plan, entailing retirement at the age of 65. Pension commitments are secured through premiums paid to insurance companies.

The maximum notice period in any Executive's contract is twelve months during which time salary payment will continue. The Company does not generally allow any additional contractual severance payments to be agreed although there can be occasional cases where this takes place.

Remuneration and other benefits 2009

(SEK thousand)	Base salary	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Mikael Olander, CEO	2,140	675	–	302	662	3,779
Executive managers (2 persons)	1,449	322	–	187	44	2,002
Total	**3,589**	**997**	**–**	**489**	**706**	**5,781**

The 2009 amounts disclosed for the executive managers relate to the full year. The numbers include variable salary remuneration incurred to be paid after the year end for the Chief Executive Officer of SEK 225 (112.150) thousand.

Remuneration and other benefits 2008

(SEK thousand)	Base salary	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Mikael Olander, CEO	1,915	564	–	277	378	3,134
Executive managers (2 persons)	1,398	194	–	129	32	1,753
Total	**3,313**	**758**	**–**	**406**	**410**	**4,886**

Remuneration and other benefits 2007

(SEK thousand)	Base salary	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Mikael Olander, CEO	1,334	624	–	234	783	2,975
Executive managers (2 persons)	1,066	304	–	67	–	1,437
Total	**2,400**	**928**	**–**	**301**	**783**	**4,412**

	2005/2009	2006/2010	2007/2011	2008/2011		2009/2012	
	Stock options	Warrants and stock options	Warrants and stock options	Retention and performance		Retention and performance	
Financial instruments 2009	Number	Number	Number	Shares	Options	Shares	Shares
CEO	–	2,500	4,900	2,750	4,950	1,000	4,000
Executives managers (2 persons)	–	–	–	1,750	3,150	675	2,700
Total	**–**	**2,500**	**4,900**	**4,500**	**8,100**	**1,675**	**6,700**

Decision process

The remuneration to the Chief Executive Officer is proposed by MTG's Chief Operating Officer and decided by MTG's Chief Executive Officer. Remuneration to executive management is proposed by the Chief Executive Officer of CDON Group and decided by the MTG's Chief Operating Officer.

Sharebased payments

There are long-term incentive programmes, with the beginning in 2005, issued by Modern Times Group MTG AB for senior executives and key personnel. The programmes are described in detail in MTG's Annual Reports. The cost effect are included in the accounts in this report, but CDON Group will not pay out any remunerations or social fees related to the programmes as agreed with MTG.

Cost effects of the incentive programmes

The programmes are equity-settled programmes. The initial fair value at grant date of the stock option programmes, are expensed during the vesting period. The cost for the programmes are recognised in equity and as an operating expense. The cost is based on the fair value of the MTG Class B share at grant date and the number of shares expected to vest. The cost recognised in 2009 for the programmes amounts to SEK 509 thousand excluding social charges.

The fair value of services received in return for share options granted were calculated based on the Black & Scholes method. The expected volatility is based on historical values. As for the performance programmes, the probability that the goals are met has been taken into consideration by applying adjustment factors to the different goals, when calculating the costs.

Exercisable stock options granted in 2006, entitling the holders to acquire 2,500 MTG Class B shares had not yet been utilised at the end of 2009.

Distribution of issued warrants, stock options and retention and performance rights and options:

Warrants, options and rights outstanding	CEO	Senior executives	Key personnel	Total
Incentive programmes 2005-2007	7,400	–	–	7,400
LTIP 2008	7,700	2,450	2,450	12,600
LTIP 2009	5,000	2,250	1,125	8,375
Total outstanding as at 31 December 2009	**20,100**	**4,700**	**3,575**	**28,375**

	2009		2008		2007	
	No of options	Weighted exercise price	No of options	Weighted exercise price	No of options	Weighted exercise price
Options outstanding at 1 January	21,250	362,79	18,526	324,67	13,626	285,90
Warrants issued during the year	–	–	–	–	700	432,50
Retention shares and options issued during the year	8,375	–	12,600	320,21	4,200	432,50
Options exercised during the year	–	–	–9,876	236,97	–	–
Options forfeited during the year	–1,250	417,70	–	–	–	–
Total outstanding at 31 December	**28,375**	**359,36**	**21,250**	**362,79**	**18,526**	**324,67**

Specification of LTIP programmes	No of allocated options and other rights	No of people	Exercise price	Theoretical value at allocation	Exercise period	Outstanding options as at 1 January	Forfeited during the year	Exercised during the year	Outstanding options as at 31 December
Grant 2005									
2009		1	235.80	49.52	2008–2010				0
2008		1	235.80	49.52	2008–2010	9,876		9,876	0
2007		1							9,876
Grant 2006									
2009		1	413.30	54.82	2009–2011	3,750	1,250		2,500
2008		1	413.30	54.82	2009–2011	3,750			3,750
2007		1				3,750			3,750
Grant 2007									
2009		1	432.50	104.38	2010–2012	4,900			4,900
2008		1	432.50	104.38	2010–2012	4,900			4,900
2007	4,900	1							4,900
Grant 2008									
2009		3	498.10	57.00	2011	12,600			12,600
2008	12,600	3	498.10	57.00	2011				12,600
Grant 2009									
2009	8,375	4	Fritt	65.60	2012				8,375
Total grant									
2009	8,375					21,250	1,250	0	28,375
2008	12,600					18,526	0	9,876	21,250
2007	4,900					3,750	0	0	18,526

The 2005 and 2006 programmes were exercisable at the balance sheet date.

Employee expenses, Group (SEK thousand)	2009	2008	2007
Share options granted in 2005	–	–	554
Share options granted in 2006	34	42	107
Share options granted in 2007	203	142	122
Retention rights and options granted in 2008	447	226	–
Retention rights and options granted in 2009	21	–	–
Total expense recognised as employee costs	**706**	**410**	**783**

NOTE 25 AUDIT FEES

Group (SEK thousand)	2009	2008	2007
KPMG, audit services	784	678	158
KPMG, other services	–	88	–
Ernst & Young, audit services	–	54	–
Ernst & Young, other services	32	23	9
Other auditors, audit services	–	10	–
Total	**816**	**853**	**167**

Parent company (SEK thousand)	2009	2008	2007
KPMG, audit services	25	70	–
Total	**25**	**70**	**–**

Auditing services have involved the examination of the Annual Report and financial accounting and the administration by the Board and the Chief Executive Officer, other tasks related to the duties of a company auditor and consultation or other services which may result from observations noted during such examination or implementation of such other tasks. All other tasks are defined as other assignments.

NOTE 26 SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOW

Adjustments to reconcile net income/loss to net cash provided by operations.

Group (SEK thousand)	2009	2008	2007
Income/loss from sales of subsidiaries	–	–	–17,332
Profit on sale of non-current assets	–2,148	–	–
Depreciation and amortisation, write-downs and disposals of fixed assets	6,142	4,885	815
Tax Group contribution	33,243	22,161	26,015
Change in deferred tax	–2,480	365	–
Options	706	410	783
Interest expenses/income	7,549	7,777	–5,047
Unrealised exchange differences	4,195	263	–6,499
Total	**47,207**	**35,861**	**–1,265**

NOTE 27 RELATED PARTY TRANSACTIONS

Related party	
Investment AB Kinnevik (Kinnevik)	Kinnevik holds shares in Modern Times Group MTG AB.
Tele2 AB (Tele2)	Related parties to MTG hold a significant amount of shares in Tele2.
Metro International S.A. (Metro)	Related parties to MTG holds a significant amount of shares in Metro.
Transcom WorldWide S.A. (Transcom)	Related parties to MTG hold a significant amount of shares in Transcom.
Modern Times Group MTG AB (MTG)	MTG holds all shares in CDON Group AB.

The Group has related party relationship with its subsidiaries (see note 11).

The transactions between the different parties are based on market prices negotiated on arm's-length basis.

Business agreements with related parties

The Group purchases credit management services from Transcom until the beginning of 2009.

The Group purchases tele and data communication services from Tele2 and technical consulting and services through their subsidiary Datametrix.

The Group purchases advertising from Metro.

The Group purchases advertising and management services from MTG companies. The Group charges management services and sells goods to MTG companies.

	Group			Parent company		
(SEK thousand)	2009	2008	2007	2009	2008	2007
Revenues						
Tele2	30	7	–			
Metro	5	–	–			
MTG	1,506	3,733	4,322			
Total revenues	**1,541**	**3,740**	**4,322**	**–**	**–**	**–**
Operating costs						
Transcom	503	1,154	–			
Tele2	279	91	–			
Metro	864	813	–			
MTG	35,839	29,991	15,904	43	1,000	21
Other related companies	-	–	158	–	–	–
Total operating costs	**37,485**	**32,049**	**16,062**	**43**	**1,000**	**21**
Interest income						
MTG	688	3,915	2,881	30	–	2,377
Total interest income	**688**	**3,915**	**2,881**	**30**	**–**	**2,377**
Interest expenses						
MTG	7,951	11,820	1,009	5,051	11,820	889
Total interest expenses	**7,951**	**11,820**	**1,009**	**5,051**	**11,820**	**889**
Accounts receivable						
Tele2	38	–	–			
MTG	989	1,170	337			
Total Accounts receivable	**1,027**	**1,170**	**337**	**–**	**–**	**–**
Accounts payable						
Transcom	27	639	–			
Tele2	66	7	–			
MTG	129,325	82,867	95,647	126,400	79,146	92,911
Total Accounts payable	**129,418**	**83,513**	**95,647**	**126,400**	**79,146**	**92,911**
Cash pool receivables						
MTG	270,027	102,010	177,360	142	635	138,770
Total Cashpool receivables	**270,027**	**102,010**	**177,360**	**142**	**635**	**138,770**
Cash pool overdrafts						
MTG	258,380	102,173	14,879	230,049	63,559	–
Total Cash pool overdrafts	**258,380**	**102,173**	**14,879**	**230,049**	**63,559**	**–**

Remuneration of key management personnel

Other transactions than those reported in note 24 have not been made.

NOTE 28 LONG-TERM RECEIVABLE, GROUP COMPANIES

Parent company (SEK thousand)	2009	2008	2007
Opening balance 1 January	–	7,561	–
New lending	–	–	7,561
Re-payments	–	–7,561	–
Closing balance 31 December	**–**	**–**	**7,561**

AUDIT REPORT

To the Board of Directors of CDON Group AB,
reg no 556035-6940

We have audited the financial statements for CDON Group AB on pages 84–121, which comprise the balance sheet as at December 31, 2009, December 31, 2008 and December 31, 2007 and the income statement and the cash flow statement, statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

THE BOARD OF DIRECTORS´ AND THE CEO´S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors and the CEO are responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Prospectus Directive implementing Regulation EU 2004-809. This responsibility includes designing, implementing and maintaining internal control relevant to prepare and appropriately present financial statements that are free from material misstatement, whether due to fraud or error.

THE AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we consider internal control relevant to the company´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the financial statements give a true and fair view of the financial position of CDON Group AB as at December 31, 2009, December 31, 2008 and December 31, 2007, and financial performance, changes in equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Stockholm, 30 November 2010

KPMG AB

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