

Qliro Group

## Annual Report 2016

Qliro Group AB  
Nasdaq Stockholm: QLRO

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NELLY.COM

NLY MAN

FITNESS MARKET  
NORDIC



Qliro

BODYSTORE.COM

MEMBERS.COM

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# Focus on core businesses

Qliro Group's development was stronger towards the end of last year. In January 2017, we presented our revised strategic direction and laid the foundation for Qliro Group becoming the Nordic region's leading platform for digital commerce. Our focus areas are CDON Marketplace, Fashion and Financial Services.



I took over as CEO of Qliro Group in August, and I can say that we have strong brands, an attractive product portfolio and skilled and motivated employees. At the same time we face some challenges linked to costs, primarily in logistics and warehouse management. We are now working to develop a corporate culture that encourages innovation, speed and cost consciousness.

## Stronger towards the end of the year

Net sales increased by one per cent for the full year and two per cent in the last quarter. For the full year, the consolidated gross margin increased by 2.3 percentage points to 17.6 per cent. In the fourth quarter the consolidated gross margin increased even more, by 4.2 percentage points to 18.7 per cent. This was primarily driven by Nelly's focus on its private labels and Qliro Financial Services' continued growth and earnings improve-

ment. An important milestone was that Qliro Financial Services reached its first positive result for the full year before tax in 2016. CDON Marketplace saw good sales development from external merchants, even though total net sales dropped since we phased out our own book sales to instead partner with Adlibris, who now offer books through our platform. During the year, we sold the subsidiary Tretti that sells white goods.

Consolidated adjusted operating earnings before depreciation, amortisation and impairment was SEK 18.1 (-28.0) million for the full year and SEK 48.0 (6.1) million for the fourth quarter.

## Revised strategic direction

In conjunction with the year-end report for 2016 we presented our revised strategic focus and new long-term financial targets. By focusing and coordinating our efforts, we can invest in technology, our offering and marketing to strengthen our competitiveness. We see clear synergies from combining a broad platform for digital commerce with payment solutions and financial services. This initiative involves a lot of work in the short term, but provides the right conditions in the long term.

Our strategy is to develop our position as the leading platform for digital commerce, including financial services for consumers and merchants. This will be done in three selected areas: Marketplace, Fashion and Financial Services.

## Marketplace business area

CDON Marketplace is a leading online department store in the Nordic region offering consumer electronics, mobile phones, books, games, films, sports and leisure goods, clothing, shoes, furnishings and toys. We sell our own products but also have over 1,200 external merchants who sell via our platform, such as Adlibris.com. In 2016 our gross merchandise value increased by 1 per cent. We are continuing to build the platform with a focus on efficiency, scalability and user experience for both merchants and consumers. Our goal for Marketplace is to reach a level of gross organic growth (gross merchandise value) of an average of 10 per cent per year and generate an operating profit of 1–2 per cent of the gross merchandise value before depreciation, amortisation and impairment.

### Fashion business area

The Fashion business area includes the online stores Nelly.com, NLYman.com och Members.com and focuses on the Nordic region. In 2016, our net sales increased by 4 per cent. Nelly continues to invest in its private labels and develop relationships with its target audience.

In this business area the target is to achieve organic growth of an average of 8 per cent per year and generate an operating margin (Ebitda) of at least 6 per cent.

### Financial Services business area

Financial Services is the payment and consumer finance solution, Qliro, which makes it possible for consumers to shop safely online. We are in an investment phase with intensive product development to broaden and strengthen our offering of financial services to both consumers and merchants.

The target of the business area is to reach operating earnings (Ebtida) of at least SEK 150 million in 2019.

### Focus and a more efficient organisation

The focus for Lekmer and Gymgrossisten will be continuous improvements in profitability and cash flow. We are actively seeking partnerships to allow continued investments and to take advantage of the opportunities created by consolidation in the respective sectors.

Increasing our efficiency is the foundation for future growth. Therefore, we are implementing a number of projects in logistics and product development.

### Leading platform for digital commerce

We have four million active customers making eight million purchases per year. Altogether, we have 1,200 connected e-merchants getting about 250 million visits annually on our e-commerce sites. This gives us an excellent basis for strengthening our position as a leading Nordic platform for digital commerce with attractive payment solutions. We strive to always be at the forefront in order to simplify our consumers' and merchant's buying and selling experience.

Finally, I would like to thank all the employees of Qliro Group for their enthusiasm and efforts in 2016. On behalf of the entire Qliro Group, I would also like to thank you, our customers and shareholders, for the trust you place in us. I would like to welcome you all to visit our stores in 2017.

Stockholm, April 2017

*Marcus Lindqvist*  
President and CEO  
Qliro Group AB

# Responsibility within Qliro Group

Qliro Group's ability to take responsibility for how we conduct our business is fundamental to build credibility and create long-term value. We see it as our opportunity and obligation to act from an economic, social and environmentally sustainable perspective.

## We act responsibly towards our colleagues

Qliro Group promotes a culture of openness and accountability. We rely on our skilled and motivated employees and we value them highly. It is essential for us that everyone is treated fairly and that their efforts are appreciated. Qliro Group guarantees equality in the workplace, invests in the development of employees and ensures that our companies are good and safe places to work.

At Qliro Group, we value diversity and everyone is treated equally. For us, performance is what determines opportunities for advancement. We are constantly striving to improve as an employer and we encourage participation, interest and dedication from our employees. Every year, we carry out employee surveys and performance reviews with all employees to identify improvement opportunities and develop talent.

## Corporate responsibility

Corporate responsibility can be defined in many ways. At Qliro Group, we regard it as both our opportunity and obligation to take responsibility in relation to direct and indirect stakeholders, but also future generations. Our goal is to always be honest and professional in our relationships with suppliers and subcontractors.

The environment is everyone's responsibility – both companies and individuals. Our operations require warehousing, packaging, and transportation. Our customers, owners, and society in general expect us to offer environmentally conscious choices, and to operate our business in a manner that is sustainable in the long term. Qliro Group is constantly searching for new ways to reduce its environmental impact.

## Sustainability project

Our company and the entire industry are facing many challenges linked to sustainable development. Managing the most relevant sustainability issues is therefore important to our long-term development. Our employees are also increasingly committed to sustainability issues. As a result of this, we initiated a project in the autumn of 2016 to further develop the Group's sustainability efforts. The project will continue throughout 2017. The results will be presented as part of the Group's integrated reporting

next year. In addition to developing Qliro Group's sustainability efforts, the project will also result in the Group meeting the legal requirements for sustainability reporting as applicable from the 2017 financial year.

As a first step we have focused on identifying the relevant sustainability issues in our business. Qliro Group comprises several companies in different sectors. This makes it important to find the right balance between sustainability issues that are common across all companies and more specific issues which are of great importance to individual companies within the Group.

In order to best identify Qliro Group's most important sustainability issues, many employees have been involved. This phase consists of interviews, analyses and workshops. We have also conducted an analysis against the Global Compact, a global sustainability framework, to identify how Qliro Group and our suppliers currently apply the principles of corporate social responsibility (linked to issues concerning the environment, working conditions, human rights and anti-corruption). As a complement to this internal process, we have also completed a sustainability-focused business intelligence and trend analysis. The analysis took account of global megatrends, sustainability concepts and focus areas within the different sectors in which we operate.

In 2017 we will continue working to integrate sustainability issues into our business activities, company strategy and reporting. Initially, discussions with external stakeholders, including shareholders, analysts, authorities, partners, NGOs, employees, suppliers and customers are planned, to understand the sustainability issues they think we should prioritise.

Together with internal and external stakeholders, we will identify and prioritise the sustainability issues that are most relevant to Qliro Group. They will be published in the 2017 integrated annual report.

As part of the ongoing work, Qliro Group also plans to update and further cement certain guidelines and policies related to sustainability issues. We are updating these policies to better reflect the recommendations of the Global Compact concerning the management of issues related to human rights, working conditions, the environment and anti-corruption.

# Five-year summary<sup>1</sup>

Group (SEK million)	2016	2015	2014	2013	2012
<b>Operating income and earnings</b>					
Net sales	4,469	4,431	4,346	3,872	3,896
Gross profit/loss	778	632	661	553	427
Operating profit/loss (EBIT)	-87	-124	30	-50	-170
Profit/loss after net financial items	-95	-131	5	-84	-197
Profit/loss for the period	-76	-102	3	-70	-151
Profit/loss for the period, continuing and discontinued operations	-186	-102	5	-67	-152
<b>Profitability and related key ratios</b>					
Gross margin	17.4%	14.3%	15.2%	14.3%	11.0%
Operating margin	-1.9%	-2.8%	0.7%	-1.3%	-4.4%
Return on capital employed <sup>2</sup>	-7.5%	-11.8%	4.4%	-5.7%	-23.3%
Return on equity <sup>2</sup>	-17.1%	-8.0%	0.3%	-12.9%	-41.3%
<b>Capital structure and related key ratios</b>					
Group gross debt, excl. Qliro Financial Services	-	-	-	-232	-373
Gross debt, Qliro Financial Services	-513	-328	-	-	-
Cash and cash equivalents	435	324	534	289	126
Net debt (-)/Net cash (+)	-78	-4	534	57	-247
Equity/assets ratio	40.5%	45.5%	55.7%	39.2%	15.8%
<b>Operating ratios<sup>3</sup></b>					
No. of visits, millions	246.0	272.5	263.4	238.9	232.1
No. of orders, millions	8.1	8.3	8.2	6.9	6.8
Average shopping basket, SEK	638	620	588	610	623

<sup>1</sup> Continuing operations (i.e. excluding Tretti AB) are recognised unless otherwise stated. Comparative figures related to income statement items have been adjusted accordingly.

<sup>2</sup> Including Tretti (return as well as capital employed and equity).

<sup>3</sup> The former segment Home & Garden has been excluded in its entirety from operational key ratios for 2012. Tretti represented about 75 per cent of the segment in 2012.

# Directors' Report

Qliro Group AB (publ) is a leading e-commerce group in the Nordic region with related financial services. Qliro Group's share is traded on the Nasdaq Stockholm Mid Cap list under the ticker symbol QLRO. The company's registered office is at Sveavägen 151, Box 19525, SE-104 32 Stockholm, Sweden. The corporate identity number is 556035-6940.

## Operations

The launch of CDON.com in 1999 became the foundation for Qliro Group today. Since its founding, Qliro Group has grown by broadening its product range and launching new internet stores and ancillary services, as well as by acquiring businesses. The Group reported sales of SEK 4.5 billion from continuing operations in 2016.

Qliro Group offers a leading Nordic platform for digital commerce and attractive payment solutions. Qliro Group's platform has around 250 million visitors annually and is used by over 1,200 e-merchants. Our four million active customers complete eight million orders per year. Qliro Group focuses on the following business areas: Marketplace (CDON), Fashion (Nelly, NLY Man and Members) and Financial Services (Qliro Financial Services). The Lekmer and Gymgrossisten business units are also part of the Group.

Qliro Group's overall goals are to:

- Strengthen its position as the Nordic region's leading platform for digital commerce;
- provide an attractive offer of payment solutions and additional financial services for consumers and online merchants;
- establish a position as a leading e-merchant in selected segments in the Nordic fashion market.

The priorities for the Lekmer and Gymgrossisten business units are continuous improvement of operating earnings and cash flows and development of each brand.

## Segments

Qliro Group divides its financial reporting into five segments: CDON Marketplace, Nelly, Gymgrossisten, Lekmer and Qliro Financial Services. CDON Marketplace, Nelly, Gymgrossisten and Lekmer go under the collective name E-Commerce and Qliro Financial Services is referenced as Financial Services.

### CDON Marketplace

Operations in the CDON Marketplace segment are conducted through the online store CDON.com and through CDON Marketplace. The stores registered 850 million site visits in 2016 and logged about 3.4 million purchases.

### CDON.com

CDON.com was launched in 1999 and is today a leading online store with a very strong position on the Nordic market. CDON.com offers one of the broadest ranges in the Nordic region and has a local presence in Sweden, Norway, Denmark and Finland. The product range on CDON.com is extensive and contains everything from consumer electronics and mobile phones, to books, games, films, sports and leisure products, clothing, shoes, furnishings and toys. The segment's objective is to continue the transformation of CDON.com from a pure entertainment store into a leading site for e-commerce in the Nordic region. CDON Marketplace allows external stores to sell their products via CDON.com. In 2016, CDON Marketplace continued to grow and now has over 1,200 external merchants linked to it and a gross merchandise value of SEK 350 million.

### Nelly

Operations in the Nelly segment are conducted through the online stores Nelly.com, NLYman.com and Members.com. Together, the stores registered 108 million site visits in 2016 and received 2.7 million orders.

### Nelly.com

Nelly.com was launched in 2004. After Qliro Group acquired the online store in 2007, Nelly.com expanded quickly and the product selection has broadened from its initial offering of lingerie and swimwear to include clothing, accessories, beauty products and sportswear. The segment primarily focuses on the Nordic market, but Nelly.com also has sites in German, Dutch and English to reach customers in many more countries.

The men's department at Nelly.com broke away in 2014 to form the dedicated men's store, NLYman.com. Together, Nelly.com and NLYman.com offer more than 500 brands. They have launched several private labels and implemented successful design partnerships with well-known fashion personalities. The range of products under Nelly.com's own brands are combined under the "NLY" name and account for about 40 per cent of Nelly's turnover. This range is constantly expanding and includes clothes, shoes, accessories, lingerie, swimwear and sportswear.

#### *Members.com*

Members.com is a shopping club that was launched throughout the Nordic region in 2011. Every day registered members are presented with new and unique offerings on selected brands and services. From its initial focus on fashion clothing, the site now also offers sporting goods, furnishings and beauty products.

#### **Gymgrossisten**

Operations in the Gymgrossisten segment are conducted through the online stores Gymgrossisten.com (Fitnessstykke.fi in Finland, Bodystore.dk in Denmark and Gymsector.com in Austria and other EU countries), Bodystore.com and Milebreaker.com (with limited operations). Gymgrossisten also has franchised physical stores. Together, the internet stores registered 23.6 million site visits and received 1.2 million orders in 2016.

As of the beginning of the year the segment operates under the new name Health and Sports Nutrition Group AB, since the company holds several trademarks.

#### *Gymgrossisten.com*

Gymgrossisten.com was founded in 1996 and is today, even taking the entire market into consideration, the leading retailer of dietary supplements in the Nordic region. Gymgrossisten.com was acquired by Qliro Group in 2008. Gymgrossisten.com's strategic focus is on the Nordic region, but the store is also present in Germany and Austria, as well as through a store for the rest of Europe. In addition to this, there are around 30 physical franchise stores operating under the Gymgrossisten concept in Sweden and Finland.

Gymgrossisten.com offers a wide variety of dietary supplements. The products are sold in various forms, such as bars, powders and beverages. They 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 online store offers attractive external brands together with private labels, including Star Nutrition, Chained Nutrition, Vitaprana, Conscious Chef and Smart Supps. Gymgrossisten.com also offers exercise equipment, sportswear and health food.

#### *Bodystore.com*

Bodystore.com is an online retailer for products related to beauty, health foods and well-being. The online store was included in the acquisition of Gymgrossisten in 2008. Bodystore.com's market shows good growth driven by a steadily increasing awareness of health and diet.

The ever expanding product range includes health and body

care products, food, naturopathic medicines, OTC drugs, beauty products, nutritional supplements, sportswear and training equipment. Bodystore has established itself as Sweden's leading online store within these categories. The product range includes name brands and private labels, such as VitaPrana.

#### *Fitness Market Nordic*

Fitness Market Nordic sells nutritional supplements mainly to the grocery trade. The company was acquired in 2015 as part of an investment in the wholesale business, health food and sports nutrition. Consumers' increased health awareness is driving demand in this area.

Fitness Market Nordic sells nutritional supplements to leading grocery stores, sporting goods chains, gym chains, restaurants and manufacturers of health products that use the products in their production. The range consists primarily of private labels, which is in line with the ambition to increase brand awareness. At present, Fitness Market Nordic sells the majority of its products in Sweden, but also sells in Norway. In 2017 the concept will be expanded geographically.

#### **Lekmer**

The Lekmer segment operates through the online store Lekmer.com and Lekmer's physical store in the Barkarby shopping centre outside Stockholm. The online store registered 29.6 million site visits in 2016 and received 854 thousand orders.

#### *Lekmer.com*

Lekmer.com launched in Sweden in 2006. Today it is one of the Nordic region's largest online stores for toys and other products for children on the internet. Lekmer.com was acquired by Qliro Group in 2010 and the company has online stores in Sweden, Norway, Denmark and Finland.

Lekmer offers a full range for families with children including baby products, pushchairs, car seats, children's clothing, toys and furnishings for children's rooms. Lekmer was affected during the year by operational challenges related to warehouse operations. The company is working with a range of different initiatives to increase efficiency.

#### **Qliro Financial Services**

Qliro Financial Services consists of the payment and consumer finance solution Qliro, a service that makes it possible for consumers to shop safely online. By offering customers services such as invoicing and payment via Qliro, the Group is given the opportunity to deepen its relationship with customers. Qliro has also been launched for several merchants outside of Qliro Group.



Qliro was founded by Qliro Group and was launched on the Swedish market in 2014. In 2015 the roll-out of the payment solution continued in Sweden and was also launched in Finland and Denmark. In 2016 Qliro managed over 3.6 million orders and a transaction volume of approximately SEK 3.2 billion. At the end of the year, the Qliro Financial Services segment had 158 full-time employees and the organisation is expected to continue to grow as the segment develops and continues to expand in existing and new markets. In March 2017 Qliro AB received authorisation from the Swedish Financial Supervisory Authority (FI) to operate as a credit market company. The permit allows Qliro Financial Services to launch its payment solution in Norway, offer savings accounts covered by the state deposit guarantee and introduce new digital financial services. It also means that Qliro AB is now under the scrutiny of FI.

### Significant events in 2016

#### Tax Administration in Finland made a claim for supplementary taxation of a subsidiary

Qliro Group announced in January 2016 that the Finnish Tax Administration decided to order a supplementary tax at the end of 2015 on CDON AB's Finnish subsidiary CDON Alandia AB, registered on Åland, for the 2012 financial year. The amount of supplementary tax is approximately EUR 3.8 million and the tax surcharges imposed on the company are approximately EUR 1.9 million. CDON Alandia asserts that the company acted correctly and is in compliance with applicable legislation and appealed the decision to the Administrative Court of Helsinki in Finland in the first quarter of 2016.

After the end of the period, in January 2017, Qliro Group announced that CDON Alandia AB had paid EUR 5.9 million including penalty interest at the request of the Åland authorities attributable to the tax claims previously made by the Finnish Tax Administration for the financial year 2012, pending the tax dispute ruling. CDON Alandia and its advisers still assert that the company acted correctly and in compliance with applicable legislation. As previously announced, CDON Alandia appealed the tax decision to the Helsinki Administrative Court, which has not yet considered the matter. A date for the judicial review has yet to be announced. The company has not expensed the amount.

#### CDON implemented efficiency measures

Qliro Group announced in January 2016 that subsidiary CDON would be implementing efficiency measures as part of the company's transformation into the leading online marketplace in the Nordics.

#### New President and CEO and new CFO of Qliro Group

In February 2016 Qliro Group announced that Marcus Lindqvist had been appointed President and CEO. Marcus took over on 1 August 2016. In August 2016 it was announced that Mathias Pedersen had been appointed as new Chief Financial Officer of Qliro Group. Mathias took over on 15 August 2016.

#### Adlibris joined CDON Marketplace

In February 2016 Qliro Group AB announced that CDON Marketplace had teamed with Adlibris, the leading online book store in the Nordic region, as a step in investing in CDON Marketplace. The partnership was launched in the summer of 2016 and means that Adlibris' range began to be sold on CDON Marketplace and that CDON concluded its own book selling.

#### Qliro Group sold Tretti

In June 2016 Qliro Group AB announced that the company entered into an agreement to sell its subsidiary Tretti AB to WhiteAway for a cash consideration of SEK 250 million, corresponding to an enterprise value of approximately SEK 180 million before transaction costs. The sale was completed in August 2016 after approval by the Swedish Competition Authority. Tretti remains a partner to Qliro Financial Services and CDON Marketplace. WhiteAway also partners with Qliro Financial Services in Sweden and will become a new merchant on CDON Marketplace.

#### New head of Nelly

In December 2016 Qliro Group announced that Jan Wallsin had been appointed the new head of Nelly, replacing Magnus Månsson. Jan will take over by 1 July 2017.

#### New head of Gymgrossisten

In August 2016, Qliro Group announced that Therese Hillman intended to step down as head of Gymgrossisten. After year-end, in February 2017, it was announced that Gustav Hasselgren had been recruited as the new head of Gymgrossisten. Gustav will take over by mid-May 2017.

#### New head of Lekmer

In December 2016 Qliro Group announced that Oscar Tjärnberg had been appointed the new head of Lekmer, replacing Niklas Jarl.

## Consolidated financial position and results<sup>1</sup>

### Consolidated financial results

(SEK million)	2016	2015	Change, %
Net sales	4,468.6	4,430.6	1%
Gross profit/loss	777.5	632.3	23%
Gross margin, %	17.4%	14.3%	
Operating profit/loss (EBIT)	-86.6	-123.8	
Operating margin, %	-1.9%	-2.8%	
Net financial items	-8.3	-7.1	
Profit/loss before tax	-94.8	-130.9	
Profit/loss after tax	-75.8	-102.4	
Basic and diluted earnings per share, excluding discontinued operations, SEK	-0.51	-0.69	
Basic and diluted earnings per share, including discontinued operations, SEK	-1.24	-0.68	
Total assets <sup>2</sup>	2,531.9	2,651.2	

<sup>1</sup> Continuing operations (i.e. excluding Tretti AB) are recognised unless otherwise stated. Historical comparative figures related to income statement items have been adjusted accordingly.

<sup>2</sup> Previous year's total assets also includes the subsidiary Tretti AB, which was divested in 2016.

### Bridge to adjusted operating earnings (excluding items affecting comparability)

(SEK million)	Type of income/expense	2016	2015
<b>Operating profit/loss (EBIT)</b>		<b>-86.6</b>	<b>-123.8</b>
<b>Items affecting comparability by segment<sup>1</sup></b>			
CDON	Expenses attributable to inventory consolidation		-8.2
CDON	Expenses attributable to reorganisation	-15.3	-1.6
CDON	Expenses attributable to a more restrained approach to development expenditures, and the criteria for balancing these	-7.0	
Nelly	Expenses attributable to a more restrained approach to development expenditures, and the criteria for balancing these	-4.2	
Gymgrossisten	Expenses attributable to reorganisation		-4.6
Lekmer	Expenses attributable to warehouse move		-42.7
Group central operations	Increased provisions as a result of a more restrained approach to inventory management	-8.9	
<b>Effect of items affecting comparability on operating profit/loss (EBIT)</b>		<b>-35.4</b>	<b>-57.1</b>
<b>Adjusted operating profit/loss (adjusted EBIT)</b>		<b>-51.2</b>	<b>-66.7</b>

<sup>1</sup> Separate accounting of items affecting comparability between periods is intended to provide a better understanding of the Group's operating activities.

### Consolidated financial results excluding items affecting comparability

(SEK million)	2016	2015	Change, %
Net sales	4,468.6	4,430.6	1%
Gross profit/loss	786.5	678.6	16%
Gross margin, %	17.6%	15.3%	
Adjusted operating profit/loss	-51.2	-66.7	
Adjusted operating margin, %	-1.1%	-1.5%	

## Sales

Consolidated net sales, excluding discontinued operations, increased by 1 per cent in 2016, to SEK 4,468.6 (4,430.6) million. The Group's online retailers attracted a total of 246.0 (272.5) million visits and generated 8.1 (8.3) million orders, excluding discontinued operations.

## Operating expenses

Consolidated expenses for goods sold totalled SEK 3,691.0 (3,798.3) million, excluding discontinued operations. The gross margin was 17.4% (14.3%). Excluding items affecting comparability of SEK 8.9 (46.3) million, the adjusted gross margin amounted to 17.6% (15.3%). The gross margin was strengthened mainly by Qliro Financial Services' increased contribution to the Group's gross profit and Nelly's strong margin growth.

Consolidated sales and administrative expenses amounted to SEK 872.8 (772.0) million, excluding discontinued operations.

Consolidated adjusted operating earnings excluding discontinued operations and items affecting comparability for the full year amounted to SEK -51.2 (-66.7) million with an operating margin of -1.1% (-1.5%). Including items affecting comparability, the operating loss amounted to SEK -86.6 (-123.8) million and the operating margin totalled -1.9% (-2.8%).

## Net financial items

Consolidated net financial items excluding discontinued operations amounted to SEK -8.3 (-7.1) million. Net financial items for the year are attributed almost exclusively to interest expenses and costs for credit facilities related to Qliro Financial Services. Consolidated earnings before tax excluding discontinued operations amounted to SEK -94.8 (-130.9) million.

## Tax

The Group recognised tax income of SEK 19.1 (28.5) million as a result of capitalised loss carryforwards. See Note 9 for further details regarding tax.

## Net profit and earnings per share

Consolidated earnings after tax for continuing operations amounted to SEK -75.8 million, compared to SEK -102.4 million last year. The earnings impact from the disposal of Tretti, including Tretti's operating earnings, was recognised as Profit/loss from discontinued operations. The corresponding earnings impact totalled SEK -110.6 (0.7) million. Consolidated earnings after tax for continuing and discontinued operations amounted to SEK -186.4 (-101.6) million.

The total number of shares amounted to 149,269,779. Basic and diluted earnings per share for continuing and discontinued operations amounted to SEK -1.24 (-0.68), based on the weighted average number of shares during the period.

## Consolidated financial position

Total consolidated assets at the end of the reporting period decreased by 5% year-on-year to SEK 2,531.9 (2,651.2) million. The decrease is mainly attributable to the sale of Tretti and its impact on the Group's non-current assets. Inventory levels declined year-on-year to SEK 547.9 (702.0) million, partly due to the sale of Tretti. Increased receivables, primarily attributable to Qliro Financial Services' increase in loans to the public, as well as higher cash and cash equivalents counteracted the reduction in consolidated total assets.

Cash flow from operating activities before changes in working capital was SEK -7.9 (-96.0) million. The Group recognised a cash flow from change in working capital of SEK -167.5 (-306.9) million. Changes in working capital within e-commerce generated positive cash flow of SEK 67.1 (17.1) million, mainly due to lower inventory levels. Changes in working capital within Qliro Financial Services were driven by increased loans to the public, which resulted in negative cash flow of SEK -234.6 (-324.0) million.

Consolidated cash flow from investing activities totalled SEK 154.7 (-112.5) million. Excluding the divestment of Tretti, cash flow to investing activities totalled SEK -95.3 (-112.5) million, of which 59% (28%) was attributable to Qliro Financial Services.

Consolidated cash flow from financing activities amounted to SEK 145.8 (330.3) million and consisted of Qliro Financial Services' increased use of credit facilities and the repayment of a loan from Tretti of SEK -33.0 (-) million in connection with sales in the third quarter.

Consolidated interest-bearing liabilities totalled SEK 513.2 (328.0) million, and were entirely attributable to Qliro Financial Services. Financing of the increased loans to the public made up SEK 511.8 (328.0) million of the debt and the remainder consisted of financial leasing. For further information on financial leasing, see Note 22.

Consolidated cash and cash equivalents amounted to SEK 435.2 (324.2) million. Consolidated net cash (defined as interest-bearing liabilities less cash and cash equivalents) amounted to SEK 78.1 (3.8) million.

## Acquisitions and divestments

In 2016 the Group sold 100% of the shares in the subsidiary Tretti AB to WhiteAway Group. The cash consideration amounted to SEK 250 million, corresponding to an enterprise value of approximately SEK 180 million. A loss before tax of SEK -110.6 million was recognised. The income tax attributable to capital losses was SEK 0 million, resulting in a loss after tax of SEK -110.6 million. For further information on acquisitions and divestments, see Note 5.



**CDON.COM**  
Marketplace

The CDON Marketplace segment consists of the online store CDON.com. From initially only selling media products, the offering has gradually been broadened and today includes everything from consumer electronics to sports & leisure, clothing & shoes and toys. The shift from media products to other categories continued in 2016. This is driven in part by the continued build-up and increase in sales volumes on CDON Marketplace where external merchants sell their goods. Over 1,200 external businesses were associated with CDON Marketplace by the end of 2016.

#### CDON Marketplace<sup>1</sup>

(SEK million)	2016	2015	Change, %
Gross merchandise value, external merchants	350.0	223.9	56%
Total gross merchandise value <sup>2</sup>	2,069.4	2,058.3	1%
Net sales	1,751.0	1,853.5	-6%
Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)	5.2	19.0	
Adjusted EBITDA margin, %	0.3%	1.0%	
Adjusted operating profit/loss (adjusted EBIT)	-15.0	8.9	
Adjusted EBIT margin, %	-0.9%	0.5%	
Items affecting comparability, excluding the above	-22.3	-9.8	
Cash flow from operations	47.9	17.8	
Investments (CAPEX)	-11.7	-29.0	
Cash flow after investments	36.2	-11.3	
Opening inventory balance	236.2	237.9	-1%
Closing inventory balance	186.1	236.2	-21%
No. of active customers, thousands <sup>3</sup>	1,707	1,729	-1%
No. of visits, thousands	85,039	86,767	-2%
No. of orders, thousands	3,374	3,500	-4%
Average shopping basket, SEK	614	590	4%

<sup>1</sup> Excluding items affecting comparability, which are detailed on page 8 and 15.

<sup>2</sup> Commission income is replaced with gross merchandise value from external merchants for the CDON Marketplace segment.

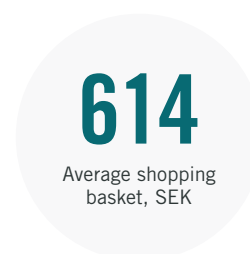
<sup>3</sup> Last 12 months.

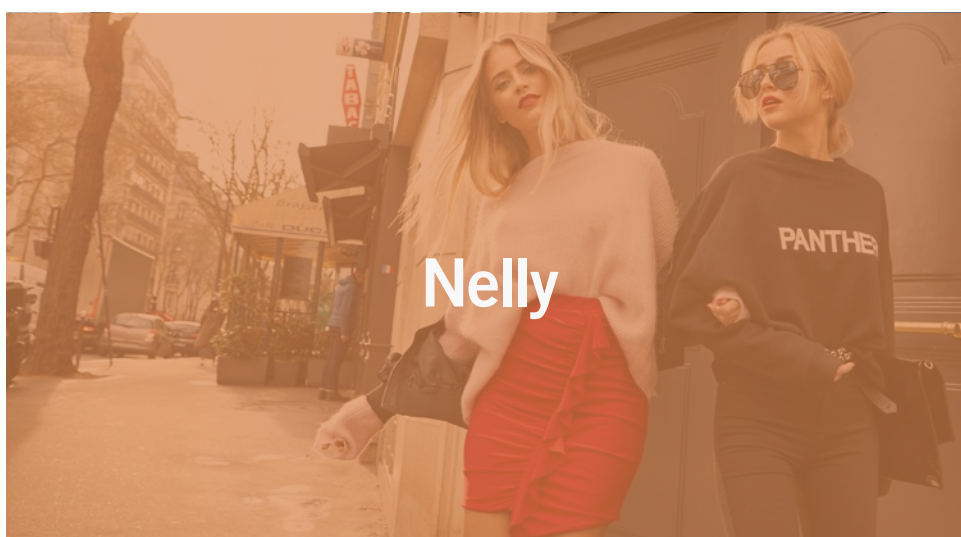
Net sales decreased 6 per cent during the full year and amounted to 39 (41) per cent of consolidated sales. Sales generated to external merchants rose during the quarter by 56 per cent to SEK 350 (224) million. Gross merchandise value, i.e. net sales including sales generated for external merchants, increased by 1 per cent for the full year.

Since the summer of 2016, Adlibris.com sells books on CDON Marketplace. CDON concluded its own book selling at the same time. This reduced net sales during the year but also contributed to increasing sales generated for external merchants. It also helped reduce inventory compared to the previous year.

CDON Marketplace implemented efficiency measures at the beginning of 2016 as part of the company's transformation into the leading online marketplace in the Nordics. The measures included a staff reduction of about 35 positions, recognised as a non-recurring charge of around SEK 15 million in the first quarter.

Adjusted operating earnings (adjusted ebit) was SEK -15.0 (8.9) million for the full year. Full-year earnings were affected by higher depreciation and higher marketing costs compared to 2015.





NELLY.COM

NLY MAN

MEMBERS.COM

**Nelly<sup>1</sup>**

(SEK million)	2016	2015	Change, %
Net sales	1,243.8	1,197.0	4%
Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)	59.9	-11.7	
Adjusted EBITDA margin, %	4.8%	-1.0%	
Adjusted operating profit/loss (adjusted EBIT)	34.3	-19.4	
Adjusted EBIT margin, %	2.8%	-1.6%	
Items affecting comparability, excluding the above	-4.2	-	
Cash flow from operations	84.4	-6.7	
Investments (CAPEX)	-17.6	-22.3	
Cash flow after investments	66.7	-29.1	
Opening inventory balance	189.8	196.2	-3%
Closing inventory balance	159.8	189.5	-16%
No. of active customers, thousands <sup>2</sup>	1,162	1,243	-7%
No. of visits, thousands	107,728	133,383	-19%
No. of orders, thousands <sup>3</sup>	2,735	2,766	-1%
Average shopping basket, SEK	654	620	5%

As of the first quarter of 2016 the segment includes 100% of warehousing operations in Falkenberg (CGL).

<sup>1</sup> Excluding items affecting comparability, which are detailed on page 8 and 15.

<sup>2</sup> Last 12 months.

<sup>3</sup> Recognised before returns.

Other information	2016	2015	Change, percentage points
Percentage of private label sales	40%	36%	4%
Return ratio <sup>1</sup>	33%	33%	0%
Product margin <sup>2</sup>	45%	44%	1%
Fulfilment and distribution costs	20%	21%	-1%
Nordic region, percentage of net sales	92%	90%	2%

<sup>1</sup> Last 12 months.

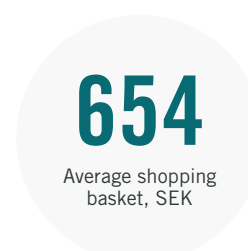
<sup>2</sup> Historical figures adjusted for comparability reasons, based on a changed basis of calculation.

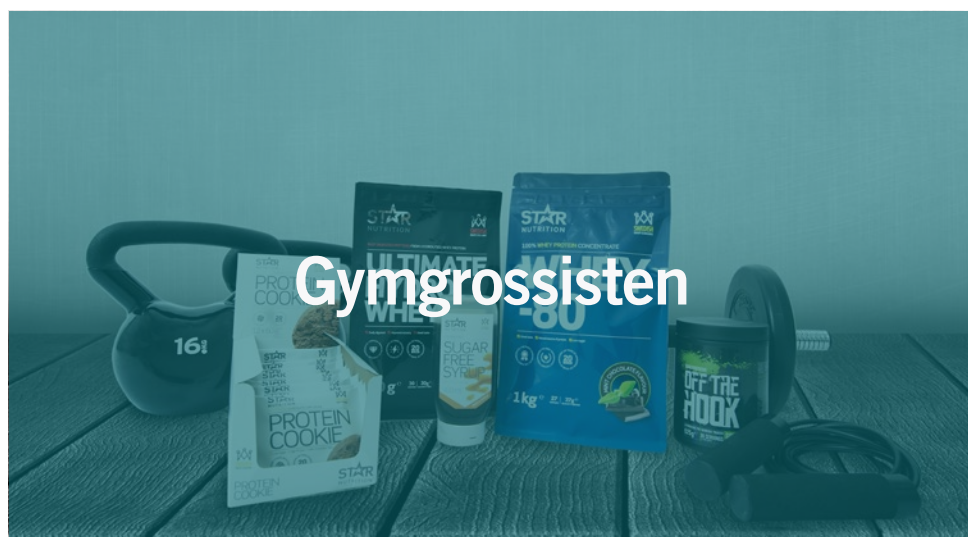
The Nelly segment comprises the online stores Nelly.com, NLYman.com and Members.com. The segment's net sales increased 4 per cent over the full year and amounted to 27 (27) per cent of consolidated sales.

The Swedish market accounted for 52 (50) per cent of the segment's total sales volume in 2016. Nelly's focus on the Nordic region has meant that sales outside of the region have decreased. Sales outside the Nordic region accounted for 8 (10) per cent of total sales, and the Netherlands was the biggest market.

Nelly's marketing efforts were focused on existing customers in 2016 to a large extent, which was reflected in fewer visits and orders but a higher average order value than in the previous year. The percentage of private label sales increased 4 percentage points compared to the previous year to 40 (36) per cent. The product margin increased to 45 (44) per cent, primarily due to increased private label sales and an improved assortment strategy. The percentage of returns during the year was 33 (33) per cent.

The adjusted operating profit (adjusted ebit) for the full year improved by SEK 53.7 million compared with the previous year and amounted to SEK 34.3 (-19.4) million. The earnings improvement is mainly due to higher sales, an improved product margin and more efficient warehouse management and marketing. In the second quarter of 2016 Nelly gave notice to about 35 employees so that it could achieve the right organisational and cost structure.





The Gymgrossisten segment includes the online stores Gymgrossisten.com in Sweden and Norway, Fitnessstykke.fi in Finland, Bodystore.dk in Denmark and Gymsector.com for the rest of Europe, which mainly sells nutritional supplements. The Swedish store Bodystore.com, which is an online health shop, is part of the segment. Fitness Market Nordic AB, which sells nutritional supplements to the grocery trade, is also part of the segment. As

of the beginning of the year the segment operates under the new name Health and Sports Nutrition Group AB, since the company holds several trademarks.

The segment's sales grew 5 per cent in 2016, accounting for 18 (19) per cent of total consolidated sales. The protein-rich foods, natural products, and clothing and accessories categories showed good growth during the year and the expanded range within these categories was received positively by customers. Bodystore showed good growth during the year.

During the fourth quarter, the web platform for all of Gymgrossisten's sites in the Nordic region was changed. Gymgrossisten also increased investments in sales and process control, as well as marketing. The number of customers, orders and visits rose during the year, while the average order value was lower than last year. Sales of private label products such as Star Nutrition, Chained Nutrition and SmartSupps accounted for 44 (45) per cent of total sales in 2016.

The adjusted operating profit (ebit) reached SEK 47.5 (52.2) million for the full year, corresponding to an adjusted ebit margin of 5.9 (6.1) per cent. The adjusted operating profit had a negative effect on costs in the fourth quarter linked to the change of web platform, as well as other investments within processes and sales.

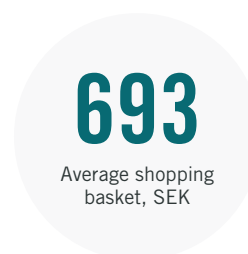
### Gymgrossisten<sup>1</sup>

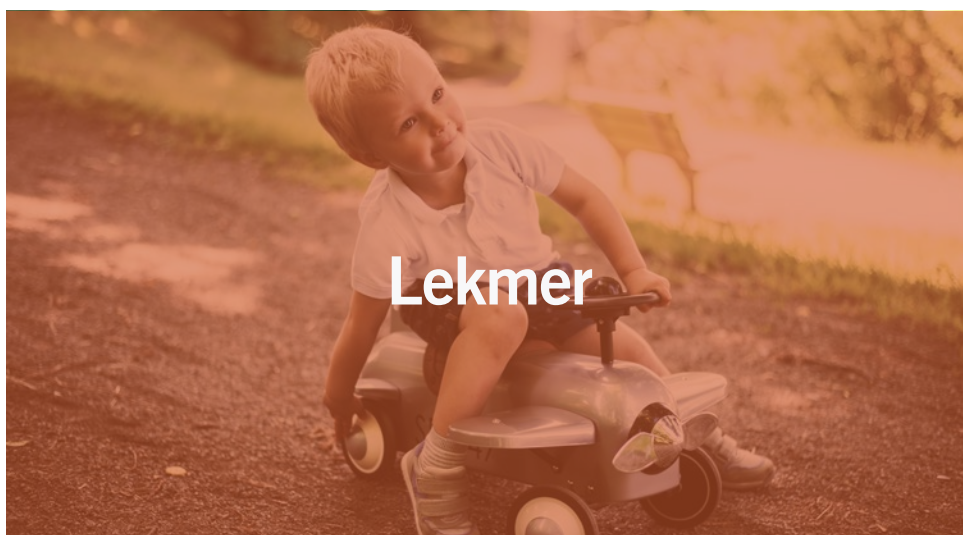
(SEK million)	2016	2015	Change, %
Net sales	810.1	851.9	-5%
Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)	50.7	55.3	
Adjusted EBITDA margin, %	6.3%	6.5%	
Adjusted operating profit/loss (adjusted EBIT)	47.5	52.2	
Adjusted EBIT margin, %	5.9%	6.1%	
Items affecting comparability, excluding the above	-	-4.6	
Cash flow from operations	22.4	48.6	
Investments (CAPEX)	-5.4	-5.1	
Cash flow after investments	17.0	43.6	
Opening inventory balance	112.2	97.1	16%
Closing inventory balance	107.1	112.2	-5%
No. of active customers, thousands <sup>2</sup>	596	570	5%
No. of visits, thousands	23,639	23,495	1%
No. of orders, thousands	1,180	1,140	3%
Average shopping basket, SEK	693	749	-7%

<sup>1</sup> Excluding items affecting comparability, which are detailed on page 8 and 15.

<sup>2</sup> Last 12 months.

Other information	2016	2015	Change, percentage points
Percentage of private label sales	44%	45%	-1%
Product margin	37%	34%	3%
Fulfilment and distribution costs	14%	13%	1%



**Lekmer<sup>1</sup>**

(SEK million)	2016	2015	Change, %
Net sales	501.8	481.8	4%
Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)	-78.6	-33.1	
Adjusted EBITDA margin, %	-15.7%	-6.9%	
Adjusted operating profit/loss (adjusted EBIT)	-81.9	-34.9	
Adjusted EBIT margin, %	-16.3%	-7.2%	
Items affecting comparability, excluding the above	-	-42.7	
Opening inventory balance	84.0	65.0	29%
Closing inventory balance	94.9	84.0	13%
No. of active customers, thousands <sup>2</sup>	446	414	8%
No. of visits, thousands	29,591	28,849	3%
No. of orders, thousands	854	859	-1%
Average shopping basket, SEK	603	572	5%

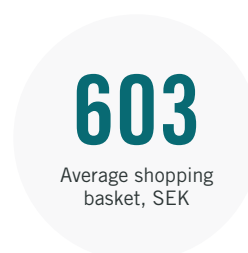
<sup>1</sup> Excluding items affecting comparability, which are detailed on page 8 and 15.

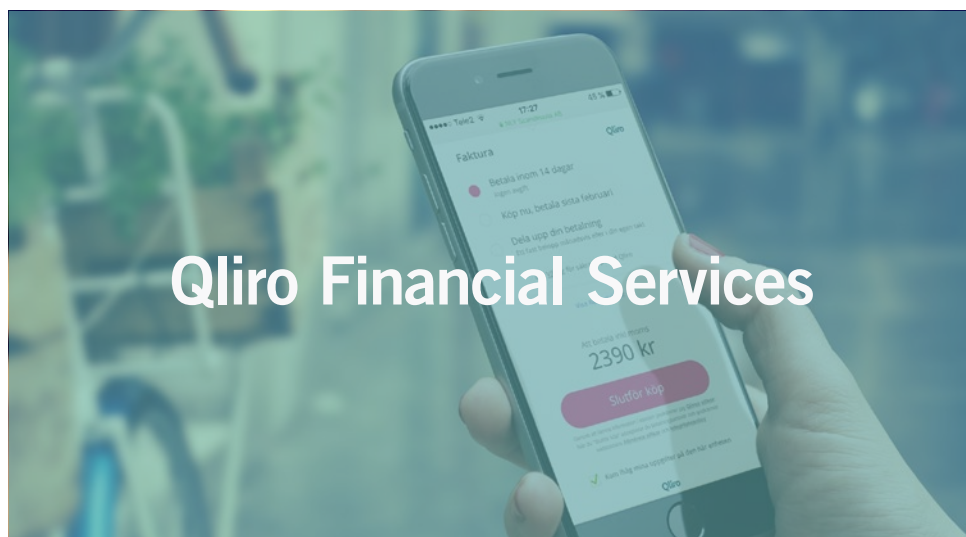
<sup>2</sup> Last 12 months.

The Lekmer segment includes the online store Lekmer.com and Lekmer's physical store in Barkarby outside of Stockholm. In 2016, net sales increased by 4 per cent compared to the previous year and the segment is responsible for 11 (11) per cent of consolidated sales.

Lekmer was affected during the year by operational challenges related to warehouse operations, which resulted in high product handling costs. The company is working with a range of different initiatives to increase efficiency. Oscar Tjärnberg was appointed as the new head of Lekmer in the fourth quarter.

Lekmer also focused on customer satisfaction and customer recruitment, especially in the fourth quarter, which is an important customer recruitment period for the next year's sales. The number of active customers, visitors and the average shopping basket increased during the year.





# Qliro Financial Services



## Qliro Financial Services<sup>1</sup>

(SEK million)	2016	2015	Change, %
Interest income	62.3	19.8	
Other income	163.7	90.9	
Total operating income	226.0	110.7	104%
Administrative expenses <sup>1</sup>	-105.5	-78.8	34%
Other operating expenses	-95.4	-52.8	81%
Net financial items	-8.4	-1.7	381%
Operating profit/loss before depreciation, amortisation, impairment and tax (EBTDA) <sup>2</sup>	16.6	-22.6	
Operating profit/loss before tax (EBT) <sup>2</sup>	2.3	-30.1	
Loans to the public, gross	782.8	527.8	
<i>of which externally financed</i>	<i>511.8</i>	<i>328.0</i>	
Business volume <sup>3</sup>	3,182	2,630	21%
No. of orders, thousands <sup>3</sup>	3,644	3,152	16%
Average shopping basket, SEK	873	834	5%

<sup>1</sup> Historical figures adjusted for comparability. Financial expenses are presented separately from previously being included in administrative expenses.

<sup>2</sup> Ebt and ebtnda as well as ebit and ebitda are detailed on page 15.

<sup>3</sup> Figures for 2015 are adjusted as per changed method of calculation.

Qliro Financial Services consists of the payment and consumer finance solution Qliro, a service that makes it possible for consumers to shop safely online.

### Financial performance

Qliro Financial Services performed strongly in 2016, and the segment's total operating income increased by 104 per cent over the previous year. Business volume increased by 21 per cent and Qliro Financial Services reported a positive operating profit before tax of SEK 2.3 (-30.1) million, which is an improvement

of SEK 32.4 million compared to the previous year. Gross lending to the public amounted to SEK 782.8 (527.8) million at the end of the year. The lending was financed in the amount of SEK 511.8 (328.0) million via a contracted credit facility and the remainder with own funding.

The loan stock's development and composition is also the main driver of revenues and thereby earnings in the company. Credit issued during a specific period will generate revenues for several periods thereafter. This affects how revenues per transaction develop.

### Commercial development

Qliro Financial Services continues to develop products in order to broaden and strengthen its offer to consumers and merchants. In 2016 a pilot scheme was launched to test Qliro One, a complete checkout solution for digital commerce, where Qliro and its selected partners can offer the most popular payment methods – invoice, partial payment, bank card and direct bank payments – in one integrated solution. The pilot scheme was tested on Lekmer and tests showed an increase in conversions and an improved mix of the payment methods used. Qliro One will continue to be rolled out on Qliro Group's different sites in 2017. Qliro One has also been very well received outside of Qliro Group, and a number of launches for external merchants will be implemented during the first half of 2017.

In March 2017 Qliro AB received authorisation from Finansinspektionen to operate as a credit market company. The licence gives Qliro Financial Services the possibility of introducing savings accounts covered by the state deposit guarantee and issuing consumer loans in the Norwegian market. The licence will also allow the launch of additional digital financial services.

At the end of the year, Qliro Financial Services had 158 full-time employees.



Bridge to adjusted operating earnings per segment<sup>1</sup> (excluding items affecting comparability)<sup>2</sup>

2016 (SEK million)	CDON Marketplace	Nelly <sup>3</sup>	Gymgrossisten	Lekmer	Qliro Financial Services
<b>Operating profit/loss before depreciation, amortisation and impairment (EBITDA)</b>	<b>-10.1</b>	<b>59.9</b>	<b>50.7</b>	<b>-78.6</b>	<b>25.1</b>
Items affecting comparability	-15.3	-	-	-	-
<b>Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)</b>	<b>5.2</b>	<b>59.9</b>	<b>50.7</b>	<b>-78.6</b>	<b>25.1</b>
Depreciation, amortisation and impairment	-27.2	-29.8	-3.3	-3.3	-14.4
Operating profit/loss (EBIT)	-37.3	30.1	47.5	-81.9	10.7
Items affecting comparability	-22.3	-4.2	-	-	-
<b>Adjusted operating profit/loss (adjusted EBIT)</b>	<b>-15.0</b>	<b>34.3</b>	<b>47.5</b>	<b>-81.9</b>	<b>10.7</b>
Financial expenses <sup>3</sup>					-8.4
Operating profit/loss before depreciation, amortisation, impairment and tax (EBTDA) <sup>4</sup>					16.6
Operating profit/loss before tax (EBT) <sup>4</sup>					2.3

2015 (SEK million)	CDON Marketplace	Nelly <sup>3</sup>	Gymgrossisten	Lekmer	Qliro Financial Services
<b>Operating profit/loss before depreciation, amortisation and impairment (EBITDA)</b>	<b>9.2</b>	<b>-11.7</b>	<b>50.7</b>	<b>-75.8</b>	<b>-20.8</b>
Items affecting comparability	-9.8	-	-4.6	-42.7	-
<b>Adjusted operating profit/loss before depreciation, amortisation and impairment (adjusted EBITDA)</b>	<b>19.0</b>	<b>-11.7</b>	<b>55.3</b>	<b>-33.1</b>	<b>-20.8</b>
Depreciation, amortisation and impairment	-10.1	-7.7	-3.2	-1.8	-7.5
Operating profit/loss (EBIT)	-0.9	-19.4	47.6	-77.7	-28.3
Items affecting comparability	-9.8	-	-4.6	-42.7	-
<b>Adjusted operating profit/loss (adjusted EBIT)</b>	<b>8.9</b>	<b>-19.4</b>	<b>52.2</b>	<b>-34.9</b>	<b>-28.3</b>
Financial expenses <sup>4</sup>					-1.7
Operating profit/loss before depreciation, amortisation, impairment and tax (EBTDA) <sup>4</sup>					-22.6
Operating profit/loss before tax (EBT) <sup>4</sup>					-30.1

<sup>1</sup> See Note 4 for further information on segments.

<sup>2</sup> Separate accounting of items affecting comparability between periods is intended to provide a better understanding of the Group's operating activities.

<sup>3</sup> As of 2016 the segment includes 100% of warehousing operations in Falkenberg (CGL).

<sup>4</sup> Recognised for Qliro Financial Services since EBTDA and EBT are used as income measures for the segment. For more details see items affecting comparability on page 8.

## Outlook

In January 2017 Qliro Group announced a clearer strategic direction focusing on Marketplace, Fashion and Financial Services as well as new long-term financial targets.

### Qliro Group's long-term financial targets

The Marketplace business area's target is to reach a level of gross organic growth (gross merchandise value - GMV) of an average of 10 per cent per year and generate an operating profit of 1–2 per cent of the GMV before depreciation, amortisation and impairment.

The Fashion business area's target is to achieve organic growth of an average of 8 per cent per year and generate an operating margin (ebitda) of at least 6 per cent.

The Financial Services business area's target is to reach an operating profit (ebtda) of at least SEK 150 million in 2019.

The priorities for the Lekmer and Gymgrossisten business units are continuous improvement of operating earnings and cash flows and development of each brand.

The long-term financial targets above replace the previous forward-looking statement provided with Qliro Group's interim report for the third quarter, "Qliro Group's present long-term sales target is growth that is consistent with or above that of the market for each segment", as well as Qliro Financial Services' target to "contribute approximately SEK 100 million to consolidated earnings before tax (ebt) for the full year 2018".

No forecast is otherwise being provided for 2017.

## Overview of risk factors

Several factors affect, or may come to affect, the operations of Qliro Group, some directly related to Qliro Group and some that relate indirectly. Some of the risk factors considered significant to Qliro Group's future development are summarised below, in no relative order.

### Industry and market risks

- Market trend for e-commerce
- Seasonal variations
- Risks related to fashion trends
- Economic situation and consumer purchasing power

### Operational risks

- Disturbances or inadequacies in Qliro Group's IT and control systems
- Supplier relationships
- Warehousing and distribution
- Expansion into new markets and new segments
- Ability to recruit and retain staff

### Financial risks

- Currency risks
- Credit risks
- Interest rate risk
- Liquidity risks

### Legal risks

- Legislation, regulations and compliance
- Intellectual property rights

In addition to the risks stated above, there are specific risks for Qliro Financial Services.

### Industry and market risks

#### Market trend for e-commerce

The market for e-commerce is undergoing change. E-commerce in the Nordic countries has generally grown by about 15 per cent annually in recent years. In 2016 the e-commerce market in Sweden constituted 7.7 per cent of total retail sales, compared with 1.2 per cent in 2003 according to HUI. There are no assurances that the e-commerce market will continue to show the same positive trend, or that the products Qliro Group sells benefit from positive market developments.

#### Seasonal variations

In the CDON Marketplace and Lekmer segments, Qliro Group is exposed to major seasonal variations because a large portion of sales occur during the fourth quarter. The Nelly segment also exhibits seasonal variations, where the second and fourth quarters are the strongest. Lower demand during a single quarter can significantly affect sales in a segment, and therefore the entire Group's earnings, negatively.

#### Risks related to fashion trends

In the Nelly segment, Qliro Group is exposed to fluctuations in trends and fashion, as well as consumer preferences in terms of design, quality and price. If Qliro Group misjudges consumer preferences and does not succeed in selling its products, this may lead to excess inventory of certain products, and consequently price cuts.

#### Economic situation and consumer purchasing power

Demand for the products that Qliro Group sells is affected by the general economic situation, particularly in Sweden and the rest of the Nordic region, as well as developments in the e-commerce market and the product markets in which the Group operates. The economy and consumers' purchasing power are in turn affected by factors that are beyond Qliro Group's control, such as interest rates, exchange rates, inflation levels, taxes, unemployment levels and other economic factors. A weakening of the economic situation with ensuing reduced private consumption

may reduce demand for Qliro Group's products, which may have an adverse impact on the Group's financial position and results.

### **Operational risks**

#### *Disturbances or inadequacies in Qliro Group's IT and control systems*

Qliro Group's operations are highly dependent on reliable IT and control systems that are well suited to Qliro Group's operations. Qliro Group has made significant investments in sophisticated IT and control systems, but certain systems are not fully integrated yet and some processes contain elements of manual administration and assumptions as regards valuations and reserves. Despite the fact that improvements, maintenance, upgrades and support of these systems and processes is ongoing, it is not inconceivable that the systems suffer malfunctions or interruptions, which could lead to business disruptions with a negative impact on the Group's financial position and earnings as a consequence.

#### *Supplier relationships*

Qliro Group is dependent on the availability of hundreds of external suppliers to be able to pursue its operations. Qliro Group is of the opinion that alternatives exist for most of the company's current suppliers, which means that if the company loses one or more suppliers it will only have a limited impact on the business.

#### *Warehousing and distribution*

Qliro Group has a number of warehouses that are associated with the company's online stores. If for some reason a warehouse were to be destroyed or were to close, or if its equipment were to be seriously damaged, the company might not be able to deliver products to its customers. In addition, Qliro Group is dependent on functioning transport to and from warehouses and is exposed to disruptions in its distribution network. Under such circumstances, and to the extent Qliro Group is unable to quickly and cost-effectively find an alternative warehouse or repair the warehouse in question or its equipment, or find alternative transport solutions, this could have a considerable adverse effect on the company's operations, earnings and financial position. Qliro Group works continually with loss prevention measures and has insurance policies for property damage and production stoppages, 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*

Qliro Group's long-term strategy is to achieve growth that is consistent with or above that of the market for each segment. Even if Qliro Group conducts a thorough business analysis prior to each investment, potential expansion into new geographical or industrial markets may entail unforeseen costs such as lower-than-expected sales for Qliro Group.

#### *Ability to recruit and retain staff*

Qliro Group's future success is highly dependent on the company's ability to recruit, retain and develop qualified senior executives and other key individuals. The company works with programmes and initiatives to ensure that staff development, talent identification and succession planning procedures are in place for the Group's key individuals.

### **Financial risks**

#### *Currency risks*

Qliro Group's reporting currency is the Swedish krona. Since a significant portion of Qliro Group's sales are completed outside Sweden, the company is exposed to certain risks related to transactions in various currencies (transaction exposure). Qliro Group is also exposed to currency risk arising from the translation of foreign operations into Swedish krona (translation exposure). Currency risk is not hedged using financial instruments, however natural hedges are sought if possible, for example by purchasing and selling in the same currency. The most important currencies that Qliro Group is exposed to are NOK, DKK and EUR for sales, and NOK, DKK, EUR, USD and GBP for purchases.

#### *Credit risks*

Credit risk is defined as the company's exposure to loss in the event that one party fails to fulfil its obligations. The exposure is based on the carrying amount of the financial assets, of which the majority comprises accounts receivable and cash and cash equivalents. Credit risk attributable to Qliro Group's accounts receivable is distributed among a large number of customers, mainly private individuals, and in small amounts. Accounts receivable are sold to both the inter-group company Qliro AB (see also "Qliro Financial Services") and to external factoring companies. The vast majority of these accounts receivable are sold to external factoring companies with full transfer of the credit risk to the counterparty.

#### *Interest rate risk*

From time to time, the Qliro Group may finance its operations by borrowing funds. At the end of 2016 Qliro Group's net debt amounted to SEK 78.1 (3.8) million. Part of Qliro Financial Services business and consumer lending is financed through borrowing, primarily through a short-term revolving credit facility. When using the credit facilities, a portion of Qliro Group's cash flow will be used to pay interest.

#### *Liquidity risks*

Liquidity risk is the risk that the Group will not be able to fulfil its obligations associated with financial liabilities. This risk is centrally managed by the parent company, which ensures that there is always sufficient cash and cash equivalents and the ability to extend the available financing. Access to cash and cash equivalents for the subsidiaries is partially ensured through the

use of cash pools. Total available credit amounted to SEK 950 million at the end of the reporting period, attributable to Qliro Financial Services. At the end of the reporting period, this facility was utilised with outstanding loans attributable to Qliro Financial Services of SEK 511.8 (328.0) million. At the end of 2016, the Group's cash and cash equivalents amounted to SEK 435.2 (324.2) million. Net debt at the end of the year was SEK 78.1 million.

### Legal risks

#### *Legislation, regulations and compliance*

Qliro Group pursues operations in several countries with different legislation, fiscal regulations and regulations governing some of the goods that the Qliro Group sells. For example, products within the Gymgrossisten segment must follow national food regulations. These products must therefore be approved by regulatory authorities in some of the countries where Qliro Group operates. To increase control, Gymgrossisten has created a department that monitors rules and regulations on the markets where Gymgrossisten operates. Legal violations or breaching regulations, such as food and drink legislation, could lead to injunctions against Qliro Group. Moreover, the cost of regulatory compliance can be substantial. Qliro Financial Services' business may, if the business expands to include external customers and new geographical markets in future, be subject to regulatory requirements. For further information see the risk section titled "Qliro Financial Services". Qliro Group endeavours to comply with the laws and regulations that exist and enlists the help of external expertise when required.

#### *Intellectual property rights*

Qliro Group is proactive about protecting its brands, name and domain name in the jurisdictions in which the Group operates. It may nevertheless transpire that the measures the Group takes are insufficient and may consequently have an adverse effect.

### Qliro Financial Services

Qliro AB is part of the Qliro Financial Services segment and is a credit market company registered with the Swedish Financial Supervisory Authority (FI). Invoicing and partial payments are offered by Qliro Financial Services for purchases through the Group's Swedish, Finnish and Danish online stores, as well as through a number of external merchants outside the Group. The Swedish Consumer Agency supervises Qliro Financial Services' consumer lending. The activities Qliro AB conducted in 2016 did not require a licence. In March 2017 Qliro AB received authorisation from FI to operate as a credit market company. The licence gives Qliro Financial Services the possibility of introducing savings accounts covered by the state deposit guarantee and issuing consumer loans in the Norwegian market. The licence will also allow the launch of additional digital financial services.

Qliro Financial Services' operations are exposed to a number of risks. The most prominent are given below.

#### *Credit risk*

Qliro Financial Services provides merchants operating in Sweden, Finland and Denmark invoice and payment solutions for online purchases. By credit risk we mean cases where Qliro Financial Services does not receive payment for the issued invoice and/or takes a loss due to a counterparty's inability to fulfil its obligations. In order to identify and manage these risks, Qliro Financial Services has a credit organisation on-site and has developed credit policies and credit regulations.

#### *Interest rate risk*

Interest rate risk is the risk that fair value or future cash flows fluctuate as a result of changed market interest rates. The company is mainly exposed to interest rate risk through mismatched interest rate horizons on assets and liabilities. Qliro Financial Services minimises interest rate risk by matching the interest rate horizon on assets and liabilities. Qliro Financial Services also has the right to adjust the lending rate due to increased borrowing costs, such as those related to credit policy decisions.

#### *Liquidity risks*

Liquidity risk is the risk that Qliro Financial Services will not be able to fulfil its obligations associated with financial liabilities. Qliro Financial Services ensures that there is always sufficient cash and cash equivalents and the ability to extend the available financing. Access to cash and cash equivalents for Qliro Financial Services is partially ensured through the use of cash pools within the Group. For further information on financial risks, see Note 21.

#### *Business risk/strategic risk*

Business risk/strategic risk means the current and future risk of loss due to changes in market conditions (changes in volumes, interest margins and other price changes related to credit), and incorrect and unsuccessful business decisions, but also that consumers opt for payment solutions other than Qliro Financial Services' services. If the services Qliro Financial Services provides are not perceived as being safe, financially advantageous and easy to use by the internet store's customers, this could lead to a deterioration in Qliro Financial Services' reputation.

#### *Operational risks*

Operational risk is the risk of losses resulting from inappropriate organisation, human error, failed internal processes, defective systems and external events. The definition includes legal risks and IT risks.

Qliro Financial Services is primarily exposed to the following categories of operational risk:

- Internal fraud
- External fraud
- Interruptions/disturbances

To ensure efficient management of the business' operating risks, Qliro Financial Services established internal regulations. Qliro Financial Services also documents the Group's important processes and analyses the risks associated with them. To minimise the effects of the disturbance and interruption of these processes, Qliro Financial Services has internal rules for business continuity management that include continuity and contingency plans. Qliro Financial Services performs continuous self-assessment in order to identify, measure and manage the operational risks inherent in the business. Qliro Financial Services also works continuously to inform and train its staff on matters related to operational risk management, and the company's objective is to spread and maintain a sound risk culture.

### Environmental initiatives

The environment is everyone's responsibility – both companies and individuals. Qliro Group's ability to take responsibility for sustainable development is the key to strengthening public confidence in us. Qliro Group is constantly searching for new ways to further reduce its environmental impact.

Qliro Group's operations require warehousing, packaging and transportation. Customers, owners and society in general expect us to offer environmentally conscious choices, and to operate our business in a manner that is sustainable in the long term.

Over a considerable amount of time Qliro Group has developed its packaging selection so that each individual item has optimal packaging that protects the product while using the smallest amount of material possible and generating minimal environmental impact. The result is smaller, lighter packaging material that is adapted to the customer's order. Most of Qliro Group's packages are sent in boxes manufactured from recycled fibre. Qliro Group contributes to the financing of return collection and recycling through membership to the Swedish Packaging and Newspaper Collection Service (Förpackning- och tidningsinsamlingen) and Grønt Punkt in Norway. Qliro Group is working ever closer with suppliers. An example of this is ensuring a high fill rate in incoming containers and trailers, which reduces the amount of transport and environmental emissions.

### Employees

Qliro Group recognises that its employees are crucial to its operations. Attracting, developing and retaining employees is necessary to the success of Qliro Group, as well as to meet established targets for growth and business development. Qliro Group's average number of employees was 910 during the year, compared with 928 in the previous year, excluding Tretti. Information on the average number of employees and salary expenses for the year is available in Notes 23 and 24.

### Proposal for guidelines for remuneration of senior executives

The Board of Directors proposes that the 2017 Annual General Meeting resolves on the following guidelines for determining remuneration of senior executives in Qliro Group and Board members of the parent company, to the extent to which they are remunerated outside their directorship.

#### Remuneration guidelines

Qliro Group shall strive to offer a total remuneration which will enable the group to attract, motivate and retain senior executives in competition with Qliro Group's international peers, which primarily are Nordic companies operating within e-commerce and retailing with consumer brands and products, as well as Nordic credit market companies focused on consumer credit financing and payment solutions.

The remuneration to the senior executives in Qliro Group shall both short-term and long-term reflect the individual's performance and responsibility and the results in Qliro Group, inclusive of its subsidiaries, and shall also be designed so that it aligns the senior executives' interests and rewards with the shareholders'. Therefore, the remuneration to the senior executives shall be based on the pay for performance principle and encourage them to build up a significant private ownership of Qliro Group shares (in relation to their personal financial conditions).

Remuneration of senior executives shall consist of:

- fixed salary,
- short-term variable remuneration paid in cash,
- the possibility of participation in long-term incentive plans, and
- pension and other customary benefits.

#### Fixed salary

The senior executives' fixed salary is revised each year and shall be competitive and based on the individual's competence, responsibilities and performance.

#### Variable remuneration

The senior executives' short-term variable remuneration paid in cash shall be based on fulfilment of established targets for their areas of responsibility and for Qliro Group and its subsidiaries, respectively. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective area of responsibility are defined to promote Qliro Group's development both in the short and long-term. The maximum payment of cash based variable remuneration may not exceed a maximum of 100 percent of the senior executive's annual fixed salary. The Board may resolve that part of the senior executives' variable remuneration paid in cash shall be invested in shares or share-related instruments in Qliro Group.

Long-term incentive plans shall include an own investment, and be linked to certain pre-determined value creation and/or share or share-price related performance criteria. The long-term incentive plans shall be designed to ensure a long-term commitment to the value growth of Qliro Group and/or its subsidiaries, and align the senior executives' interests and rewards with the shareholders' by awarding the participants share-based remuneration.

For senior executives that are subject to the remuneration regulations applicable to credit market companies, the payout of a part of the variable remuneration is to be deferred and capped in accordance with applicable rules for credit market companies, and the Board has imposed restrictions for their variable remuneration by making payment conditional on whether the performance on which the remuneration was based proved to be sustainable over time or not.

#### **Pension and other benefits**

Pension commitments will be secured through premiums paid to insurance companies. Under normal circumstances the retirement age is 65 years.

Other benefits shall be customary and facilitate that the senior executives can carry out their duties, for example a company car, company health care and health care insurance.

#### **Notice of termination and severance pay**

The maximum notice period in any senior executive's contract is generally twelve months, and in exceptional cases, eighteen months, during which time salary payment will continue.

#### **Compensation to Board members**

Board members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

#### **Deviations from the guidelines**

The Board may, if it considers that special circumstances are at hand, deviate from the guidelines. In such a case the Board shall explain the reason for the deviation at the following Annual General Meeting. The current guidelines for remuneration of senior executives in Qliro Group are described in the Corporate Governance Report. For further information on remuneration of the CEO and senior executives, see Note 24.

#### **Share-based long-term incentive programmes**

Qliro Group has three outstanding share-based long-term incentive programmes decided on at the AGMs in 2014, 2015 and 2016. See Note 24 for further information about these programmes.

The total cost of the share-based incentive programme proposed to the 2017 AGM is estimated to amount to SEK 8.2 million excluding social security contributions in accordance with IFRS 2. The cost will be distributed over the years 2017–2020. The estimated expenses for social security contributions will also be expensed as employee benefit expenses through regular provisions. Costs for social security contributions are expected to amount to about SEK 1.9 million.

The maximum cost of the incentive programme is expected to total about SEK 11.1 million, and the maximum cost for social security contributions about SEK 39.6 million.

#### **Parent company**

Qliro Group AB is the Group's parent company and is responsible for Group-wide management, administration and finance functions. The Qliro Group's financial policy includes providing a central cash pool or financing through internal loans to support the Group's companies. The parent company holds shares in the subsidiaries, as specified in Note 12.

The parent company has the same risks and uncertainty factors as the Group, since the parent company's operations are dependent on the Group.

The parent company reported sales of SEK 17.5 (19.9) million for the full year. Administrative expenses totalled SEK -65.2 (-61.0) million for the full year, and reflect costs of a recurring nature, primarily related to operating Qliro Group AB as a publicly listed company, consisting of expenses for central functions, board fees, auditing services, etc.

Adjusted net financial items amounted to SEK -2.3 (17.5) million for the full year. The parent company has only made Group contributions to subsidiaries amounting to SEK -45.6 million during the year. Earnings before tax totalled SEK -198.6 million (-161.6) for the full year.

Cash and cash equivalents in the parent company amounted to SEK 422.6 (280.6) million at year-end.

The parent company made investments of SEK 297.1 (41.6) million in non-current assets during the year. Of total investments, the main unconditional shareholder contributions related to Qliro AB, Lekmer AB, and CDON AB were SEK 202.1 million, SEK 35.0 million and SEK 10.0 million, and an increase in the share capital of SEK 50.0 million through an issue of new shares in Qliro AB.

### Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at 31 December 2016 (SEK):

Share premium reserve	1,076,535,317
Retained earnings	-188,906,722
Profit/loss for the year	-177,710,252
<b>Total</b>	<b>709,918,343</b>

The Board proposes that the retained earnings, share premium reserve and loss for the year for a total of SEK 709,918,343 be carried forward. The share premium reserve amounts to SEK 1,076,535,317.

As regards the company's earnings and position in general, please refer to the following financial statements with accompanying notes and comments.

### Share data

Qliro Group's share is listed on the Nasdaq Stockholm Mid Cap under the ticker symbol QLRO. Qliro Group's market capitalisation at the close of trading on Nasdaq Stockholm on the last trading day of 2016 was SEK 1.3 billion.

### Shareholders at 31 December 2016

	Capital (%)	Votes (%)	No. of shares
Kinnevik	28.3%	28.5%	42,613,642
Oppenheimer Fonder <sup>2</sup>	5.5%	5.5%	8,232,854
Rite Ventures	4.5%	4.6%	6,800,000
Avanza Pension	3.6%	3.6%	5,433,202
Nordnet Pensionsförsäkring	3.4%	3.4%	5,082,314
Lancelot Fonder	3.1%	3.1%	4,604,646
Origo Fonder	2.3%	2.3%	3,398,000
Öhman Fonder	2.2%	2.2%	3,283,987
Henderson Fonder	1.5%	1.5%	2,276,329
GoMobile nu AB	1.0%	1.1%	1,569,781
Humle Fonder	0.9%	0.9%	1,400,000
Thomas Krishan	0.9%	0.9%	1,392,758
Länsförsäkringar	0.9%	0.9%	1,333,854
Sune Mordenfeld	0.9%	0.9%	1,290,000
Briscole AB	0.6%	0.6%	920,000
<b>Total for the 15 largest owners – by holding</b>	<b>59.6%</b>	<b>60.0%</b>	<b>89,631,367</b>
Other shareholders	39.6%	40.0%	60,813,412
Qliro Group AB (C shares)	0.8%	0.0%	1,175,000
<b>Total shares issued<sup>1</sup></b>	<b>100.0%</b>	<b>100.0%</b>	<b>150,444,779</b>

<sup>1</sup> Includes 1,175,000 C shares held by Qliro Group. Custodial shares held by the company may not be represented at the meeting. In practice this means that an ordinary shareholder's ownership in per cent of votes will be slightly larger than their holding in per cent of capital.

<sup>2</sup> The shares are wholly or partially owned by nominee registered accounts. Ownership has been confirmed by flagging notification to the Swedish Financial Supervisory Authority (FI) and amounted at 31 December 2016 to 5–10 per cent of the share capital/votes.

Source: Modular Finance

### Share capital

As at 31 December 2016, outstanding shares amounted to 150,444,779, of which 149,269,779 were ordinary shares and 1,175,000 were C shares. Ordinary shares have a quotient value of SEK 2. Each ordinary share and C share entitle the holder to one (1) vote. C shares are not entitled to dividend payments. C shares were issued and repurchased by the company as part of the performance-based incentive programme authorised by the 2011–2013 AGMs. The C shares have a quotient value of SEK 2 and are fully owned by Qliro Group AB. Qliro Group AB acquired the C shares for SEK 2,350,000. Cash and cash equivalents in the Group amounted to SEK 300.9 million at year-end. For changes in the share capital between 2015 and 2016, please see the Consolidated Statement of Changes in Equity. At 31 December 2016, there were 3,068,379 outstanding share rights and employee stock options attributable to the company's share-based incentive programmes. There were also 1,649,700 synthetic call options. See Note 24 for further details on the incentive programmes.

The company is not aware of any agreements between shareholders that would limit rights to transfer shares.

### Dividend

The parent company paid no dividend in 2016 and the Board proposes no dividend for 2017.

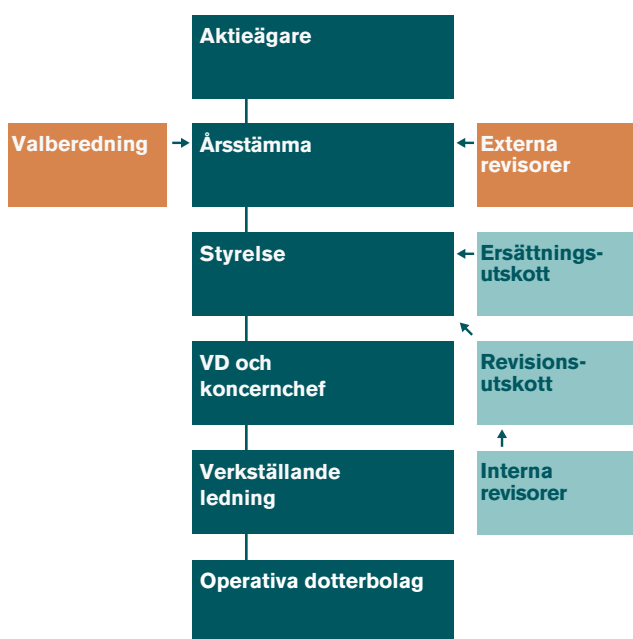
### Share price trend

The share price at the beginning of the year was SEK 12.10. On the last trading day of the year, the share price was SEK 8.65.

# Corporate Governance Report

This report describes Qliro Group AB's policies for corporate governance. Qliro Group is a Swedish public limited liability company. The company's governance is based on its Articles of Association, the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for listed companies and other relevant Swedish and international regulations. The company also applies the Swedish Code of Corporate Governance (the Code).

Qliro Group is governed by several bodies. At the Annual General Meeting, the shareholders exercise their voting rights by electing the Board of Directors and external auditors. Some of the Board's duties are prepared by the President and CEO of Qliro Group. The CEO is in charge of the day-to-day management of the Group in accordance with guidelines from the Board.



## Shares and shareholders

According to the share register held by Euroclear Sweden AB, there were 16,543 shareholders at the end of 2016. Shareholdings by its ten largest shareholders correspond to some 53.5 per cent of the share capital and votes. Swedish institutions and mutual funds own approximately 60 per cent of the share capital; international investors hold about 19 per cent; Swedish private investors own around 21 per cent.

The share capital consists of two share types: ordinary shares and C shares. There are no restrictions on the number of votes each shareholder can cast at the AGM. For more information regarding company shares, see the Share section.

On 23 May 2016 Qliro Group's AGM authorised the Board to issue (and repurchase) up to 9,000,000 C shares if they so decided. The aim of the authorisation was to ensure the delivery of shares to participants in Qliro Group's share-based long-term incentive

programme adopted by the AGM in 2016. The aforementioned authorisation had not been utilised at the end of 2016.

Furthermore, the AGM held in 2016 authorised the Board to decide on repurchasing as many of the company's ordinary shares during the period until the next AGM, on one or more occasions, so that Qliro Group's holding at no time exceeds 10 per cent of all shares in Qliro Group. This authorisation had not been utilised at the end of 2016.

Shareholders are regularly provided with information, including interim and full-year financial reports, financial statements, and press releases on significant events during the year. All reports, press releases and other information can be found on Qliro Group's website at [www.qlirogroup.com](http://www.qlirogroup.com).

## Annual General Meeting

The Annual General Meeting (AGM) is a limited company's highest decision-making body. It is there that all shareholders can exercise their voting rights to decide on issues affecting the company and its operations. The Swedish Companies Act and the Articles of Association detail procedures on how notice is given of the AGM and Extraordinary General Meetings, along with who is entitled to participate and vote at the meetings.

The authority of the AGM and its rules of procedure are primarily based on the Swedish Companies Act and the Swedish Corporate Governance Code, as well as on the Articles of Association adopted by the AGM. The AGM must be held within six months of the end of the financial year. The AGM makes decisions on adoption of the income statement and balance sheet, consolidated income statement and statement of financial position, appropriation of the company's earnings according to the adopted balance sheet, discharge of liability for the Board and CEO, appointment of the Board, its chairman, the company's auditors, and certain other matters provided for by law and the Articles of Association.

The AGM for financial year 2016 will be held on 8 May 2017, in Stockholm, Sweden.

## Nomination Committee

Tasks of the Nomination Committee include:

- Evaluating the Board's work and composition
- Submitting proposals to the AGM regarding the election of Board members and the Chairman of the Board
- Preparing proposals for the election of auditors in consultation with the Audit Committee (when appropriate)
- Presenting proposals for the setting of remuneration for the Board and the auditors
- Preparing proposals for the Chairman of the Annual General Meeting
- Preparing proposals to the AGM regarding the Nomination Committee's composition and work during the following year.



In accordance with the Nomination Committee Rules adopted at the 2016 AGM, Qliro Group's board chairman convened a nomination committee to prepare proposals for the company's 2017 AGM. The Nomination Committee is to consist of at least three members appointed by the largest shareholders in the company who wish to appoint a member. In addition, the Board chairman will also be a member of the Nomination Committee.

The Nomination Committee for the 2017 AGM consists of Lars-Johan Jarnheimer in his role as Board chairman of Qliro Group, Cristina Stenbeck, appointed by Kinnevik AB, Christoffer Häggblom, appointed by Rite Ventures, and Tomas Meerits, appointed by Lancelot Asset Management. The members of the Nomination Committee appointed Cristina Stenbeck as Chair of the Committee at its first meeting.

Shareholder representatives on the Nomination Committee were appointed by shareholders who at 30 December 2016 jointly represented approximately 35 per cent of the votes in Qliro Group. The members of the Nomination Committee do not receive any separate remuneration for their work.

The Nomination Committee will submit draft resolutions regarding the election of Board members and Chairman of the Board, auditors, remuneration of the Board and Chairman of the Board, and more at the company's 2017 AGM.

## Board of Directors

Qliro Group's Board Members are elected at the AGM for the period up to and including the end of the following AGM. Qliro Group's Articles of Association do not include any restrictions regarding the eligibility of Board members. According to the Articles of Association, the Board should consist of a minimum of three and a maximum of nine members.

### Responsibilities and duties of the Board

The Board has overall responsibility for the organisation and management of Qliro Group. The Board has adopted working procedures for its internal activities that include rules pertaining to the number of regular Board meetings, which issues are to be handled at regular Board meetings and the duties of the Chairman. The work of the Board is also governed by rules and regulations, including the Swedish Companies Act, Articles of Association and 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 issued guidelines to be followed by the CEO. These guidelines require that investments in non-current assets of more than SEK 2 million must be approved by the Board. The Board must also approve major transactions, including acquisitions and divestments or closure of businesses. In addition, the Board has also issued written instructions specifying when and how information that is required for the Board to evaluate the Group's and its subsidiaries' financial positions should be reported.

The rules of procedure that are adopted annually by the Board include instructions on which financial reports and what financial information shall be submitted to the Board. In addition to the year-end report, interim reports and the annual report, the Board also examines and evaluates extensive financial information related to both the Group as a whole and various units included in the Group. The Board also examines, primarily through the Audit Committee, the most significant accounting policies applied in the Group with regard to financial reporting, as well as any key changes to these policies. The Audit Committee is also tasked with examining reports on internal controls and the processes for financial reporting, along with internal audit reports compiled by the Group's internal auditing function. The Group's external auditor reports to the Board as required, but at least once a year. At least one of these reporting occasions occurs without the CEO or any other member of executive management being present. The Group's external auditor also participates in the meetings of the Audit Committee. The Audit Committee meetings are minuted and the minutes are made available to all Board members and the auditors.

### Composition of the Board of Directors as at 31 December 2016

The Board of Qliro Group AB comprises seven board members. The Board members are Lars-Johan Jarnheimer, Patrick Andersen, Caren Genthner-Kappesz, Lorenzo Grabau, David Kelly, Daniel Mytnik and Peter Sjunnesson. Biographical information on each of the board members is contained in the "Board of Directors" section of this annual report.

Qliro Group's Board composition during the year has fulfilled the requirements of Nasdaq Stockholm and the Code on the independence of board members. This means that the majority of Board members appointed by the AGM are independent of the company and its management. At least two of these members are also independent of the company's major shareholders.

### Composition of the Board of Directors as at 31 December 2016

Name	Position	Date of birth	Citizenship	Appointed	Independent of major shareholders	Independent of the company and its management	Remuneration Committee	Audit Committee
Lars-Johan Jarnheimer	Chairman	1960	Swedish	2010	Yes	Yes	-	-
Patrick Andersen	Member	1962	Danish	2013	Yes	Yes	Member	-
Caren Genthner-Kappesz	Member	1970	German	2016	Yes	Yes	Member	-
Lorenzo Grabau	Member	1965	Italian	2014	No	Yes	Chairman	-
David Kelly	Member	1963	British	2013	Yes	Yes	-	Member
Daniel Mytnik	Member	1971	Swedish	2014	No	Yes	-	Member
Peter Sjunnesson	Member	1959	Swedish	2015	Yes	Yes	-	Chairman

#### Remuneration Committee

The Remuneration Committee consists of Patrick Andersen, Caren Genthner-Kappesz, Lorenzo Grabau and, since January 2017, also Daniel Mytnik. Lorenzo Grabau was chairman until January 2017 when Daniel Mytnik took over as chairman.

The Remuneration Committee's tasks are described in section 9.1 of the Code. The main tasks of the Remuneration Committee are to: (i) prepare decisions for the Board on matters regarding remuneration principles, remuneration and other employment terms for the CEO and senior executives; (ii) monitor and evaluate ongoing programmes and programmes concluded during the year for variable remuneration (e.g. long-term share-based incentive programmes) for the CEO, senior executives and other key individuals within Qliro Group; and (iii) monitor and evaluate the application of the guidelines for remuneration of senior executives that the AGM, in accordance with the law, shall decide upon, along with applicable remuneration structures and remuneration levels in the company.

#### Audit Committee

The Audit Committee comprises Peter Sjunnesson as Chairman, David Kelly and Daniel Mytnik.

The Audit Committee's tasks are described in Chapter 8, Section 49b of the Swedish Companies Act. The Audit Committee's responsibilities are to: (i) monitor the company's financial reporting, make recommendations and suggestions to ensure reporting accuracy; (ii) in respect of the financial reporting, monitor the efficiency of the company's internal controls, internal audits and risk management; (iii) stay informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountants' quality control; (iv) inform the Board about the results of the audit and the manner in which the audit contributed to the reliability of financial reporting as well as on the role the Committee had; (v) review

and monitor the impartiality and independence of the auditor, and therewith, paying special attention to whether the auditor provides the company with services other than auditing; and (vi) assist with preparation of proposals to the AGM's resolution on election of an auditor. The Audit Committee's work focuses on evaluating the quality and accuracy of the financial reporting, internal controls, internal audits and risk assessments.

#### Remuneration of Board members

The fixed remuneration for the Board for the period until the close of the 2017 AGM totals SEK 3,071,000, of which SEK 670,000 is allocated to the Chairman of the Board, SEK 325,000 to each Board member, and a total of SEK 451,000 as remuneration for work on board committees. The remuneration of the Board members is proposed by the Nomination Committee, which represents the company's largest shareholders, and approved by the AGM. The Nomination Committee's proposal is based on benchmarking of peer group company compensation and company size.

#### The Board's work in 2016

During the year the Board regularly reviewed Qliro Group's consolidated earnings, financial position, organisation and administration. During its meetings the Board has dealt with matters involving Qliro Group's strategy, including budget and other financial forecasting, capital structure and financing, investments in equipment, potential acquisitions, the establishment of new operations and divestments (such as the sale of Tretti) and continued streamlining of internal procedures and control processes. The Board recruited and appointed a new CEO for the company.

At the end of 2016 an annual structured evaluation of the Board's work was conducted with the aim of further developing the Board's effectiveness and proactive involvement in the com-

pany. The result of this evaluation was also reported to the Nomination Committee.

The Board had a total of 12 meetings in 2016, including four ordinary meetings, one constituent meeting and seven extraordinary meetings.

#### Presence at board and committee meetings in 2016

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings until 23/05/2016	6	3	4
Number of meetings as of 23/05/2016	6	4	2
<b>Total number of meetings in 2016</b>	<b>12</b>	<b>7</b>	<b>6</b>
Lars-Johan Jarnheimer	12/12		
Patrick Andersen	8/12		5/6
Caren Genthner-Kappesz (as of 23/05/2016)	6/6		2/2
Lorenzo Grabau	12/12	3/3	6/6
David Kelly	11/12	7/7	
Daniel Mytnik	12/12	4/4	4/4
Peter Sjunnesson	12/12	7/7	
Mengmeng Du (until 23/05/2016)	5/6		
Jens Grede (until 23/05/2016)	4/6		

*Note: Caren Genthner-Kappesz is a member of the Remuneration Committee as of 23/05/2016; Lorenzo Grabau was a member of the Audit Committee until 23/05/2016; Daniel Mytnik was a member of the Remuneration Committee until 23/05/2016 and is a member of the Audit Committee as of 23/05/2016.*

#### External auditors

Qliro Group AB's auditor KPMG AB was elected by the 2016 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Cronie Wallquist, certified public accountant, has been responsible for the audit of the company on behalf of KPMG since September 2013. An auditor election will take place at the 2017 AGM.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the AGM. In addition, the auditors report detailed findings to the Audit Committee twice a year and to the full Board once a year, and annually provide written assurance of their impartiality and independence to the Audit Committee.

KPMG also provided certain additional services in 2015 and 2016. These services comprised consultation on accounting and other audit-related engagements.

Audit engagements involve examination of the annual report and financial accounting, administration by the Board and CEO,

other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other engagements.

For more detailed information on auditing fees for the year, see Note 25 in this annual report.

#### CEO and executive management

The Group's executive management includes the Chief Executive Officer, the Chief Financial Officer, managing directors of Qliro Group's operating subsidiaries and certain other key executives. Biographical information on the Group's executive managers is contained in the "Executive management" section of this annual report.

The CEO is responsible for the ongoing administration of the company in accordance with the guidelines and directions established by the Board.

The CEO and executive management team, supported by various staff functions, are responsible for adhering to the Group's overall strategy, financial and business controls, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports, communication with the investors and more.

#### Applicable guidelines for remuneration of senior executives

Current guidelines for determining remuneration of senior executives in the Group as well as Board members (of the parent company) to the extent to which they are remunerated outside their directorship, were adopted at the AGM on 23 May 2016 as follows.

#### Remuneration guidelines

The Qliro Group should endeavour to offer total remuneration that will enable the Group to attract, motivate and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating within e-commerce and retailing with consumer brands and products, as well as consumer credit financing and payment solutions. Remuneration of senior executives in the Qliro Group should reflect in both the short and long terms the individual's performance and responsibilities and the earnings of the Qliro Group and its subsidiaries, and should also align the interests and rewards of senior executives with those of the shareholders. Remuneration of senior executives should therefore be based on the "pay-for-performance" principle and encourage them to build up a significant private ownership of Qliro Group shares in relation to their personal financial situation.

Remuneration of senior executives shall consist of:

- fixed salary,
- short-term variable remuneration paid in cash,
- opportunities to participate in long-term share- or share-price-related incentive programmes, and
- pension and other benefits.

#### **Fixed salary**

Senior executives' fixed salaries are revised each year. They should be competitive and based on the individual's competence, responsibilities and performance.

#### **Variable remuneration**

Senior executives' variable remuneration paid in cash shall be based on performance in meeting established targets for their areas of responsibility and for Qliro Group and its subsidiaries. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility are intended to promote Qliro Group's performance both in the short and long term. The cash-based variable remuneration shall generally not exceed 100 per cent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Share- and share-price-related incentive plans should include a personal investment and be linked to certain predetermined financial and/or share- or share-price-related performance criteria, and should be designed to ensure a long-term commitment to the value growth of Qliro Group and its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders.

For senior executives who are affected by the remuneration rules for Qliro Financial Services, the payment of a portion of the variable remuneration is deferred and can amount to a high amount in accordance with current regulations for credit market companies. The Board has imposed restrictions on its variable remuneration by making its payment conditional on the fact that the achievement that the compensation was based on has proved to be sustainable over time.

#### **Pension and other benefits**

Pension commitments are secured through premiums paid to insurance companies. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties. Examples of other benefits that may be offered are a company car, company health care and health insurance.

#### **Notice of termination and severance pay**

The maximum notice period in senior executive contracts is generally 12 months, and in exceptional cases 18 months, during which time salaries will continue to be paid.

#### **Remuneration of Board members**

Board members elected by General Meetings may in certain cases be paid for services within their respective areas of expertise, outside of their Board duties. These services should be remunerated at market rates and be approved by the Board.

#### **Deviations from the guidelines**

The Board may deviate from the guidelines if it considers that special circumstances call for such deviation. In such a case, the Board of Directors will explain the reason for the deviation at the following AGM.

The guidelines were followed in 2016. Information on remuneration of senior executives is described in Note 24 of this annual report.

#### **Share-based long-term incentive programmes**

Qliro Group has three outstanding share-based long-term incentive programmes decided on at the Annual General Meetings in 2014, 2015 and 2016, as well as an outstanding synthetic call option plan for senior executives and key employees in Qliro Financial Services (launched in 2016). See Note 24 for further information about these programmes.

#### **Internal control of financial reporting, etc.**

The processes for internal control, risk assessment, control activities and monitoring regarding financial reporting are designed to ensure reliable overall and external financial reporting in accordance with International Financial Reporting Standards (IFRS), applicable laws, regulations and other requirements for listed companies on Nasdaq Stockholm. This work involves the Board, executive management and other staff.

#### **Control environment**

In addition to the Board's rules of procedure and instructions to the CEO and Board committees, there is a clear division of roles and responsibilities for effective management of operational risks. The Board also has several established basic guidelines that are important to its work with internal control activities. This includes control and monitoring of results as compared with plans and prior years. The Audit Committee assists the Board in overseeing various issues such as internal audit and accounting policies applied by the Group.

The responsibility for maintaining an effective control environment with risk assessment of ongoing activities and internal control over financial reporting is delegated to the CEO. Other managers at different levels in the Group have this responsibility in their particular areas of responsibility. Executive managers regularly report to the Board according to established procedures and in addition to the Audit Committee's reports. The control environment is made up of defined responsibilities and authority, instructions, guidelines, manuals and policies, together with laws and regulations. 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 parameters are identified and measured. These risks are reviewed regularly by the Board and the Audit Committee, and include both the risk of loss of assets as well as irregularities and fraud. Special attention was paid to designing controls for preventing and discovering shortcomings in these areas. The important areas are purchasing, logistics, and inventory processes, technical development and performance of the web platform, as well as general IT-security.

#### **Information and communication**

Important guidelines, manuals and the like that are significant for financial reporting are regularly updated and distributed to the employees concerned. There are formal as well as informal information channels to the executive management and Board for employees to transmit information of significance. Guidelines for external communication ensure that the company applies the highest standards for providing accurate information to the financial market.

#### **Monitoring**

The Board continuously evaluates the information submitted by company management and the Audit Committee. The Board receives regular updates between meetings as to the Group's development. The Group's financial position, strategies and investments are discussed at every ordinary Board meeting. The Audit Committee reviews all quarterly reports prior to publication. The Audit Committee is also responsible for monitoring internal control activities. This work includes ensuring that action is taken to deal with any deficiencies and to implement proposed measures emerging from the internal and external audits. The external auditors participate in the regular meetings of the Audit Committee.

The company has an independent internal audit function responsible for the evaluation of risk management and internal control activities. Internal auditing is performed by a third party, whose work includes scrutinising the application of established procedures and guidelines. The internal audit function plans its work in cooperation with the Audit Committee and reports the results of its reviews to the Audit Committee.

# Board of Directors



**Lars-Johan Jarnheimer**  
*Chairman of the Board*

Swedish, born 1960

Lars-Johan Jarnheimer has been a board member of Qliro Group since August 2010 (Chairman since May 2012). He is currently Chairman of the Board of Directors of INGKA Holding B.V. (the parent company of the IKEA Group), and Arvid Nordquist Handelsaktiebolag as well as a board member in SAS AB, Egmont International Holding A/S and Elite Hotels (SSRS Holding Aktiebolag). Lars-Johan served as Chief Executive Officer of Tele2 AB from 1999 to 2008, and previously held various positions at IKEA, Hennes & Mauritz and Comviq. Lars-Johan was a Non-Executive Director of Modern Times Group MTG AB 1997–2008 and of Millicom International Cellular S.A. 2001–2007.

Lars-Johan graduated with a Bachelor of Science in Business Administration and Economics from Växjö and Lund universities in Sweden.

*Independent of the company, executive management and independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: 100,000 shares.



**Patrick Andersen**  
*Board member*

Danish, born 1962

Patrick has been a member of the Board of Qliro Group since May 2013. He is currently serving as President of the Americas business area (North America and Latin America) at Carlson Wagonlit Travel, where he has been since 2008, having held numerous executive positions leading up to his current role. Prior to this, Patrick was a consultant and owner of PNA Consulting and before that he had a number of assignments within management at DHL, where he worked for over 20 years.

Patrick studied Management at the London Business School.

Member of the Remuneration Committee.

*Independent of the company, executive management and independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: 45,000 shares.



**Caren Genthner-Kappesz**  
*Board member*

German, born 1970

Caren Genthner-Kappesz has been a member of the Board of Qliro Group since May 2016. Caren has been the CEO of Glossybox since December 2015. Caren began her career in 1998 as a consultant at Boston Consulting Group. After having built and sold her own consultancy in 2003, she began working for eBay. At eBay, she was in charge of the German advertising operations and subsidiary shopping.com. In 2013 she began working for Naspers in South Africa, where she was initially the CEO of the leading e-commerce player kalahari.com (now takealot.com) and later CEO of MIH Internet Africa.

Caren holds a PhD in mathematics from the University of Würzburg.

Member of the Remuneration Committee.

*Independent of the company, executive management and independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: -



**Lorenzo Grabau**  
*Board member*

Italian, born 1965

Lorenzo Grabau has been a member of the Board of Qliro Group since May 2014. Lorenzo was President and CEO of Kinnevik AB (publ) between May 2014 and December 2016. Lorenzo was a Board member of Kinnevik AB (publ) between 2013 and 2014. Lorenzo Grabau is Chairman of the Board of Global Fashion Group, Vice Chairman of Zalando SE and a member of the Boards of Millicom International Cellular S.A. and Tele2 AB. Lorenzo was partner and Managing Director at Goldman Sachs International in London until 2011. He started in the Investment Banking division at Goldman Sachs in 1994 and during his 17 years with the firm held a number of management positions within the Consumer/Retail and Media/Online industry practices, as well as in the Financial Sponsors business. Lorenzo began his investment banking career in 1990 when he started at Merrill Lynch, where he worked for five years in the Mergers and Acquisitions departments in London and New York.

Lorenzo holds a degree from the Università degli Studi di Roma, La Sapienza, in Italy.

Member of the Remuneration Committee (Chairman until January 2017).

*Independent of the company and executive management, but not independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: -

The current Board was elected at the Annual General Meeting on 23 May 2016, for the period up until the end of the next AGM, which will take place on 8 May 2017.



**David Kelly**  
*Board member*

British and Irish, born 1963

David Kelly has been a member of the Board of Qliro Group since May 2013. Previously, David served as adviser to the Qliro Group Board between June 2012 and April 2013. David is currently Chairman of the Boards of LoveHomeSwap, Pure360 and MBA & Company, and is also a member of the Boards of Camelot UK Lotteries Limited, Holiday Extras, On the Beach, Simply Business and Trinity Mirror Group. David was previously a member of the executive management as well as CEO for Rackspace Cloud Hosting. He has also held several positions at eBay, Amazon.com and Lastminute.com. David is also one of the founders of Mydeco.

David holds a Ph.D. in Business Strategy and an MBA in marketing from City University Business School, as well as an BSc in computer science from Leicester University.

Member of the Audit Committee.

*Independent of the company, executive management and independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: -



**Daniel Mytnik**  
*Board member*

Swedish, born 1971

Daniel Mytnik has been a member of the Board of Qliro Group since May 2014. Daniel has been a partner at Ventiga Capital Partners in London since 2015. Daniel was previously a partner at Palamon Capital Partners in London until 2013. During his seven years at Palamon, Daniel identified and managed a significant number of investments in rapid-growth service-oriented businesses, primarily in the Nordic countries and the United Kingdom. Before joining Palamon Capital Partners, Daniel spent four years as Managing Director of investment bank Altium Capital, prior to which he worked in Morgan Stanley's Private Equity and Investment Banking department in London for five years.

Daniel has a BA in Philosophy, Politics & Economics and an M.Phil. in Economics from Oxford University.

Member of the Audit Committee and Chairman of the Remuneration Committee (since January 2017).

*Independent of the company and executive management, but not independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: 131,513 shares.



**Peter Sjunnesson**  
*Board member*

Swedish, born 1959

Peter Sjunnesson has been a member of the Board of Qliro Group since May 2015. Peter has been active as a consultant since 2002. He advises financial and service companies on growth and operational efficiency projects. Peter is a Board member of Lindorff Group, one of Europe's largest credit management companies, and was the Group's interim CEO between October 2014 and April 2015. Peter serves on the Boards of the Qliro Group's payment solutions company Qliro AB and of a number of start-up ventures, and has previously served on the Boards of Dibs Payment Services and Klarna, the latter as Chairman of the Board between 2006 and 2010. Prior to starting his consulting business, Peter was Group Chief Executive Officer of Intrum Justitia for four years up until the company's relisting on the Stockholm Stock Exchange in 2002.

Peter holds a Master of Science in International Business from the Stockholm School of Economics.

Chairman of the Audit Committee.

*Independent of the company, executive management and independent of major shareholders.*

Shareholding (including any related person holding) in Qliro Group: 55,000 shares.

# Executive Management



**Marcus Lindqvist**

*President and CEO*

Born 1970

Marcus Lindqvist took over as President and CEO of Qliro Group in August 2016. His most recent position was as Head of B2B Sweden & Products at Dustin. He has previously served as Sweden Manager of Hewlett Packard's PC division and was responsible for Dell's channel business in the Nordic region. Marcus has an associate's degree in business administration from FEI in Stockholm.

Shareholding (including any related person holding): 140,000 shares.



**Mathias Pedersen**

*Chief Financial Officer*

Born 1971

Mathias Pedersen was appointed as CFO for Qliro Group in August 2016. Mathias most recently comes from Kinnevik AB where he was Investment Director. Prior to this he has, among other things, been CFO for East Capital Group, East Capital Explorer and ETAC. Mathias holds a Master's degree from Stockholm School of Economics and has completed a Programme for Management Development at Harvard Business School.

Shareholding (including any related person holding): 45,000 shares (held in pension insurance, endowment insurance or similar).



**Magnus Fredin**

*Head of CDON*

Born 1981

Magnus Fredin was appointed head of CDON AB (the CDON.com marketplace) in August 2015. Magnus's most recent position was as CEO of the e-commerce stores Babyshop and Alexandalex (The Luxury Kids Group). Prior to this Magnus worked for many years as VP of Global Sales for Klarna.

Shareholding (including any related person holding): 16,026 shares.



**Carl Arnesson**

*CFO of Gymgrossisten and acting head of Gymgrossisten*

Born 1980

Carl Arnesson was hired as CFO of Gymgrossisten in the autumn of 2015 and was appointed as acting head in December 2016. Carl was most recently CFO of media company Metro and worked before this as a consultant for PwC. Carl holds a Master's Degree in Economics from Linköping University in Sweden.

Shareholding (including any related person holding): 6,150 shares.





**Patrik Illerstig**  
*Head of Qliro Financial Services*

Born 1982

Patrik Illerstig was employed as Head of Business Development at Qliro Group in 2012 and was appointed head of the Group's own payment and consumer finance solution Qliro in 2014. Patrik's most recent position was CEO and co-founder of Rocket Internet Scandinavia and prior to that he worked for McKinsey & Company. He holds a Master's Degree in Economics and Business Administration from the Stockholm School of Economics, and has also taken MBA courses at Instituto Tecnológico Autónomo de México.

Shareholding (including any related person holding): 11,700 shares.



**Ludvig Anderberg**  
*CFO and acting head of Nelly*

Born 1973

Ludvig Anderberg was appointed CFO of Nelly in the autumn of 2015 and has been the acting head of Nelly since August 2016. He was most recently CFO of Nilson Group. Ludvig has worked in senior financial positions in various industries and also has many years of experience in fashion retail, having previously worked at Lindex. Ludvig studied economics and computer science at the University of Borås.

Shareholding (including any related person holding): 19,000 shares.



**Oscar Tjärnberg**  
*Head of Lekmer*

Born 1972

Oscar Tjärnberg was appointed head of Lekmer in December 2016. He was most recently CCO for Lekmer. Prior to this, he held a number of senior positions including Vice President of inkClub, Head of Online for Telenor Sweden, Business Developer for Footway, CEO of Vincent Shoe Store and Sales Director and COO of LensWay. Oscar holds a master's degree in Industrial and Management Engineering from Luleå University of Technology.

Shareholding (including any related person ownership): 25,000 shares (held through pension insurance).



**Anna Ullman Sersé**  
*Head of Business Development*

Born 1973

Anna Ullman Sersé joined as Head of Business Development for Qliro Group in December 2016. Anna most recently comes from the management consultancy firm Accenture Interactive where she was Nordic lead for Retail and Marketing & Content and has worked with most of the largest retailers in Sweden. Anna holds a MSc in Law and Business Administration from Stockholm University.

Shareholding (including any related person holding): 18,823 shares.



**Erik Löfgren**  
*Head of Communications*

Born 1981

Erik Löfgren took over as Head of Communications at Qliro Group in August 2015. Erik's most recent position was as Director at the communications agency Kreab. Prior to that he was Head of IR at RusForest AB (publ). Erik holds a MSc in Business Administration from Gothenburg University.

Shareholding (including any related person holding): 5,500 shares.

The members of executive management, except for Anna Ullman Sersé and Erik Löfgren, are defined as senior management.

# Consolidated income statement

(SEK million)	Note	E-commerce		Financial Services		Eliminations		Qliro Group Total	
		2016	2015	2016	2015	2016	2015	2016	2015
Net sales	4	4,309.2	4,388.6	213.7	97.5	-54.4	-55.4	4,468.6	4,430.6
Cost of sales	16	-3,640.8	-3,767.8	-104.6	-85.9	54.4	55.4	-3,691.0	-3,798.3
<b>Gross profit/loss</b>		<b>668.4</b>	<b>620.7</b>	<b>109.1</b>	<b>11.6</b>	<b>0.0</b>	<b>0.0</b>	<b>777.5</b>	<b>632.3</b>
Sales & administrative expenses		-766.0	-712.6	-109.7	-60.3	2.9	0.9	-872.8	-772.0
Other operating income	7	3.1	3.6	12.3	13.2	-2.9	-0.9	12.4	15.9
Other operating expenses	7	-3.6	-	-0.1	-	-	-	-3.7	-
<b>Operating profit/loss</b>	4, 5, 6, 10, 11, 12, 13, 14, 16, 22, 24, 25, 27	<b>-98.2</b>	<b>-88.3</b>	<b>11.6</b>	<b>-35.5</b>	<b>-</b>	<b>-</b>	<b>-86.6</b>	<b>-123.8</b>
Financial income	8	17.6	20.8	0.0	0.0	-7.1	-9.5	10.5	11.3
Financial expenses	8	-17.5	-26.1	-8.4	-1.8	7.1	9.5	-18.8	-18.4
<b>Profit/loss before tax</b>		<b>-97.9</b>	<b>-93.6</b>	<b>3.2</b>	<b>-37.3</b>	<b>-</b>	<b>-</b>	<b>-94.8</b>	<b>-130.9</b>
Tax	9							19.1	28.5
<b>Profit/loss after tax for continuing operations</b>								<b>-75.8</b>	<b>-102.4</b>
<b>Profit/loss after tax for discontinued operations</b>								<b>-110.6</b>	<b>0.7</b>
<b>Profit/loss after tax for continuing and discontinued operations</b>								<b>-186.4</b>	<b>-101.6</b>
Attributable to:									
Parent company shareholders								-185.7	-101.6
Non-controlling interest								-0.7	0.0
<b>Profit/loss for the year</b>								<b>-186.4</b>	<b>-101.6</b>
Basic and diluted earnings per share (excluding discontinued operations), SEK								-0.51	-0.69
Basic and diluted earnings per share (including discontinued operations), SEK								-1.24	-0.68

# Consolidated statement of comprehensive income

(SEK million)	Note	2016	2015
Profit/loss for the year		-186.4	-101.6
<b>Other comprehensive income</b>			
<i>Items that have been or can be reclassified to profit/loss for the year</i>			
Translation differences for foreign operations for the year		4.7	-7.9
<b>Other comprehensive income for the year</b>	17	<b>4.7</b>	<b>-7.9</b>
<b>Comprehensive income for the year</b>		<b>-181.6</b>	<b>-109.6</b>
<b>Comprehensive income for the year attributable to:</b>			
Parent company shareholders		-180.9	-109.5
Non-controlling interest		-0.7	0.0
<b>Comprehensive income for the year</b>		<b>-181.6</b>	<b>-109.5</b>

# Consolidated statement of financial position

(SEK million)		E-commerce		Financial Services		Eliminations		Qliro Group Total	
	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>									
<b>Non-current assets</b>									
<i>Intangible assets</i> 10									
Ongoing projects		25.7	28.8	41.3	-	-	-	67.0	28.8
Development expenses		89.9	110.9	44.7	48.5	-	-	134.6	159.3
Domains		2.7	3.3	-	-	-	-	2.7	3.3
Trademarks		54.0	102.4	-	-	-	-	54.0	102.4
Customer relationships		-	0.4	-	-	-	-	-	0.4
Goodwill		206.7	455.3	-	-	-	-	206.7	455.3
<b>Total intangible non-current assets</b>		<b>379.0</b>	<b>701.1</b>	<b>86.1</b>	<b>48.5</b>	-	-	<b>465.1</b>	<b>749.5</b>
<i>Property, plant and equipment</i> 11									
Leasehold improvements		1.7	2.7	-	-	-	-	1.7	2.7
Equipment		17.1	29.8	9.3	4.7	-	-	26.5	34.5
Construction in progress		0.2	-	-	-	-	-	0.2	-
<b>Total property, plant and equipment</b>		<b>19.0</b>	<b>32.4</b>	<b>9.3</b>	<b>4.7</b>	-	-	<b>28.3</b>	<b>37.1</b>
Deferred tax asset	9	120.3	93.3	1.7	1.8	-	-	122.0	95.2
<b>Total financial non-current assets</b>		<b>120.3</b>	<b>93.3</b>	<b>1.7</b>	<b>1.8</b>	-	-	<b>122.0</b>	<b>95.2</b>
<b>Total non-current assets</b>		<b>518.4</b>	<b>826.8</b>	<b>97.0</b>	<b>55.0</b>	-	-	<b>615.4</b>	<b>881.8</b>
<b>Current assets</b>									
<i>Inventory</i> 16									
Finished goods and merchandise		540.7	696.8	-	-	-	-	540.7	696.8
Advances to suppliers		7.2	5.3	-	-	-	-	7.2	5.3
<b>Total inventory</b>		<b>547.9</b>	<b>702.0</b>	-	-	-	-	<b>547.9</b>	<b>702.0</b>
<i>Current receivables</i>									
Accounts receivable	13	89.9	121.2	-	-	-	-	89.9	121.2
Loans to the public <sup>1)</sup>	14	-	-	745.8	505.6	-	-	745.8	505.6
Other current receivables, non-interest-bearing		26.6	204.0	7.1	24.0	-7.0	-201.6	26.7	26.4
Prepaid expenses and accrued income	15	65.2	93.0	5.8	-3.0	-	-	71.0	90.0
<b>Total current receivables</b>		<b>181.7</b>	<b>418.2</b>	<b>758.7</b>	<b>526.5</b>	<b>-7.0</b>	<b>-201.6</b>	<b>933.4</b>	<b>743.1</b>
<i>Cash and cash equivalents</i> 21									
Cash and bank balances		435.2	324.2	-	-	-	-	435.2	324.2
<b>Total cash and cash equivalents</b>		<b>435.2</b>	<b>324.2</b>	-	-	-	-	<b>435.2</b>	<b>324.2</b>
<b>Total current assets</b>		<b>1,164.7</b>	<b>1,444.4</b>	<b>758.7</b>	<b>526.5</b>	<b>-7.0</b>	<b>-201.6</b>	<b>1,916.4</b>	<b>1,769.3</b>
<b>Total assets</b>		<b>1,683.1</b>	<b>2,271.2</b>	<b>855.7</b>	<b>581.6</b>	<b>-7.0</b>	<b>-201.6</b>	<b>2,531.9</b>	<b>2,651.2</b>

<sup>1)</sup>Loans to the public are recognised at net value (previously recognised at gross value).

(SEK million)		E-commerce		Financial Services		Eliminations		Qliro Group Total	
	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>									
<b>Equity attributable to parent company shareholders</b>									
	17								
Share capital		300.9	300.9	-	-	-	-	300.9	300.9
Other capital contributions		-	35.7	-	-	-	-	-	35.7
Reserves		1,221.5	1,220.1	-	-	-	-	1,221.5	1,220.1
Retained earnings including profit/loss for the year		-791.5	-394.7	295.3	42.7	-	-	-496.2	-352.0
<b>Total equity attributable to parent company shareholders</b>		<b>730.9</b>	<b>1,162.0</b>	<b>295.3</b>	<b>42.7</b>	<b>-</b>	<b>-</b>	<b>1,026.2</b>	<b>1,204.7</b>
<b>Non-controlling interest</b>									
Non-controlling interest		-	0.7	-	-	-	-	-	0.7
<b>Total equity</b>		<b>730.9</b>	<b>1,162.7</b>	<b>295.3</b>	<b>42.7</b>	<b>-</b>	<b>-</b>	<b>1,026.2</b>	<b>1,205.4</b>
<b>Non-current liabilities</b>									
<i>Interest-bearing</i>									
Other non-current interest-bearing liabilities	22	-	-	0.8	-	-	-	0.8	-
<b>Total non-current interest-bearing liabilities</b>		<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>
<i>Non-interest-bearing</i>									
Deferred tax liability	9	12.4	23.4	-	-	-	-	12.4	23.4
Other provisions	18	4.8	3.3	-	-	-	-	4.8	3.3
<b>Total non-current non-interest-bearing liabilities</b>		<b>17.3</b>	<b>26.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.3</b>	<b>26.7</b>
<b>Total non-current liabilities</b>		<b>17.3</b>	<b>26.7</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.0</b>	<b>26.7</b>
<b>Current liabilities</b>									
<i>Interest-bearing</i>									
Liabilities to credit institutions		-	-	511.8	328.0	-	-	511.8	328.0
Other current interest-bearing liabilities	22	-	-	0.6	-	-	-	0.6	-
<b>Total current interest-bearing liabilities</b>		<b>-</b>	<b>-</b>	<b>512.5</b>	<b>328.0</b>	<b>-</b>	<b>-</b>	<b>512.5</b>	<b>328.0</b>
<i>Non-interest-bearing</i>									
Accounts payable		524.0	659.2	25.4	21.2	-	-	549.4	680.4
Other liabilities		142.4	141.8	5.8	179.0	-7.0	-201.6	141.3	119.2
Accrued expenses and prepaid income	19	268.6	280.9	15.9	10.7	-	-	284.5	291.6
<b>Total current non-interest-bearing liabilities</b>		<b>935.0</b>	<b>1,081.9</b>	<b>47.1</b>	<b>210.9</b>	<b>-7.0</b>	<b>-201.6</b>	<b>982.9</b>	<b>1,091.2</b>
<b>Total current liabilities</b>		<b>935.0</b>	<b>1,081.9</b>	<b>559.6</b>	<b>538.9</b>	<b>-7.0</b>	<b>-201.6</b>	<b>1,495.4</b>	<b>1,419.2</b>
<b>Total liabilities</b>		<b>952.2</b>	<b>1,108.5</b>	<b>560.4</b>	<b>538.9</b>	<b>-7.0</b>	<b>-201.6</b>	<b>1,513.5</b>	<b>1,445.8</b>
<b>Total equity and liabilities</b>		<b>1,683.1</b>	<b>2,271.2</b>	<b>855.7</b>	<b>581.6</b>	<b>-7.0</b>	<b>-201.6</b>	<b>2,531.9</b>	<b>2,651.2</b>

For information on pledged assets and contingent liabilities, see Note 20.

# Consolidated statement of changes in equity

(SEK million)	Notes 9, 17	Equity attributable to parent company shareholders					Non-con- trolling interest	Total equity
		Equity	Other capital contribu- tions	Transla- tion reserve	Retained earnings incl. profit/ loss for the year	Total		
<b>Opening balance, 1 January 2015</b>		<b>300.9</b>	<b>1,077.4</b>	<b>-0.2</b>	<b>-64.4</b>	<b>1,313.7</b>	<b>0.7</b>	<b>1,314.3</b>
<b>Comprehensive income for the year</b>								
Profit/loss for the year					-101.6	-101.6		-101.6
Other comprehensive income for the year				-7.9		-7.9		-7.9
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-7.9</b>	<b>-101.6</b>	<b>-109.5</b>	<b>-</b>	<b>-109.5</b>
Share savings plan					0.5	0.5		0.5
<b>Closing balance, 31 December 2015</b>		<b>300.9</b>	<b>1,077.4</b>	<b>-8.1</b>	<b>-165.5</b>	<b>1,204.8</b>	<b>0.7</b>	<b>1,205.4</b>
<b>Opening balance, 1 January 2016</b>		<b>300.9</b>	<b>1,077.4</b>	<b>-8.1</b>	<b>-165.5</b>	<b>1,204.8</b>	<b>0.7</b>	<b>1,205.4</b>
<b>Comprehensive income for the year</b>								
Profit/loss for the year					-186.4	-186.4		-186.4
Other comprehensive income for the year				4.7		4.7		4.7
<b>Comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>4.7</b>	<b>-186.4</b>	<b>-181.6</b>	<b>-</b>	<b>-181.6</b>
Share savings plan					2.5	2.5		2.5
<b>Closing balance, 31 December 2015</b>		<b>300.9</b>	<b>1,077.4</b>	<b>-3.3</b>	<b>-349.4</b>	<b>1,025.6</b>	<b>0.7</b>	<b>1,026.2</b>

# Consolidated statement of cash flows

(SEK million)		E-commerce		Financial Services		Eliminations		Qliro Group Total	
	Note	2016	2015	2016	2015	2016	2015	2016	2015
<b>Operating activities</b>									
Profit/loss after financial items		-199.6	-123.5	0.8	-7.4	-	-	-198.8	-130.9
Adjustments for items not included in cash flow	26	175.9	30.7	14.4	7.5	-	-	190.3	38.3
Income tax paid		2.0	-3.4	-1.3	-	-	-	0.6	-3.4
<b>Cash flow from operating activities before change in operating profit/loss</b>		<b>-21.7</b>	<b>-96.1</b>	<b>13.8</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-7.9</b>	<b>-96.0</b>
<i>Cash flow from changes in working capital</i>									
Increase (-)/decrease (+) in inventories		74.3	-23.5	-	-	-	-	74.3	-23.5
Increase (-)/decrease (+) in other current receivables*		5.5	-15.1	-243.9	-316.8	-	-	-238.4	-331.9
Increase (+)/decrease (-) in accounts payable		-32.3	28.0	4.3	19.6	-	-	-28.0	47.6
Increase (+)/decrease (-) in other current liabilities		19.6	27.7	5.0	-26.8	-	-	24.6	0.8
<b>Total cash flow from changes in working capital</b>		<b>67.1</b>	<b>17.1</b>	<b>-234.6</b>	<b>-324.0</b>	<b>-</b>	<b>-</b>	<b>-167.5</b>	<b>-306.9</b>
<b>Cash flow from operating activities</b>		<b>45.4</b>	<b>-79.0</b>	<b>-220.8</b>	<b>-323.9</b>	<b>-</b>	<b>-</b>	<b>-175.4</b>	<b>-402.9</b>
<b>Investing activities</b>									
Investments in operations <sup>1</sup>	6	-0.7	-0.5	-	-	-	-	-0.7	-0.5
Investments in property, plant and equipment		-36.4	-72.6	-49.0	-26.4	-	-	-85.4	-99.0
Investments in intangible non-current assets		-1.7	-8.3	-7.4	-4.8	-	-	-9.2	-13.0
Sales of operations <sup>2</sup>	5	250.0	-	-	-	-	-	250.0	-
<b>Cash flow from investing activities</b>		<b>211.1</b>	<b>-81.4</b>	<b>-56.4</b>	<b>-31.2</b>	<b>-</b>	<b>-</b>	<b>154.7</b>	<b>-112.5</b>
<b>Financing activities</b>									
New share issue		-50.0	-	50.0	-	-	-	-	-
Shareholder contribution, net change		-202.1	-40.0	202.1	40.0	-	-	-	-
Group contributions, net change		-29.9	-12.8	29.9	12.8	-	-	-	-
Utilised credit facilities <sup>3</sup>		-	-	178.8	330.3	-	-	178.8	330.3
Other cash flow to/from financing activities <sup>4</sup>	5	-33.0	-	-	-	-	-	-33.0	-
<b>Cash flow from financing activities</b>		<b>-315.0</b>	<b>-52.8</b>	<b>460.8</b>	<b>383.1</b>	<b>-</b>	<b>-</b>	<b>145.8</b>	<b>330.3</b>
<b>Change in cash and cash equivalents from continuing operations</b>		<b>-58.4</b>	<b>-213.2</b>	<b>183.6</b>	<b>28.1</b>	<b>-</b>	<b>-</b>	<b>125.2</b>	<b>-185.1</b>
<b>Cash flow from discontinued operations</b>	5								
Cash flow from operating activities		4.2	-17.1	-	-	-	-	4.2	-17.1
Cash flow from investing activities		-1.9	-5.2	-	-	-	-	-1.9	-5.2
Cash flow from financing activities <sup>4</sup>		33.0	-	-	-	-	-	33.0	0.0
<b>Change in cash and cash equivalents from discontinued operations</b>		<b>35.3</b>	<b>-22.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35.3</b>	<b>-22.3</b>
<b>Change in cash and cash equivalents</b>		<b>-23.1</b>	<b>-235.5</b>	<b>183.6</b>	<b>28.1</b>	<b>-</b>	<b>-</b>	<b>160.5</b>	<b>-207.4</b>
<b>Cash and cash equivalents, start of year</b>								<b>324.2</b>	<b>534.0</b>
Exchange rate difference for cash and cash equivalents								2.2	-2.3
Less cash from discontinued operations	5							-51.6	0.0
<b>Cash and cash equivalents, end of year</b>								<b>435.2</b>	<b>324.2</b>

<sup>1</sup> Investments in operations Jan-Dec 2016 relates to additional purchase price of SEK 0.7 million to the founders of Fitness Market Nordic AB

<sup>2</sup> Divestment of operations Jan-Dec 2016 concerns purchase price related to the sale of Tretti AB

<sup>3</sup> Utilised credit facilities within Qliro Financial Services

<sup>4</sup> Other cash flow from/to financing activities relates to repayment of internal loan to Tretti AB in connection with divestment of operations

# Income statement – parent company

(SEK million)	Note	2016	2015
Net sales		17.5	19.9
<b>Gross profit/loss</b>		<b>17.5</b>	<b>19.9</b>
Administrative expenses		-65.2	-61.0
<b>Operating profit/loss</b>	22, 24, 25, 27	<b>-47.7</b>	<b>-41.1</b>
Profit/loss from shares in subsidiaries		-102.9	-25.8
Interest income and similar items		6.9	20.0
Interest expenses and similar items		-9.3	-2.5
<b>Profit/loss after financial items</b>	8	<b>-153.0</b>	<b>-49.4</b>
Group contributions received		-	41.9
Group contributions paid		-45.6	-154.1
<b>Profit/loss before tax</b>		<b>-198.6</b>	<b>-161.6</b>
Tax	9	20.9	29.7
<b>Profit/loss for the year</b>		<b>-177.7</b>	<b>-131.9</b>

# Statement of comprehensive income – parent company

(SEK million)	2016	2015
Profit/loss for the year	-177.7	-131.9
<b>Other comprehensive income</b>		
<i>Items that have been or can be reclassified to profit/loss for the year</i>	-	-
<b>Other comprehensive income for the year</b>	-	-
<b>Comprehensive income for the year</b>	<b>-177.7</b>	<b>-131.9</b>



# Balance sheet – parent company

(SEK million)	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Ongoing projects	10	0,0	1.6
<b>Total intangible non-current assets</b>		<b>0,0</b>	<b>1.6</b>
<i>Property, plant and equipment</i>			
Equipment	11	1.6	2.5
<b>Total property, plant and equipment</b>		<b>1.6</b>	<b>2.5</b>
<i>Financial non-current assets</i>			
Participations in Group companies	12	808.9	863.0
Deferred tax asset	9	114.2	93.3
<b>Total financial non-current assets</b>		<b>923.1</b>	<b>956.4</b>
<b>Total non-current assets</b>		<b>924.7</b>	<b>960.4</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables in Group companies		56.7	343.0
Other receivables		3.4	4.1
Prepaid expenses and accrued income	15	3.1	2.6
<b>Total current receivables</b>		<b>63.1</b>	<b>349.8</b>
Cash and bank balances	21	422.6	280.6
<b>Total cash and cash equivalents</b>		<b>422.6</b>	<b>280.6</b>
<b>Total current assets</b>		<b>485.7</b>	<b>630.3</b>
<b>Total assets</b>		<b>1,410.4</b>	<b>1,590.8</b>

## Accounts

(SEK million)	Note	31 December 2016	31 December 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>17</b>		
<i>Restricted equity</i>			
Share capital		300.9	300.9
Statutory reserve		0.8	0.8
<b>Total restricted equity</b>		<b>301.7</b>	<b>301.7</b>
<i>Non-restricted equity</i>			
Share premium reserve		1,076.5	1,076.5
Profit/loss brought forward		-188.9	-59.4
Profit/loss for the year		-177.7	-131.9
<b>Total non-restricted equity</b>		<b>709.9</b>	<b>885.2</b>
<b>Total equity</b>		<b>1,011.6</b>	<b>1,186.9</b>
<b>Provisions</b>			
Other provisions	9	0.0	-
Other provisions	18	0.7	0.9
<b>Total provisions</b>		<b>0.7</b>	<b>0.9</b>
<b>Current liabilities</b>			
Accounts payable		1.9	6.3
Current interest-bearing loans, Group companies		57.0	90.0
Other interest-bearing liabilities, Group companies		0.0	-
Liabilities to Group companies		323.7	297.1
Other liabilities		-0.2	-
Accrued expenses and prepaid income	19	15.7	9.7
<b>Total current liabilities</b>		<b>398.1</b>	<b>403.0</b>
<b>Total liabilities</b>		<b>398.8</b>	<b>403.9</b>
<b>Total equity and liabilities</b>		<b>1,410.4</b>	<b>1,590.8</b>

For information on pledged assets and contingent liabilities, see Note 20.

# Statement of changes in equity

## – parent company

(SEK million)	Note 17	Restricted equity		Non-restricted equity			Total equity
		Share capital	Reserves	Share premium reserve	Profit/loss brought forward	Profit/loss for the year	
<b>Opening balance, 1 January 2015</b>		<b>300.9</b>	<b>0.8</b>	<b>1,076.5</b>	<b>-38.6</b>	<b>-21.4</b>	<b>1,318.2</b>
<b>Comprehensive income for the year</b>							
Profit/loss for the year						-131.9	-131.9
<b>Comprehensive income for the year</b>		-	-	-	-	<b>-131.9</b>	<b>-131.9</b>
Appropriation of profits					-21.4	21.4	-
Share savings plan					0.5		0.5
<b>Closing balance, 31 December 2015</b>		<b>300.9</b>	<b>0.8</b>	<b>1,076.5</b>	<b>-59.6</b>	<b>-131.9</b>	<b>1,186.9</b>
<b>Opening balance, 1 January 2016</b>		<b>300.9</b>	<b>0.8</b>	<b>1,076.5</b>	<b>-59.6</b>	<b>-131.9</b>	<b>1,186.9</b>
<b>Comprehensive income for the year</b>							
Profit/loss for the year						-177.7	-177.7
<b>Comprehensive income for the year</b>		-	-	-	-	<b>-177.7</b>	<b>-177.7</b>
Appropriation of profits					-131.9	131.9	-
Share savings plan					2.5		2.5
<b>Closing balance, 31 December 2016</b>		<b>300.9</b>	<b>0.8</b>	<b>1,076.5</b>	<b>-188.8</b>	<b>-177.7</b>	<b>1,011.6</b>

# Cash flow statement

## – parent company

(SEK million)	Note	2016	2015
<b>Cash flow from operations</b>			
Profit/loss after financial items		-153.0	-49.4
Adjustments for items not included in cash flow	26	115.6	16.1
Income tax paid		-	-
<b>Cash flow from operating activities before change in working capital</b>		<b>-37.3</b>	<b>-33.4</b>
<i>Cash flow from changes in working capital</i>			
Increase (-)/decrease (+) in other current receivables		256.6	-47.8
Increase (+)/decrease (-) in accounts payable		-4.4	-7.5
Increase (+)/decrease (-) in other current liabilities		89.7	-102.3
<b>Total cash flow from changes in working capital</b>		<b>342.0</b>	<b>-157.6</b>
<b>Cash flow from operating activities</b>		<b>304.6</b>	<b>-191.0</b>
<b>Investing activities</b>			
Investment in shares in subsidiaries		-	-0.1
Sales of shares in subsidiaries	5	250.0	-
Investments in intangible non-current assets		-	-0.3
Investments in property, plant and equipment	11	-0.1	-1.0
<b>Cash flow from investing activities</b>		<b>249.9</b>	<b>-1.3</b>
<b>Financing activities</b>			
New share issue	6, 12	-50.0	-
Shareholder contribution paid out	12	-247.1	-40.2
Group contributions paid out		-154.1	-107.4
Group contributions received		41.9	125.2
<b>Cash flow from financing activities</b>		<b>-409.2</b>	<b>-22.4</b>
<b>Cash flow for the year</b>		<b>145.3</b>	<b>-214.7</b>
Cash and cash equivalents, start of year		280.6	495.3
<b>Cash and cash equivalents, end of year</b>		<b>422.6</b>	<b>280.6</b>

# Notes

## Note 1 General information

Qliro Group AB has its registered office in Stockholm, Sweden. The company's address is Sveavägen 151, Box 195 25, SE-104 32 Stockholm, Sweden. The consolidated income statements and balance sheets as at 31 December 2016 include the parent company and its subsidiaries. Qliro Group is listed on the NASDAQ OMX Stockholm exchange under the ticker symbol "QLRO".

This annual report was approved for publication by the Board and CEO on 3 April 2017.

## Note 2 Accounting policies and valuation principles

### 2.1 Compliance with standards and laws

The consolidated accounts were prepared per International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as well as interpretive statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved for application within the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups has also been applied when preparing the consolidated accounts.

The parent company applies the same accounting policies as the Group, except where otherwise stated below in the parent company accounting policies section.

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. The financial statements are therefore presented in the Swedish krona. All amounts are rounded off to the nearest million, unless otherwise specified.

The accounting policies specified below, with their detailed exceptions described below, were applied consistently to all periods presented in the consolidated financial statements.

#### 2.1.1. Information on IFRS standards or interpretations that have come into effect in 2016

The IFRS standards effective as of 2016 had no impact on the consolidated accounts.

#### 2.1.2 Information on IFRS standards or interpretations that have not yet come into effect

##### *IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement.*

Through IFRS 9, the IASB has prepared an entire "package" of changes in accounting for financial instruments. The package contains new bases for classification and measurement of financial instruments, a forward-looking ("expected loss") impairment model and simplified stipulations for hedge accounting. IFRS 9 will come into effect in 2018 and earlier application is permitted.

The evaluation of the effects on Qliro Group's accounting

when IFRS 9 is applied is under way. Monetary effects have not yet been estimated, but will begin to take shape as the implementation project continues in 2017.

IFRS 9 has brought about changes in the disclosure requirements in IFRS 7 Financial Instruments: Disclosures, which will affect the information provided. The extent of these changes for Qliro Group is not yet known or estimated.

*IFRS 15 Revenue from Contracts with Customers.* The aim of a new revenue standard is to have a single principle-based standard for all industries to replace existing standards and statements of income. Sectors deemed most affected are the telecommunications, software, real estate, aviation, defence and construction industries as well as companies engaged in contract manufacturing. All businesses will be affected by the new, significantly increased disclosure requirements. Three alternative methods are available for the transition: full retroactivity, partial retroactivity (includes relief rules) and a "cumulative effect approach" where equity is adjusted per 1 January 2018 for contracts that are ongoing under the old regulations (IAS 11/IAS 18). IFRS 15 will come into effect in 2018 and earlier application is permitted.

The evaluation of the effects on Qliro Group's accounting when IFRS 15 is applied is under way. Monetary effects have not yet been estimated except for the overall level mentioned below. The assessments of the effects described below are based on information currently known or estimated. Choices concerning transitional methods will be made when the analysis of IFRS 15 has reached a phase that provides more complete information than at present.

Sales of goods are recognised at present when the goods are delivered to the customer, which is deemed to be the date when the risks and rewards associated with the goods are transferred to the customer.

Based on the above, no significant impact on the period allocation of revenue is expected. Finally, it is noted that IFRS 15 includes expanded disclosure requirements regarding revenue, which will expand the content of the notes.

*IFRS 16 Leases.* New standard related to accounting of leases. For lessees the classification under IAS 17 in operational and financial leasing disappears, to be replaced with a model in which assets and liabilities for all leases shall be recognised in the balance sheet. There are exceptions to recognition in the balance sheet for leasing contracts of lesser value and contracts that have a term of 12 months or less. In the income statement, amortisation is recognised separately from interest expenses related to the lease liability. IFRS 16 will be applied from 1 January 2019. Earlier application is permitted provided that IFRS 15 is also applied from the same date.

As an operating lessee, Qliro Group will be affected by the introduction of IFRS 16. Calculations of the impact of IFRS 16 and choices regarding transitional methods have not yet been

*Note 2, continued*

implemented. The information provided in Note 22 on operating leases gives an indication of the type and scope of the agreements that currently exist.

Other publicised changes in accounting standards with future application should not have any significant effect on the consolidated accounting.

**2.1.3 Enhanced presentation of accounts and notes**

In order to clarify the development of the Group's financial results and position, Qliro Group has chosen to add a breakdown showing what is attributable to "E-commerce" and what is attributable to "Financial Services" in the income statement, statement of financial position and statement of cash flow. E-commerce consists of the segments CDON Marketplace, Nelly, Gymgrossisten, Lekmer and the Group's central operations. Financial Services consists of Qliro Financial Services. The same division has also been made in the notes as far as possible.

**2.1.4 Valuation methods used in preparing the financial statements**

Assets and liabilities are recognised at historical cost, except for financial assets and financial liabilities, which are recognised at amortised cost.

**2.2 Classification**

Non-current assets and non-current liabilities are essentially expected to be recovered or paid 12 months or more after the end of the reporting period. Current assets and current liabilities essentially comprise amounts expected to be recovered or paid within 12 months of the end of the reporting period.

**2.3 Operating segment reporting**

An operating segment is a Group entity that engages in activities that may generate income and incur expenses, and for which separate financial information is available. An operating segment's earnings are regularly reviewed by the company's chief operating decision maker to assess performance and allocate resources to the operating segment. See Note 4 for further information on the division and presentation of operating segments. To clarify the Group's various activities, the operating segments have also been divided into two parts: E-Commerce and Financial Services.

**2.4 Consolidation principles and business combinations**  
**Subsidiaries**

Subsidiaries are companies over which Qliro Group AB has a controlling interest. Controlling interest means, directly or indirectly, the right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When assessing whether there is a controlling interest, potential voting shares that can be used or converted immediately are taken into account.

**Acquisitions**

Subsidiaries are recognised using the acquisition method. With this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for those transaction expenses attributable to issued equity or debt instruments, are recognised directly in profit/loss for the year.

In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, it is recognised directly in profit/loss for the year.

Compensation transferred in connection with the acquisition does not include payments for the settlement of past business relationships. This type of settlement is recognised in profit/loss.

Contingent considerations are recognised at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done and adjustments are made in equity. Other contingent considerations are revalued at each reporting date and the change is recognised in profit/loss for the year.

Non-controlling interest arises in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognising non-controlling interest: (1) recognise the non-controlling interest's share of proportional net assets, or (2) recognise non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognising non-controlling interest can be done individually for each acquisition.

For step acquisitions, goodwill is determined on the date control is taken. Previous holdings are assessed at fair value and changes in value are recognised in profit/loss for the year.

Disposals leading to loss of controlling interest but where holdings are retained are assessed at fair value and the change in value is recognised in profit/loss for the year.

**Acquisition of non-controlling interest**

Acquisitions of non-controlling interest are recognised as a transaction in equity, that is, between the parent company's owners (in retained earnings) and the non-controlling interest. Therefore, no goodwill arises in these transactions. The change in non-controlling interest is based on its proportional share of net assets.

**Transactions eliminated at consolidation**

Intra-group receivables and liabilities, income or expenses, and unrealised gains or losses that arise from intra-group transactions between Group companies are entirely eliminated in preparation of the consolidated accounts.

Note 2, continued

## 2.5 Foreign currency

### 2.5.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate that applied on the transaction date. The functional currency is the currency used in the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate applicable at the end of the reporting period. Exchange differences arising from the translations are recognised in profit/loss for the year.

### 2.5.2 Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the Group's reporting currency, the Swedish krona, at the exchange rate applicable at the end of the reporting period. Income and expenses in foreign operations are translated to the Swedish krona at an average rate that is an approximation of the exchange rates on the respective transaction date. Translation differences that arise from currency translation of foreign operations are otherwise recognised in comprehensive income and are accumulated in a separate component of equity called the translation reserve. In the event that the foreign operation is wholly owned, the translation difference is allocated to non-controlling interest based on its proportional participating interest. When divesting foreign operations, they are realised in the operation for accumulated translation differences, where they are reclassified from the translation reserve in equity to profit/loss for the year. In cases where divestment occurs but controlling interest is retained, the proportional share of cumulative translation differences is transferred from other comprehensive income to non-controlling interest.

## 2.6 Revenue

### 2.6.1 Sale of goods and rendering of services

Revenue from the sale of goods is recognised in accordance with the terms of sale, that is, when the goods are submitted to the transport agent, net of returns. Since the majority of sales are made to consumers who, depending on the country, most often have a legal right to return goods when trading over long distances, the deduction for returns is a relatively significant item. Group revenue reflects seasonal variations. Fourth-quarter revenue significantly exceeds the other quarters due to Christmas shopping.

Revenue from the sale of services is recognised when services are delivered.

### 2.6.2 Bartering

Bartering refers to the exchange of gift vouchers for other goods or services. Bartering is recognised at the fair value of the goods or services. The fair value is determined from existing contracts

for the same type of services with other customers. Revenue from bartering is recognised when the gift voucher is redeemed; the expense is booked when the goods or services are used.

### 2.6.3 Revenue from Qliro Financial Services

Revenue from interest and fees that is attributable to the activities of Qliro Financial Services is recognised under consolidated net sales.

## 2.7 Leasing

### 2.7.1 Operating leases

Expenses pertaining to operating leases are recognised in profit/loss for the year on a straight-line basis over the lease term. Incentives received in conjunction with signing a lease are recognised in profit/loss for the year as a reduction of the lease payments on a straight-line basis over the lease term. Variable charges are expensed in the periods in which they arise. See Note 22.

### 2.7.2 Financial leases

In reporting financial leasing, the asset is recognised as a non-current asset in the consolidated statement of financial position and is initially valued at the lower of the leasing object's fair value and the present value of the minimum lease fees at inception of the contract. Expenditures that are directly attributable to the lease are added to the asset's value. The corresponding obligation of future lease payments is recognised as a current or non-current liability. The leased assets are written off over the asset's useful life, while lease payments are recognised as interest and amortisation of debt.

Minimum lease payments are apportioned between interest expense and amortisation of the outstanding debt. Interest expenses are distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the balance of the liability. Variable charges are expensed in the periods in which they arise.

## 2.8 Financial income and expenses

Financial income comprises interest income on invested funds.

Financial expenses comprise interest expenses on loans. Borrowing costs are recognised in profit/loss using the effective interest method. Interest expenses that are attributable to liabilities that finance the activities of Qliro Financial Services are recognised under consolidated financial expenses.

Exchange gains and exchange losses are recognised net: operating-related in operating profit/loss and financial with financial items.

Effective interest is the interest that discounts estimated future payments and disbursements during a financial instrument's expected term at the financial asset's or liability's recognised net value. The calculation includes all fees paid or received by the parties to the contract, transaction costs and all other surplus and deficit values.

Note 2, continued

## 2.9 Taxes

Income taxes comprise current and deferred tax. Income taxes are recognised in profit/loss for the year, except when the underlying transaction is recognised in other comprehensive income or equity, in which case the related tax effect is recognised in other comprehensive income or equity.

Current tax is tax that is payable or receivable for the current year, according to the tax rates enacted or for all practical purposes enacted at the end of the reporting period. Current tax also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not considered in consolidated goodwill or for differences that arise in initial recognition of assets and liabilities that are not business combinations, which at the time of the transaction affect neither recognised nor taxable earnings.

Also not considered are temporary differences that are attributable to interests in subsidiaries that are not expected to be reversed within the foreseeable future. Measurement of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates and regulations enacted or for all practical purposes enacted at the end of the reporting period.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognised if it is deemed probable that they can be used. The value of deferred tax assets is reduced when their use is no longer deemed probable.

Any additional income tax that arises in conjunction with dividends is recognised as a liability when the dividend is recognised.

## 2.10 Financial instruments

Financial instruments recognised in the statement of financial position include cash and cash equivalents, loans receivable, and accounts receivable among the assets and accounts payable and loans payable among the liabilities.

### 2.10.1 Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the contractual provisions of the instrument. A receivable is carried when the company has rendered a service or supplied a product and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are carried in the statement of financial position when an invoice is sent. Liabilities are carried when the counterparty has rendered a service or supplied a product and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are carried when an invoice is received.

Financial assets are removed from the statement of financial position when the entitlements of agreements are realised, fall due, or the company loses control of them. The same applies to part of a financial asset. Financial liabilities are removed from the statement of financial position when contractual obligations are fulfilled or are otherwise extinguished. The same applies to part of a financial liability.

In some cases, the Group sells receivables to external factoring companies. Normally, a full transfer of credit risk occurs, which means that all significant risks and rewards are in essence transferred to the external party. The sold receivables are then derecognised from the statement of financial position. The difference between the carrying amount of the sold receivable and the price paid for the receivable by the factoring company is recognised in the income statement.

Financial assets and financial liabilities are offset and recognised at the net amount in the statement of financial position only when there is a legal offset right for the amounts and the intention is to (1) settle the items at a net amount, or (2) realise the asset and settle the liability simultaneously.

Acquisition and divestment of financial assets are recognised on the settlement date, which is the date the asset is delivered to or from the company.

### 2.10.2 Classification and measurement

Financial instruments that are not derivatives are initially recognised at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments apart from those in the category of financial assets at fair value through profit or loss; these are recognised at fair value excluding transaction costs. A financial instrument is classified at initial recognition based in part on the purpose for which it is acquired. The classification determines how the financial instrument is valued after initial recognition, as described below.

Cash and cash equivalents consist of cash resources.

### 2.10.3 Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets that have fixed or determinable payments and are not quoted on an active market. These assets are valued at amortised cost, which is determined on the basis of the effective rate as calculated at the time of acquisition. Accounts receivable are recognised at the amounts expected to be received, that is, less bad debts.

### 2.10.4 Financial liabilities

This category contains loans and other financial liabilities, such as accounts payable. Liabilities are valued at amortised cost.

Consolidated financial assets and liabilities are allocated to the categories described in Note 20 Financial instruments and financial risk management. Recognition of financial income and expenses is also described in section 2.8 above.



Note 2, continued

## 2.11 Property, plant and equipment

Property, plant and equipment are recognised in the consolidated accounts at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to ensuring the asset is in place and in the right condition to be used as intended. Borrowing costs that are directly attributable to the purchase, construction, or production of assets that require a substantial amount of time to ready for their intended use or sale are included in the cost.

The carrying amount of an item of property, plant or equipment is derecognised from the statement of financial position upon retirement or sale or when no future economic benefits are expected from the asset's retirement/sale. Gains or losses that arise from an asset's retirement or sale comprise the difference between the selling price and the carrying amount, less direct selling expenses. Gain and loss are recognised as other operating income/expense.

### 2.11.1 Depreciation principles for property, plant and equipment

Depreciation occurs on a straight-line basis over the estimated useful life of the asset. Depreciation methods, residual values and useful lives are reassessed at each year-end.

Estimated useful lives:

Equipment 3–10 years

## 2.12 Intangible assets

### 2.12.1 Intangible assets with indefinite useful lives

#### 2.12.1.1 Goodwill

Goodwill is valued at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested at least once a year for impairment (see accounting policy 2.15).

#### 2.12.1.2 Trademarks

Trademarks are carried at cost, less any accumulated impairment losses. Trademarks are allocated to cash-generating units and are tested at least once a year for impairment (see accounting policy 2.15).

### 2.12.2 Intangible assets with defined useful lives

#### 2.12.2.1 Development expenses

Development expenses for creating new or improved products or processes are recognised as assets in the statement of financial position if the product or process is technically and commercially viable and the Group has sufficient resources to complete the development. The carrying amount includes direct costs and, where applicable, expenses for salaries and share of indirect expenses. Other expenses are recognised in the income statement as expenses when they arise. In the statement of financial position, capitalised development expenses are carried at cost, less accumulated amortisation and any impairment losses. Capitalised expenses refer mainly to software and software platforms.

#### 2.12.2.2 Domains

Domains are recognised at cost less accumulated amortisation (see below) and impairment loss (see accounting policy 2.15).

#### 2.12.2.3 Customer relationships

Customer relationships are recognised at cost less accumulated amortisation (see below) and impairment loss (see accounting policy 2.15).

### 2.12.3 Amortisation method for intangible assets

Amortisations are recognised in profit/loss for the year on a straight-line basis over the estimated useful life of the intangible asset, provided such useful life is indefinite. Useful lives are reassessed at least once a year. Goodwill and trademarks with indefinite useful lives are tested for impairment annually and when there are indications that the asset has lost value. Intangible assets with determinable useful lives are amortised from the date on which they become available for use.

Estimated useful lives:

Development expenses 5 years

Domains 5 years

Customer relationships 4–5 years

## 2.13 Inventories

Inventories are valued according to the lowest value principle, which means the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventory is based on weighted averages and includes expenses incurred in the acquisition of goods and bringing the goods to their present state and location. Provisions for obsolescence are included in cost of goods sold.

### 2.14 Cost of sales related to Qliro Financial Services

Credit losses, commission fees and postage charges attributable to the activities of Qliro Financial Services are recognised in the consolidated income statement under cost of sales.

## 2.15 Impairment losses

The Group's recognised assets are assessed at the end of every reporting period to determine whether indications of impairment exist. IAS 36 is applied to impairment of assets other than financial assets, which are recognised as per IAS 39.

### 2.15.1 Impairment of tangible and intangible assets

The recoverable amount of the asset is calculated if there is indication of impairment (see below). The recoverable amount is also calculated annually for goodwill, trademarks and intangible assets that are not yet ready for use. If substantially independent cash flows to an individual asset cannot be established, and if the asset's fair value less selling expenses cannot be used, then assets are grouped in impairment testing at the lowest level at which

*Note 2, continued*

substantially independent cash flows can be identified – this grouping is called a cash-generating unit (CGU).

An impairment charge is recognised when the carrying amount of an asset or CGU (group of units) exceeds the recoverable amount. Impairment loss is recognised in profit/loss for the year as an expense. When impairment has been identified for a CGU (group of units), the impairment loss is first allocated to goodwill. Thereafter, impairment losses are distributed proportionately among other assets included in the unit (group of units).

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted using a discount rate that accounts for risk-free interest and the risk associated with the specific asset.

### 2.15.2 Impairment of financial assets

On each reporting date, the company determines if there is any objective evidence that a need exists to recognise an impairment loss on any financial asset or group of assets. Objective evidence comprises observable past events that adversely affect the possibility of recovering the cost.

Accounts receivable impairment is determined based on historical experience of bad debts on similar receivables. Accounts receivable with impairment is recognised at the value of expected future cash flows. Under normal circumstances, accounts receivable are impaired by 100% after 90 days.

### 2.15.3 Reversal of impairment losses

Impairment losses on assets included in the scope of IAS 36 are reversed if there is (1) an indication that impairment has ceased and (2) a change in the assumptions that formed the basis of calculating the recoverable amount. Impairment losses on goodwill are never reversed. A reversal only occurs to the extent that the asset's carrying amount (after reversal) does not exceed the carrying amount that would have been recognised (less depreciation or amortisation, where applicable), had no impairment loss been recognised.

Impairment losses on loans and accounts receivables recognised at amortised cost are reversed if the previous reasons for impairment no longer exist and full payment from the customer is expected to be received.

## 2.16 Capital payments to shareholders

### 2.16.1 Dividends

Dividends are recognised as a liability after approval at the AGM.

### 2.16.2 Acquisition of own shares

Acquisition of own shares is recognised as a deductible item from equity. Payment from divestment of such equity instruments is recognised as an increase in equity. Any transaction expenses are recognised directly in equity.

## 2.17 Earnings per share

The calculation of earnings per share is based on consolidated profit/loss for the year attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, earnings and the average number of shares are adjusted to account for effects of diluted potential ordinary shares. For the reported periods, the parent company had one class of instrument that may generate potential dilution in the future: custodial C shares attributable to the Group incentive programme. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2016 or 2015.

## 2.18 Employee benefits

### 2.18.1 Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognised as a cost when the related services are rendered.

A provision is recognised for the expected cost of bonus payments when the Group has an applicable legal or constructive obligation to make such payments due to services being rendered by employees, and the commitment can be reliably calculated.

### 2.18.2 Defined contribution pension plans

Defined contribution plans are plans wherein the company's obligation is limited to the contributions the company has undertaken to pay. In such cases the size of the employee's pension depends on the contributions the company pays to the plan or to an insurance company and the contributions' return on capital. The employee thus bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will not suffice to pay out the expected remuneration). The company's obligations for contributions to defined contribution plans are recognised as an expense in profit/loss for the year at the rate earned by the employee performing services for the company over a period.

### 2.18.3 Termination benefits

An expense for remuneration paid on termination of employment is only recognised if the company is demonstrably committed – without realistic option of withdrawal – to a detailed formal plan to terminate an employment contract before the normal end date. If benefits are offered to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

### 2.18.4 Share-based payments

The Group has incentive programmes directed to certain employees that consist of shareholder rights and employee options. The fair value of the programmes is measured as of the grant date. The fair value includes social security contributions and is dis-

*Note 2, continued*

tributed over the vesting period, based on the Group's estimate of the number of shares and employee options that will eventually be redeemed. The fair value expense is reported in the income statement as employee costs and including the corresponding equity increase. Fair value is revalued each month for social security contributions and is adjusted in future periods to eventually reflect the number of shares and employee options that will eventually be redeemed. See Note 24.

The Group also has a synthetic call option programme directed at employees of the subsidiary Qliro Financial Services. The programme gave the employees the right to acquire the options at market price and gives the employees the right to receive an amount based on the change in value of Qliro Financial Services. However, payment to participants is made with shares in the parent company. Because the programme is aimed at employees and the payment is made with shares in the parent company, it is recognised as an equity compensation benefit. Payment from the employees is recognised as an increase in equity.

**2.19 Provisions**

A provision differs from other liabilities because of prevailing uncertainty about payment date or the amount required to settle the provision. A provision is recognised on the statement of financial position when there is an existing legal or informal obligation due to a past event, and it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount allocated to a provision is the best estimate of what is required to settle the existing obligation on the reporting date. When the payment date has a material impact, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects (1) current market estimates of the time value of money and (2) where applicable, the risks associated with the liability.

**2.20 Discontinued operations**

A discontinued operation is a component of a company's operations that represents an independent business or a significant business within a geographical area or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon divestment or at an earlier date when the business meets the criteria for classification as held for sale. Profit/loss after tax from discontinued operations is recognised on a separate line in the income statement and statement of other comprehensive income. When a business is classified as discontinued, the formation of the comparative year's income statement and statement of other comprehensive income is changed so that it is recognised as if the discontinued operation were sold off at the start of the comparative year. The formation of the statement of financial position for the current and previous year is not changed in the same way.

**2.21 Contingent liabilities**

A contingent liability is recognised when there is a possible obligation from past events, and the occurrence of the obligation is only confirmed by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision since it is not probable that an outflow of resources will be required.

**2.22 Parent company accounting policies**

The parent company prepared its annual accounts as per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board. The Swedish Financial Reporting Board's statement on listed companies is also applied. RFR 2 means that, in the annual report for the legal entity, the parent company must apply all EU-approved IFRS and interpretations as far as possible within the framework of the Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and with regard to the connection between accounting and taxation. The recommendation states which exceptions from and additions to IFRS must be applied.

**2.22.1 Differences between accounting policies of the Group and parent company**

The differences between Group and parent company accounting policies are stated below. The parent company's accounting policies described below were applied consistently to all periods reported in the parent company's financial statements.

*2.22.1.1 Changes to accounting policies*

Unless otherwise indicated below, changes to the parent company's accounting policies in 2016 were the same as stated above for the Group.

*2.22.1.2 Classification and presentation*

The parent company uses the names Balance Sheet and Cash Flow Statement for the reports that in the Group are called Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. The parent company's income statement and balance sheet are prepared in accordance with the Swedish Annual Accounts Act's schedule, while the statement of comprehensive income, statement of changes in equity, and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in parent company reporting versus Group reporting as seen in the parent company income statement and balance sheet mainly comprise reporting of financial income and expenses, equity, and the occurrence of provisions as a separate heading in the balance sheet.

### 2.22.1.3 Subsidiaries

Participations in subsidiaries are recognised in the parent company using the cost method. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the consolidated accounts, transaction costs related to subsidiaries are recognised directly in profit/loss for the year when they arise.

Contingent considerations are valued based on the probability that the purchase price will be payable. Any changes to the provision increases/decreases the cost. In the consolidated accounts, contingent considerations are recognised at fair value with changes in value via earnings.

### 2.22.1.4 Group contributions and shareholder contributions for legal entities

The parent company reports Group contributions received and paid as balance sheet appropriations in accordance with RFR 2. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participating interests of the issuer, to the extent impairment is not required.

## Note 3 Estimates and assessments

Preparation of the financial statements using IFRS requires that the Board and company management make assessments, estimates, and assumptions that affect application of the accounting policies and the recognised amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on historic experience and several other factors that are judged to be reasonable taking current conditions into consideration. Resulting estimates and assumptions are used to determine the estimated value of assets and liabilities that are not otherwise clear from other sources. The actual outcome may differ from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period when the change is made – if the change only affected that period. If the change affects current and future periods, it is recognised in the period when the change is made and in future periods. The development, selection of, and disclosures regarding the Group's significant accounting policies and estimates, and the application of these policies and estimates, are reviewed by the Qliro Group's Audit Committee.

### Key sources of uncertainties in estimates

Note 10 contains information about the assumptions and risk factors regarding impairment testing of goodwill and other intangible assets with indefinite useful lives. Note 18 includes a description of provisions made.

### Goodwill and other intangible non-current assets

Goodwill and other intangible assets with indefinite useful lives are tested annually for impairment or when evidence demonstrates a need for impairment. The impairment test requires that management determines the fair value of cash-generating units on the basis of projected cash flows and internal business plans and forecasts. See Note 10 Intangible assets for further information.

### Deferred tax asset

The Group's deferred tax assets are based on loss carryforwards in the Swedish operations. Management has made assumptions and assessments about the company's future earnings potential and, based on this, the scope for future utilisation of these loss carryforwards is evaluated.

### Obsolescence assessment of inventories

Inventories are reviewed at the close of accounts each month to determine possible impairment. An impairment loss is recognised in cost of goods sold at the amount which, after careful evaluation, the inventory is considered obsolete. If true obsolescence differs from estimates or if management makes future adjustments to the assumptions, changes in valuation can affect the period's earnings and financial position.

### Assessment of returns rate

At the close of accounts each month, the provision requirement associated with future returns is assessed. The assessment is carried out based on historic outcome and actual sales. The provision requirement is recognised as a reduction in net sales, with the equivalent adjustment being made to cost of sales.

### Assessment of impairment of loans and other receivables

The value of the Group's loans and receivables is tested regularly. If required, loans and receivables are written down to their assessed recoverable amounts. The estimated recoverable amount is based on an assessment of the counterparty's financial repayment capacity. For collectively valued loans and receivables, the future cash flows are estimated based on things such as assumptions of how observable data may result in loan losses. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular monitoring and follow-up.

Note 3, continued

### Provisions and contingent liabilities

Liabilities are recognised when there is a present obligation as a result of a past event, when it is probable that an outflow of economic benefits will occur and a reliable assessment of the amount can be made. In these cases, a calculation of the provision is made and recognised in the statement of financial position. A contingent liability is recognised in the notes when a possible obligation is incurred, but whose existence can only be confirmed by one or more uncertain future events beyond the Group's control, or when it is not possible to calculate the amount. Realisation of contingent liabilities that are not recognised or not included in the annual report can have a material effect on the Group's financial position.

The Group regularly reviews significant outstanding disputes to determine the need for provisions. Among the factors considered in such an assessment are the type of litigation or summons, the amount of any damages, the development of the case, perceptions of legal and other advisers, experience from similar cases, and decisions of Group management regarding the Group's actions concerning these disputes. Estimates do not necessarily reflect the outcome of pending litigation, and differences between outcome and estimate may significantly affect the company's financial position and have an unfavourable impact on operating income and liquidity. For additional information, see Note 18 Provisions.

### Note 4 Segment reporting

Group operations are divided into five segments. The head of each segment regularly reports to Group management, the Group's highest operative decision-maker. The Group's internal reporting is designed so that Group management can follow each segment's revenue growth and operating performance.

- CDON Marketplace – CDON Marketplace is one of the leading online marketplaces in the Nordics with a wide range of products that covers everything from home electronics to sports & leisure, furniture and toys.
- Nelly – Operations in Nelly.com are conducted through the online stores Nelly, NLYman and Members, which sell clothes and accessories.
- Gymgrossisten – Operations are conducted through the online stores Gymgrossisten (Fitnessstukku.fi in Finland, Gymsector.de in Germany, Gymsector.at in Austria, Gymsector.com for most other EU countries, Bodystore.dk in Denmark), Bodystore, Milebreaker and Fitness Market Nordic. Gymgrossisten sells nutritional supplements and products for sports training.
- Lekmer – Lekmer is one of the Nordic region's largest online stores for toys and children's products.
- Qliro Financial Services – Operations are conducted through the payment and consumer financing solution Qliro, which is a service that enables safe online shopping for consumers.

#### Group-wide

In 2016 the parent company provided the Group segments with specific services. These sales were conducted at cost price. Qliro Group Services AB provided some Group segments with staffing services. Pricing of these services was based on market terms. In 2015, Group-wide also included CDON Group Logistics AB, which provided some Group segments with logistics services.

## Notes

### Note 4, continued

Group (SEK million)	2016												
	CDON	Nelly <sup>1</sup>	Gym-grossis-ten	Lekmer	Group wide <sup>1</sup>	Elim.	Total E-commerce	QFS	Elim.	Consoli-dating adjust-ment <sup>2</sup>	Total Financial Services	Elim.	Group total
External net sales	1,724.6	1,226.5	805.7	496.0	7.0		<b>4,259.8</b>	208.8			<b>208.8</b>		<b>4,468.6</b>
Internal net sales	26.5	17.3	4.3	5.9	0.5	-5.0	<b>49.4</b>	4.9			<b>4.9</b>	-54.4	-
Cost of sales							-3,640.8				-104.6	54.4	-3,691.0
Sales and admin-istrative expens-es, excluding depreciation and impairment							-700.0				-95.4	2.9	-792.5
Other operating income							3.1				12.3	-2.9	12.4
Other operating expenses							-3.6				-0.1	0.0	-3.7
EBITDA	-10.1	59.9	50.7	-78.6	-54.1		-32.1	25.1		0.9	26.0		-6.2
Depreciation, amortisation and impairment	-27.2	-29.8	-3.3	-3.3	-2.5		-66.0	-14.4			-14.4		-80.4
Operating profit/loss	-37.3	30.1	47.5	-81.9	-56.6		-98.2	10.7		0.9	11.6		-86.6
Financial income							17.6				0.0	-7.1	10.5
Financial expenses							-17.5				-8.4	7.1	-18.8
<b>Profit/loss before tax</b>							<b>-97.9</b>				<b>3.2</b>	-	<b>-94.7</b>

Group (SEK million)	2015												
	CDON	Nelly <sup>1</sup>	Gym-grossis-ten	Lekmer	Group wide <sup>1</sup>	Elim.	Total E-commerce	QFS	Elim.	Consoli-dating adjust-ment <sup>2</sup>	Total Financial Services	Elim.	Group total
External net sales	1,822.9	1,182.6	848.8	476.6	8.0		<b>4,338.9</b>	91.8			<b>91.8</b>		<b>4,430.6</b>
Internal net sales	30.6	14.4	3.1	5.2	123.6	-127.3	<b>49.7</b>	5.7			<b>5.7</b>	-55.4	-
Cost of sales							-3,767.8		55.4		-85.9	55.4	-3,798.3
Sales and admin-istrative expens-es, excluding depreciation and impairment							-681.4		0.9		-52.8	0.9	-733.3
Other operating income							3.6		-0.9		13.2	-0.9	15.9
Other operating expenses							0.0		0.0		0.0	0.0	0.0
EBITDA	9.2	-11.7	50.7	-75.8	-29.5		-57.1	-20.8		-7.2	-28.0		-85.1
Depreciation, amortisation and impairment	-10.1	-7.7	-3.2	-1.8	-8.4		-31.2	-7.5			-7.5		-38.6
Operating profit/loss	-0.9	-19.4	47.6	-77.7	-37.9		-88.3	-28.3		-7.2	-35.5		-123.8
Financial income							20.8				0.0	-9.5	11.3
Financial expenses							-26.1				-1.8	9.5	-18.4
<b>Profit/loss before tax</b>							<b>-93.6</b>				<b>-37.3</b>	-	<b>-130.9</b>

The tables above show continuing operations, i.e. Tretti (divested in 2016) is excluded.

<sup>1</sup> CDON Group Logistics (CGL) is included in Nelly from 2016, since CGL only manages warehouse operations for Nelly (after CDON and Lekmer's move from the warehouse in Falkenberg in 2015).

<sup>2</sup> Consolidated adjustment between Qliro Financial Services and internal clients, attributable to differences in when expense/income is recognised.

Note 4, continued

No individual customer account represents more than 10% of Group revenue.

The Group's segments operate mainly in the Nordics. Revenues and non-current assets are shown below by geographical area. Sales are recognised by country of sale, that is, the country in which the recipient is located.

(SEK million)	Net sales		Non-current assets	
	2016	2015	2016	2015
Sweden	2,494.6	2,435.1	592.4	855.6
Norway	927.9	901.2	-	-
Finland	617.0	624.7	23.0	24.7
Denmark	327.9	344.3	0.1	1.5
Rest of world	101.1	125.3	-	-
<b>Total</b>	<b>4,468.6</b>	<b>4,430.6</b>	<b>615.4</b>	<b>881.8</b>

Sales per type of income (SEK million)	2016	2015
Products	4,169.9	4,250.7
Services	298.7	179.9
<b>Total revenue</b>	<b>4,468.6</b>	<b>4,430.6</b>

## Note 5 Discontinued operations

### Discontinued operations 2016:

On 15 June 2016, Qliro Group AB announced that it had entered into an agreement on the sale of its subsidiary Tretti AB to WhiteAway Group. Tretti AB was an independent segment within the Qliro Group. The sale of Tretti AB was completed on 31 August 2016, following approval from the Swedish Competition Authority.

The purchase price amounted to SEK 250 million, corresponding to an enterprise value of approximately SEK 180 million. A loss before tax of SEK -110.6 million was recognised. The capital gain tax was SEK 0 million, resulting in a loss after tax of SEK -110.6 million.

Group (SEK million)	2016	2015
Income	462.7	743.5
Expenses	-469.4	-742.7
<b>Profit/loss before tax</b>	<b>-6.8</b>	<b>0.8</b>
Tax	0.1	-0.1
<b>Profit/loss after tax but before capital gains from sale of operations</b>	<b>-6.7</b>	<b>0.7</b>
Capital gain on divestment of discontinued operation	-103.9	-
Tax attributable to above stated capital gain	-	-
Profit/loss from divestment after tax	-103.9	-
<b>Profit/loss from discontinued operations after tax</b>	<b>-110.6</b>	<b>0.7</b>
<b>Earnings per share from discontinued operations</b> basic and diluted, SEK	-0.74	0.0

SEK -110.6 million (0.7) of loss from discontinued operations is attributable to owners of the parent. Of the loss of SEK -75.8 million (-102.4) from continuing operations, SEK -75.1 million (-102.4) is attributable to owners of the parent.

### Net cash flows from discontinued operations

Group (SEK million)	2016	2015
Cash flow to/from operating activities	202.6	-11.8
Cash flow to/from investing activities	-1.9	-5.2
Cash flow to/from financing activities	-2.3	-5.4
<b>Net cash flow from discontinued operations</b>	<b>198.4</b>	<b>-22.3</b>

### Effect of divestment on individual Group assets and liabilities

Group (SEK million)	2016	2015
Intangible assets	-198.0	-299.6
Property, plant and equipment	-4.4	-4.9
Inventory	-78.7	-79.8
Accounts receivable and other receivables	-35.6	-96.0
Cash and cash equivalents	-51.7	-4.8
Deferred tax liability	10.7	10.7
Accounts payable and other liabilities	107.8	117.8
<b>Net divested assets and liabilities</b>	<b>-250.0</b>	<b>-356.6</b>
Purchase price received	250.0	0.0
Less cash and cash equivalents in divested operations	-51.6	0.0
<b>Effect on cash and cash equivalents</b>	<b>198.4</b>	<b>0.0</b>

### Discontinued operations 2015:

No operations were divested in 2015.

## Note 6 Business combinations

### Acquisitions in 2016

No acquisitions were made in 2016.

### Acquisitions in 2015

During the year the Group acquired 100 per cent of the shares in Fitness Market Nordic AB. This acquisition is reported in the Gymgrossisten segment.

Acquired net assets (SEK thousands)	Carrying amount
Inventory	0.6
Accounts receivable and other receivables	0.8
Cash and cash equivalents	0.2
Other non-current interest-free liabilities	-0.4
Accounts payable and other liabilities	-1.5
<b>Net identifiable assets and liabilities</b>	<b>-0.3</b>
Consolidated goodwill	0.7
<b>Purchase price</b>	<b>0.4</b>

#### Transaction expenses

Transaction expenses for the acquisition of Fitness Market Nordic AB amounted to SEK 0.1 million and are recognised in the line item "Sales & administrative expenses" in the consolidated income statement.

## Note 7 Other operating income and expenses

(SEK million)	Group								Parent company	
	E-commerce		Financial services		Eliminations		Qliro Group		2016	2015
	2016	2015	2016	2015	2016	2015	2016	2015		
<i>Other operating income</i>										
Exchange gains on operating receivables/liabilities	-	1.6	-	-	-	-	-	1.6		
Other operating income	3.1	2.0	12.3	13.2	-2.9	-0.9	12.4	14.3	0.1	-
<b>Total</b>	<b>3.1</b>	<b>3.6</b>	<b>12.3</b>	<b>13.2</b>	<b>-2.9</b>	<b>-0.9</b>	<b>12.4</b>	<b>15.9</b>	<b>0.1</b>	<b>-</b>
<i>Other operating expenses</i>										
Exchange losses on operating receivables/liabilities	-3.6	-	-0.1	-	-	-	-3.7	-	0.0	0.0
<b>Total</b>	<b>-3.6</b>	<b>-</b>	<b>-0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.7</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>



## Note 8 Financial items

(SEK million)	Group								Parent company	
	E-commerce		Financial services		Eliminations		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015	2016	2015		
Loss on sale of shares in subsidiaries	-	-	-	-	-	-	-	-	-102.9	-25.8
<b>Profit/loss from shares in subsidiaries</b>	-	-	-	-	-	-	-	-	<b>-102.9</b>	<b>-25.8</b>
<b>Interest income</b>										
- Subsidiary, Qliro Group	7.1	9.5	-	-	-7.1	-9.5	-	-	6.9	8.9
- Interest income, other	0.1	0.7	0.0	0.0	-	-	0.1	0.7	0.0	0.6
Net exchange differences	9.4	10.6	-	-	-	-	9.4	10.6	-	10.6
Other	1.0	-	-	-	-	-	1.0	-	-	-
<b>Financial income</b>	<b>17.6</b>	<b>20.8</b>	<b>0.0</b>	<b>0.0</b>	<b>-7.1</b>	<b>-9.5</b>	<b>10.5</b>	<b>11.3</b>	<b>-96.0</b>	<b>-5.8</b>
<b>Interest expenses:</b>										
- Subsidiary, Qliro Group	-7.1	-9.6	-	-	7.1	9.6	-	-	-0.2	-0.7
- Interest expenses, other	-1.5	-2.5	-7.2	-0.9	0.0	0.0	-8.8	-3.4	-0.3	-1.0
Net exchange differences	-7.9	-13.0	-	-	-	-	-7.9	-13.0	-7.9	-
Other	-0.9	-1.0	-1.2	-0.9	-	-	-2.1	-1.9	-0.8	-0.8
<b>Financial expenses</b>	<b>-17.5</b>	<b>-26.1</b>	<b>-8.4</b>	<b>-1.8</b>	<b>7.1</b>	<b>9.5</b>	<b>-18.8</b>	<b>-18.4</b>	<b>-9.3</b>	<b>-2.5</b>
<b>Net financial items</b>	<b>0.1</b>	<b>-5.3</b>	<b>-8.4</b>	<b>-1.7</b>	<b>-</b>	<b>-</b>	<b>-8.3</b>	<b>-7.1</b>	<b>-105.2</b>	<b>-8.3</b>

## Note 9 Taxes

Distribution of tax expenses (SEK million)	Group		Parent company	
	2016	2015	2016	2015
<b>Current tax expense</b>				
Tax expense for the year	-7.5	-1.7	-	-
Adjustment of tax attributable to prior years	-0.4	0.0	-	-
<b>Total</b>	<b>-7.9</b>	<b>-1.7</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>				
Deferred tax on temporary differences	0.0	0.4	-	-
Deferred tax income in capitalised taxable value of loss carry-forwards for the year	27.0	29.7	20.9	29.7
Deferred tax expense in loss carry-forwards used during the year	-	-	-	-
<b>Total</b>	<b>27.0</b>	<b>30.1</b>	<b>20.9</b>	<b>29.7</b>
<b>Total recognised consolidated tax expense</b>	<b>19.1</b>	<b>28.5</b>	<b>20.9</b>	<b>29.7</b>

## Notes

### Note 9, continued

Reconciliation of tax expense (SEK million)	Group				Parent company			
	2016	%	2015	%	2016	%	2015	%
Profit/loss before tax	-198.8		-130.9		-198.6		-161.6	
Tax as per applicable tax rate for parent company	43.6	-22.0	28.8	-22.0	43.7	-22.0	35.6	-22.0
Effect of other tax rates for foreign subsidiaries	-0.8	0.4	-0.2	0.6	-	-	-	-
Non-taxable income	0.2	-0.1	0.4	-0.3	0.0	0.0	0.0	0.0
Non-deductible expenses	-24.2	12.2	-1.3	0.9	-22.8	11.5	-5.9	3.6
Utilisation of previously uncapitalised loss carry-forwards	-	-	0.0	-0.1	-	-	-	-
Other permanent effects	0.7	-0.4	0.7	-0.6	-	-	-	-
Effects of changes in tax rate	-	-	0.0	-0.4	-	-	-	-
Tax attributable to prior years	-0.4	-	0.0	-	-	-	-	-
<b>Effective tax/tax rate</b>	<b>19.1</b>	<b>-9.9</b>	<b>28.5</b>	<b>-21.8</b>	<b>20.9</b>	<b>-10.5</b>	<b>29.7</b>	<b>-18.4</b>

Recognised deferred tax assets and liabilities (SEK million)	Group		Parent company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Deferred tax asset</b>				
Loss carry-forwards	120.3	93.3	114.2	93.3
Other	1.7	1.8	-	-
<b>Total</b>	<b>122.0</b>	<b>95.2</b>	<b>114.2</b>	<b>93.3</b>
<b>Deferred tax liability</b>				
Intellectual property rights	11.9	22.6	-	-
Other	0.6	0.7	-	-
<b>Total</b>	<b>12.4</b>	<b>23.4</b>	<b>-</b>	<b>-</b>
<b>Net deferred tax</b>	<b>109.6</b>	<b>71.8</b>	<b>114.2</b>	<b>93.3</b>

### Change in net temporary differences

Group (SEK million)	2016						
	Opening balance, 1 January	Deferred tax income	Deferred tax expense	Acquisition of subsidiaries	Recognised in equity	Other	Closing balance, 31 December
<i>Temporary differences</i>							
Loss carry-forwards	93.3	27.0	-	-	-	-	120.3
Intellectual property rights	-22.6	10.7	-	-	-	-	-11.9
Other	1.1	-	-	-	-	-	1.1
<b>Total</b>	<b>71.8</b>	<b>37.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109.6</b>

Group (SEK million)	2015						
	Opening balance, 1 January	Deferred tax income	Deferred tax expense	Acquisition of subsidiaries	Recognised in equity	Other	Closing balance, 31 December
<i>Temporary differences</i>							
Loss carry-forwards	63.6	29.7	-	-	-	-	93.3
Intellectual property rights	-22.9	0.2	-	-	-	-	-22.6
Other	1.0	0.1	-	-	-	-	1.1
<b>Total</b>	<b>41.8</b>	<b>30.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71.8</b>

## Note 9, continued

Parent company (SEK million)	2016				Parent company (SEK million)	2015			
	Opening balance, 1 January	Deferred tax income	Recognised in equity	Closing balance, 31 December		Opening balance, 1 January	Deferred tax income	Recognised in equity	Closing balance, 31 December
<i>Temporary differences</i>					<i>Temporary differences</i>				
Loss carry-forwards	93.3	20.9	-	114.2	Loss carry-forwards	63.6	29.7	-	93.3
<b>Total</b>	<b>93.3</b>	<b>20.9</b>	<b>-</b>	<b>114.2</b>	<b>Total</b>	<b>63.6</b>	<b>29.7</b>	<b>-</b>	<b>93.3</b>

At 31 December 2016, recognised consolidated loss carry-forwards without an expiration date amounted to SEK 519.0 million (424.2). The 2016 annual accounts include the tax value of a deferred tax asset in all countries where it is considered probable that the loss carry-forward will be able to be used against taxable surplus.

## Note 10 Intangible non-current assets

Capitalised expenditures for development and similar work (SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
<b>Opening accumulated cost</b>	<b>213.4</b>	<b>144.8</b>	<b>55.3</b>	<b>29.0</b>	<b>268.7</b>	<b>173.8</b>
Investments	37.5	69.5	49.1	26.3	86.6	95.7
Divestments	-15.2	-	-	-	-15.2	-
Sales/disposals	-12.2	-0.9	-	-	-12.2	-0.9
<b>Closing accumulated cost</b>	<b>223.5</b>	<b>213.4</b>	<b>104.4</b>	<b>55.3</b>	<b>327.9</b>	<b>268.7</b>
<b>Opening accumulated amortisation</b>	<b>-73.8</b>	<b>-51.3</b>	<b>-6.8</b>	<b>0.0</b>	<b>-80.6</b>	<b>-51.3</b>
Amortisation	-46.2	-22.5	-11.5	-6.8	-57.7	-29.3
Impairment losses	-13.2	-	-	-	-13.2	-
Divestments	13.0	-	-	-	13.0	-
Sales/disposals	12.2	-	-	-	12.2	-
<b>Closing accumulated amortisation</b>	<b>-108.0</b>	<b>-73.8</b>	<b>-18.3</b>	<b>-6.8</b>	<b>-126.3</b>	<b>-80.6</b>
<b>Carrying amounts</b>	<b>115.6</b>	<b>139.6</b>	<b>86.1</b>	<b>48.5</b>	<b>201.6</b>	<b>188.1</b>

Capitalised expenditures for development and similar work (SEK million)	Parent company	
	2016	2015
<b>Opening accumulated cost</b>	<b>1.6</b>	<b>1.3</b>
Investments	-	0.3
<b>Closing accumulated cost</b>	<b>1.6</b>	<b>1.6</b>
<b>Opening accumulated depreciation</b>	<b>-</b>	<b>-</b>
Impairment losses	-1.6	-
<b>Closing accumulated depreciation</b>	<b>-1.6</b>	<b>-</b>
<b>Carrying amounts</b>	<b>0.0</b>	<b>1.6</b>

The capitalised expenditures for development and similar work item consists of ongoing projects not yet in service as well as completed intangible assets. The costs for E-commerce are mainly attributable to the Group's web platform, while the costs for Financial Services are mainly for product development.

Both internal and external expenditures were capitalised. No borrowing costs were capitalised.

Projects in progress are not amortised.

Amortisation costs attributable to completed intangible assets of SEK 57.7 million (29.3) are included in consolidated sales and administrative expenses.

## Notes

### Note 10, continued

Domains (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	7.0	7.0	-	-	7.0	7.0	-	-
Investments	0.0	-	-	-	0.0	-	-	-
<b>Closing accumulated cost</b>	7.0	7.0	-	-	7.0	7.0	-	-
<b>Opening accumulated depreciation</b>	-3.7	-3.0	-	-	-3.7	-3.0	-	-
Amortisation for the year	-0.6	-0.7	-	-	-0.6	-0.7	-	-
<b>Closing accumulated depreciation</b>	-4.3	-3.7	-	-	-4.3	-3.7	-	-
<b>Carrying amounts</b>	2.7	3.3	-	-	2.7	3.3	-	-

This item relates to expenses for registering and maintaining the company's internet domains. Amortisation costs of SEK 0.6 million (0.7) are included in consolidated sales and administrative expenses.

Trademarks (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	102.4	102.4	-	-	102.4	102.4	-	-
Divestment of operations	-48.4	-	-	-	-48.4	-	-	-
<b>Closing accumulated cost</b>	54.0	102.4	-	-	54.0	102.4	-	-
<b>Carrying amounts</b>	54.0	102.4	-	-	54.0	102.4	-	-

Divestment of acquired intangible assets is included in the selling and administrative expenses line item in the income statement. This item relates to the Gymgrossisten AB and Lekmer AB trademarks. The entire book amount for the trademarks attributable to Tretti AB was divested during the year.

Customer relationships (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	18.7	18.7	-	-	18.7	18.7	-	-
Investments	-	-	-	-	-	-	-	-
Divestment of operations	-5.0	-	-	-	-5.0	-	-	-
<b>Closing accumulated cost</b>	13.7	18.7	-	-	13.7	18.7	-	-
<b>Opening accumulated cost</b>	-18.3	-17.3	-	-	-18.3	-17.3	-	-
Amortisation for the year	-0.4	-1.1	-	-	-0.4	-1.1	-	-
Divestment of operations	5.0	-	-	-	5.0	-	-	-
<b>Closing accumulated cost</b>	-13.7	-18.3	-	-	-13.7	-18.3	-	-
<b>Carrying amounts</b>	-	0.4	-	-	-	0.4	-	-

Divestment of acquired intangible assets is included in the selling and administrative expenses line item. This item relates to the identified customer relationships from the acquisitions of Gymgrossisten AB and Lekmer AB. The entire book amount for identified customer relationships attributable to Tretti AB was divested during the year. Depreciation costs of SEK 0.4 million (1.1) are included in consolidated sales and administrative expenses.

## Note 10, continued

Goodwill (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	455.3	455.5	-	-	455.3	455.5	-	-
Investments	-	0.7	-	-	-	0.7	-	-
Divestment of operations	-249.6	-	-	-	-249.6	0.0	-	-
Exchange differences	1.0	-0.9	-	-	1.0	-0.9	-	-
<b>Closing accumulated cost</b>	<b>206.7</b>	<b>455.3</b>	-	-	<b>206.7</b>	<b>455.3</b>	-	-
<b>Carrying amounts</b>	<b>206.7</b>	<b>455.3</b>	-	-	<b>206.7</b>	<b>455.3</b>	-	-

The item refers to goodwill on the acquisition of CDON AB, NLY Scandinavia AB, Gymgrossisten AB, Lekmer AB and CDON Group Logistics AB. Due to divestments during the year, the entire book amount for goodwill attributable to Tretti AB was written off. No investments were made during the year. In 2015, Gymgrossisten Sweden AB made an investment in Fitness Market Nordic AB.

#### Impairment testing for cash-generating units containing goodwill

The following cash-generating units, which coincide with the Group's subsidiaries and subgroups, recognise significant goodwill values in relation to the Group's total recognised goodwill values:

(SEK million)	2016	2015
CDON Group	22.6	21.6
Gymgrossisten Group	140.7	140.7
NLY Group	24.1	24.1
Lekmer Group	3.7	3.7
Qliro Group	-	-
CDON Group Logistics AB	15.7	15.7
Tretti Group	-	249.6
<b>Total</b>	<b>206.7</b>	<b>455.3</b>

#### Impairment testing

Impairment testing for goodwill for cash-generating units is based on the recoverable amount (value in use), calculated using a discounted cash flow model. The cash flow is projected over a five-year period and is based on the most recently adopted budgets and forecasts, which are based on actual historical outcomes of the business. The single most important variables associated with the preparation of the impairment tests are net sales and operating margin. The net sales forecast is the total of estimated

performance within each product segment and the operating margin forecast is an average of the product mix. The cash flows calculated for each unit after the first five years were based on annual growth of 2.0 per cent (2.5).

The cash flow is discounted for each unit using an appropriate discount rate, taking into consideration the cost of capital and risk. The estimated cash flows were calculated at present value using a discount rate of 9.1 per cent (9.3) after tax. The nature of and market for each unit, and therefore the risk, was determined to be so similar that the same discount rate is used for all units. The discount rate before tax amounts to between 10.6 and 11.1 per cent (10.8-11.1).

The impairment tests do not indicate any impairment requirement. The impairment tests have a margin such that no reasonable changes to individual parameters would lead to the recoverable amount dropping below the carrying amount. However, the cash flow forecasts are uncertain and may also be influenced by factors beyond the company's control. Even if the estimated growth rate applied after the forecasted five-year period had been 1 per cent lower, there would be no need to recognise a goodwill impairment loss. Even if the estimated discount rate before tax applied to the discounted cash flows had been 1 per cent higher, there would be no need to recognise a goodwill impairment loss. Nor does the company deem that likely changes in other important assumptions would cause the recoverable amount to fall below the carrying amount.

## Notes

Note 10, continued

### Impairment testing for cash-generating units containing trademarks

(SEK million)	2016	2015
Gymgrossisten Group	48.9	48.9
Lekmer Group	5.1	5.1
Tretti Group	-	48.4
<b>Total</b>	<b>54.0</b>	<b>102.4</b>

For disclosures on impairment testing of these cash-generating units, see the previous section on goodwill testing. The trademarks are included in the cash-generating units tested as previously stated. In addition, the trademarks were tested individually based on the trademarks' share of sales and/or the trademarks' market value based on market position.

#### Indefinite useful life

Recognised trademarks are deemed to have an indefinite useful life since they relate to trademarks that are well-known in the market that the Group intends to retain and further develop, and thus may be expected to generate cash flows indefinitely.

## Note 11 Property, plant, and equipment

Leasehold improvements (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	<b>3.6</b>	<b>0.0</b>	-	-	<b>3.6</b>	<b>0.0</b>	-	-
Reclassifications	0.3	3.6	-	-	0.3	3.6	-	-
<b>Closing accumulated cost</b>	<b>3.8</b>	<b>3.6</b>	-	-	<b>3.8</b>	<b>3.6</b>	-	-
<b>Opening accumulated depreciation</b>	<b>-0.9</b>	<b>0.0</b>	-	-	<b>-0.9</b>	<b>0.0</b>	-	-
Depreciation for the year	-1.2	-0.9	-	-	-1.2	-0.9	-	-
<b>Closing accumulated depreciation</b>	<b>-2.1</b>	<b>-0.9</b>	-	-	<b>-2.1</b>	<b>-0.9</b>	-	-
<b>Carrying amounts</b>	<b>1.7</b>	<b>2.7</b>	-	-	<b>1.7</b>	<b>2.7</b>	-	-

The item refers to capital investments in expansion of the storage space in Falkenberg. Both internal and external expenditures were capitalised. No borrowing costs were capitalised. Depreciation costs of SEK 1.2 million (0.9) are included in consolidated sales and administrative expenses.

Equipment (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Opening accumulated cost</b>	<b>58.7</b>	<b>46.9</b>	<b>5.4</b>	<b>0.6</b>	<b>64.1</b>	<b>47.6</b>	<b>3.8</b>	<b>2.8</b>
Investments	2.2	8.2	7.4	4.8	9.6	13.0	0.1	1.0
Reclassifications	-	5.4	-	-	-	5.4	-	-
Impairment losses	-0.3	-	-	-	-0.3	-	-	-
Divestments	-12.1	-1.9	-	-	-12.1	-1.9	-	-
<b>Closing accumulated cost</b>	<b>48.5</b>	<b>58.7</b>	<b>12.9</b>	<b>5.4</b>	<b>61.4</b>	<b>64.1</b>	<b>3.9</b>	<b>3.8</b>
<b>Opening accumulated depreciation</b>	<b>-28.8</b>	<b>-20.1</b>	<b>-0.7</b>	<b>0.0</b>	<b>-29.6</b>	<b>-20.1</b>	<b>-1.3</b>	<b>-0.6</b>
Depreciation for the year	-10.1	-9.3	-2.8	-0.7	-12.9	-10.0	-0.9	-0.8
Divestments	7.6	0.6	-	-	7.6	0.6	-	-
<b>Closing accumulated depreciation</b>	<b>-31.3</b>	<b>-28.8</b>	<b>-3.6</b>	<b>-0.7</b>	<b>-34.9</b>	<b>-29.6</b>	<b>-2.2</b>	<b>-1.3</b>
<b>Carrying amounts</b>	<b>17.2</b>	<b>29.8</b>	<b>9.3</b>	<b>4.7</b>	<b>26.5</b>	<b>34.5</b>	<b>1.6</b>	<b>2.5</b>

Depreciation costs of SEK 12.9 million (10.0) are included in consolidated sales and administrative expenses.

Depreciation costs of SEK 0.9 million (0.8) are included in the parent company's sales and administrative expenses.

## Note 11, continued

Construction in progress, SEK million	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
<b>Opening accumulated cost</b>	<b>0.0</b>	<b>0.7</b>	-	-	<b>0.0</b>	<b>0.7</b>
Investments	0.2	8.3	-	-	0.2	8.3
Reclassifications	-	-9.0	-	-	-	-9.0
<b>Closing accumulated cost</b>	<b>0.2</b>	-	-	-	<b>0.2</b>	-
<b>Closing accumulated depreciation</b>	<b>0.2</b>	-	-	-	<b>0.2</b>	-
<b>Carrying amounts</b>	<b>0.2</b>	-	-	-	<b>0.2</b>	-

The item refers to expenditures on tangible investments during the period prior to commissioning. Both internal and external expenditures were capitalised. No borrowing costs were capitalised.

## Note 12 Participations in Group companies

Shares in subsidiaries, parent company (SEK million)	Corporate ID number	Registered office	No. of shares	Equity (%)	Voting rights (%)	Carrying amount 31 Dec 2016	Carrying amount 31 Dec 2015
CDON AB	556406-1702	Malmö	1,000	100.0	100.0	37.8	27.8
NLY Scandinavia AB	556653-8822	Borås	172,100	100.0	100.0	196.9	196.9
Health and Sports Nutrition Group (HSG) AB	556564-4258	Stockholm	1,000	100.0	100.0	202.1	202.1
Lekmer AB	556698-8035	Stockholm	901	90.1	90.1	70.3	35.3
Qliro AB	556962-2441	Stockholm	50,050,000	100.0	100.0	301.7	49.6
CDON Group Logistics AB	556904-0834	Malmö	50,000	100.0	100.0	0.1	0.1
Qliro Group Services AB	559018-1185	Stockholm	50,000	100.0	100.0	0.1	-
CDON Group Online Retailing AB	556774-1300	Stockholm	1,000	100.0	100.0	-	-
CDON Group E-commerce AB	556533-8372	Stockholm	1,666	100.0	100.0	-	-
Tretti AB	556665-7606	Stockholm	5,141,758	100.0	100.0	-	351.2
<b>Total</b>						<b>808.9</b>	<b>863.0</b>

Shares in subsidiaries, Group	Corporate ID number	Registered office	No. of shares	Equity (%)	Voting rights (%)
<b>CDON AB</b>	556406-1702	Malmö	1,000	100.0	100.0
CDON Alandia AB	2143083-5	Finland	100	100.0	100.0
<b>NLY Scandinavia AB</b>	556653-8822	Borås	172,100	100.0	100.0
NLY Norge AS	896,508,202	Norway	100	100.0	100.0
<b>Health and Sports Nutrition Group (HSG) AB</b>	556564-4258	Stockholm	1,000	100.0	100.0
Fitness Market Nordic AB	556761-9282	Stockholm	1,000	100.0	100.0
<b>Lekmer AB</b>	556698-8035	Stockholm	901	90.1	90.1
Scandinavian Kids Group AB	559000-6028	Stockholm	50,000	100.0	100.0
<b>Qliro AB</b>	556962-2441	Stockholm	50,050,000	100.0	100.0
<b>Qliro Group Services AB</b>	559018-1185	Stockholm	50,000	100.0	100.0
<b>CDON Group Logistics AB</b>	556904-0834	Malmö	50,000	100.0	100.0

## Notes

Shares and participations in subsidiaries, (SEK million)	Parent company	
	2016	2015
<b>Opening accumulated cost</b>	<b>904.8</b>	<b>864.5</b>
Acquisitions <sup>1</sup>	50.0	0.1
Shareholder contribution	247.1	40.2
Divestments <sup>2</sup>	-351.2	-
<b>Closing balance, 31 December</b>	<b>951.9</b>	<b>904.8</b>
<b>Opening accumulated impairment</b>	<b>-41.8</b>	<b>-16.0</b>
Impairment losses for the year <sup>2</sup>	-	-25.8
<b>Closing balance, 31 December</b>	<b>-143.0</b>	<b>-41.8</b>
<b>Carrying amount, 31 December</b>	<b>808.9</b>	<b>863.0</b>

<sup>1</sup> Through cash payment the Group increased its shareholding in Qliro AB by 50,000,000 shares at an issue price of SEK 1 (quotient value = SEK 1).

<sup>2</sup> Purchase price in connection with sale of subsidiary Tretti AB to White Away Group AB amounted to SEK 250 million.

## Note 13 Accounts receivable

### Credit exposure

Accounts receivable are recognised taking into consideration consolidated credit losses incurred during the year of SEK 2.5 million (3.2). Credit losses in excess of reserved amounts totalled SEK -0.2 million. The credit losses relate to losses on a number of smaller customers. See Note 21.

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
Accounts receivable not overdue or impaired	45.5	84.5	-	-	45.5	84.5
Accounts receivable overdue but not impaired	44.4	36.7	-	-	44.4	36.7
Accounts receivable impaired	6.0	5.8	-	-	6.0	5.8
Provision for bad debts	-6.0	-5.8	-	-	-6.0	-5.8
<b>Total accounts receivable</b>	<b>89.9</b>	<b>121.2</b>	<b>-</b>	<b>-</b>	<b>89.9</b>	<b>121.2</b>

The table above does not include loans to the public. Credit risks in accounts receivable that are not overdue or impaired are not deemed to be large. No individual customer represents more than 10 per cent of consolidated accounts receivable. See Note 21 for further details regarding credit risk. The company's accounts receivable are mainly in SEK. There is not deemed to be any significant currency exposure in accounts receivable.

Receivables past due without provision for bad debts (SEK million)	31 December 2016	31 December 2015
<30 days	35.8	31.4
30–90 days	5.6	4.6
>90 days	3.0	0.8
<b>Total</b>	<b>44.4</b>	<b>36.7</b>

Receivables past due with provision for bad debts, SEK million	31 December 2016	31 December 2015
<30 days	0.9	1.6
30–90 days	-	0.1
>90 days	5.1	4.0
<b>Total</b>	<b>6.0</b>	<b>5.8</b>

Provision for bad debts, SEK million	31 December 2016	31 December 2015
Opening balance, 1 January	5.8	6.9
Provision for potential losses	3.0	2.2
Unutilised amount reversed during the period	-5.0	-2.6
Actual losses	2.3	-0.7
<b>Closing balance, 31 December</b>	<b>6.0</b>	<b>5.8</b>



## Note 14 Loans to the public

### Loans to the public

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
<b>Outstanding receivables, gross</b>						
-Swedish currency	-	-	606.9	428.0	606.9	428.0
-foreign currency	-	-	168.7	98.8	168.7	98.8
<b>Carrying amount, gross</b>	-	-	<b>775.7</b>	<b>526.8</b>	<b>775.7</b>	<b>526.8</b>
<b>of which bad debts</b>						
-provision for bad debts	-	-	-29.9	-21.2	-29.9	-21.2
<b>Carrying amount, net</b>	-	-	<b>745.8</b>	<b>505.6</b>	<b>745.8</b>	<b>505.6</b>

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
Accounts receivable not overdue or impaired	-	-	634.0	479.9	634.0	479.9
Accounts receivable overdue but not impaired	-	-	111.7	25.8	111.7	25.8
Accounts receivable impaired	-	-	29.9	21.2	29.9	21.2
Provision for bad debts	-	-	-29.9	-21.2	-29.9	-21.2
<b>Total accounts receivable</b>	-	-	<b>745.8</b>	<b>505.8</b>	<b>745.8</b>	<b>505.8</b>

Overdue receivables, SEK	31 Dec 2016	31 Dec 2015
<30 days	49.9	2.7
30-90 days	34.4	29.8
>90 days	57.4	14.6
<b>Total</b>	<b>141.6</b>	<b>47.0</b>

Receivables past due with provision for bad debts, SEK million	31 Dec 2016	31 Dec 2015
<30 days	2.4	2.7
30-90 days	4.1	3.9
>90 days	23.4	14.6
<b>Total</b>	<b>29.9</b>	<b>21.2</b>

Provision for bad debts, SEK million	31 Dec 2016	31 Dec 2015
Opening balance, 1 January	-21.2	-8.6
Provision for/dissolution of reserve for credit losses	-29.1	-27.4
Actual losses	20.4	14.8
<b>Closing balance, 31 December</b>	<b>-29.9</b>	<b>-21.2</b>

In addition to individual testing of potential impairment losses for receivables of significant value, a collective test of potential impairment losses is done for groups of receivables that are not considered to be impaired individually. The purpose of making collective provisions for credit losses is to take into account the decrease in value resulting from past loss events in the paying loan portfolio. Qliro Financial Services' model for collective provisions has a base for assessing how large of a provision must be made for the parts of the company's loan portfolio not covered by individual valuation. The collective impairment test is based on historic data regarding the payment patterns of customers in the loan portfolio. Collective impairment testing is done monthly. The test is conducted both individually and collectively to ensure that all incurred credit losses up to the end of the reporting period are recognised.

## Note 15 Prepaid expenses and accrued income

(SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
Prepaid rent	8.6	10.7	-	-	8.6	10.7	0.1	0.1
Prepaid insurance expenses	0.5	0.5	-	-	0.5	0.5	0.4	0.5
Prepaid licensing costs	3.0	2.7	1.0	-	4.0	2.7	1.6	1.1
Accrued income	39.2	58.7	0.7	-	40.0	58.7	-	-
Other prepaid expenses and accrued income	13.9	20.4	4.1	-3.0	18.0	17.4	1.0	0.9
<b>Total</b>	<b>65.2</b>	<b>93.0</b>	<b>5.8</b>	<b>-3.0</b>	<b>71.0</b>	<b>90.0</b>	<b>3.1</b>	<b>2.6</b>

## Note 16 Inventories

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
Finished goods and merchandise	540.7	696.8	-	-	540.7	696.8
Advances to suppliers	7.2	5.3	-	-	7.2	5.3
<b>Total</b>	<b>547.9</b>	<b>702.0</b>	<b>-</b>	<b>-</b>	<b>547.9</b>	<b>702.0</b>

Consolidated cost of sales includes SEK 14.0 million (3.9) in impairment of inventories.

## Note 17 Equity

At 31 December 2016, share capital comprised 150,444,779 shares (150,444,779). Each share has a quotient value of SEK 2.

Issued shares (SEK million)	No. of shares	Share capital
Ordinary shares	149,269,779	298.5
Class C shares	1,175,000	2.4
<b>Total number of shares issued/total quotient value at 31 December 2016</b>	<b>150,444,779</b>	<b>300.9</b>

### Change in number of shares/share capital

Date	Event	Change in share capital (SEK)	Change in no. of shares	Share capital after change (SEK)	No. of shares after change
1936-12-11	Establishment	1,000,000	2,000	1,000,000	2,000
2010-09-24	Split	-	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
2011-05-31	Cash issue, C shares	380,000	190,000	133,064,248	66,532,124
2012-05-30	Cash issue, C shares	570,000	285,000	133,634,248	66,817,124
2013-06-14	Cash issue	66,342,124	33,171,062	199,976,372	99,988,186
2013-09-03	Cash issue, C shares	1,400,000	700,000	201,376,372	100,688,186
2014-12-19	Cash issue	99,513,186	49,756,593	300,889,558	150,444,779
<b>No. of issued shares/share capital at 31 December 2016</b>		<b>300,889,558</b>	<b>150,444,779</b>	<b>300,889,558</b>	<b>150,444,779</b>

On 17 November 2014, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision of 21 October 2014 to increase the company's share capital via an issue of new ordinary shares. Qliro Group AB's share capital increased by SEK 99,513,186 in connection with the cash issue.

On 14 May 2013, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision from 16 April 2013 to increase the company's share capital via an issue of new ordinary shares. Qliro Group AB's share capital increased by SEK 66,342,124 in connection with the cash issue.

The cash issues of Class C shares in 2011, 2012 and 2013 were implemented for use in the Group's incentive programme. See Note 24 for further details regarding the incentive programme. All Class C shares are owned by Qliro Group AB.

Class C shares may be issued in an amount corresponding to the maximum total share capital and do not entitle the holder to dividends. Class C shares may be converted into ordinary shares at the request of the Board. Customary provisions on primary

and subsidiary preferential rights for cash issues apply to Class C shares. Class C shares have limited rights to assets at liquidation of the company.

The 2010 offset issue was implemented by offsetting previously issued loans from Modern Times Group MTG AB at a value corresponding to SEK 239,000,000. Qliro Group AB's share capital thus increased to SEK 132,090,244.

### Other capital contributions/Share premium reserve

The share premium reserve is a balance sheet item that arises when shares are issued and subscribed for at a premium, that is, a price higher than the quotient value was paid for the shares.

### Translation reserve

The translation reserve includes all translation differences that arise on translation of income statements and balance sheets into SEK in the consolidated accounts.

## Notes

### Note 17, continued

(SEK million)	Group	
	2016	2015
Opening balance, 1 January	-8.1	-0.2
Translation difference for the year, net of tax	4.7	-7.9
<b>Total accumulated translation differences</b>	<b>-3.4</b>	<b>-8.1</b>

#### Retained earnings including profit/loss for the year

Retained earnings recognised in the Group include the year's and prior years' earnings.

#### Proposed dividend

The Board of Directors will propose to the 2017 AGM that no dividend be paid to shareholders for the fiscal year ended 31

December 2016, and that retained earnings be carried forward into the 2017 accounts.

Proposed appropriation of profits, SEK million	Parent company	
	2016	2015
Share premium reserve	1,076.5	1,076.5
Retained earnings	-188.9	-59.5
Profit/loss for the year	-177.7	-131.9
<b>Total</b>	<b>709.9</b>	<b>885.2</b>

The Board proposes that the retained earnings, share premium reserve and profit for the year for a total of SEK 709.9 million (885.2) be carried forward. The share premium reserve amounts to SEK 1,076.5 million (1,076.5).

## Note 18 Other provisions

Other provisions (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
Provisions for social security contributions on share-based remuneration	0.7	0.9	-	-	0.7	0.9	0.7	0.9
Other provisions	4.1	2.4	-	-	4.1	2.4	-	-
<b>Total</b>	<b>4.8</b>	<b>3.3</b>	<b>-</b>	<b>-</b>	<b>4.8</b>	<b>3.3</b>	<b>0.7</b>	<b>0.9</b>

Provisions for share-based remuneration (SEK million)	Group		Parent company	
	2016	2015	2016	2015
<b>Carrying amount at start of period</b>	<b>0.9</b>	<b>1.4</b>	<b>0.9</b>	<b>1.4</b>
Dissolution of provision during the period	-0.2	-0.5	-0.2	-0.5
<b>Carrying amount at end of period</b>	<b>0.7</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>

See Note 24 for further details regarding share-based remuneration.

Total provisions (SEK million)	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>Total carrying amount at start of period</b>	<b>3.3</b>	<b>6.8</b>	<b>-</b>	<b>-</b>	<b>3.3</b>	<b>6.8</b>	<b>0.9</b>	<b>1.4</b>
Change in provision for the year	1.5	-3.5	-	-	1.5	-3.5	-0.2	-0.5
<b>Total carrying amount at end of period</b>	<b>4.8</b>	<b>3.3</b>	<b>-</b>	<b>-</b>	<b>4.8</b>	<b>3.3</b>	<b>0.7</b>	<b>0.9</b>
Of which total non-current portion of provisions	4.1	3.3	-	-	4.1	3.3	0.7	0.9
Of which total current portion of provisions	0.7	-	-	-	0.7	-	-	-

Payments, SEK million	Group		Parent company	
	2016	2015	2016	2015
Amount for which payment is expected after more than 12 months	4.1	3.3	0.7	0.9

## Note 19 Accrued expenses and deferred income

	Group						Parent company	
	E-commerce		Financial services		Qliro Group Total		31 Dec 2016	31 Dec 2015
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015		
Total provisions (SEK million)								
Accrued personnel expenses	62.6	60.5	9.4	4.2	72.0	64.8	11.1	7.1
Accrued expenses for cost of sales	64.4	52.8	-	2.1	64.4	54.9	-	-
Accrued distribution costs	47.8	61.8	0.8	-	48.5	61.8	-	-
Accrued merchandise handling costs	12.9	30.4	-	-	12.9	30.4	-	-
Accrued marketing costs	33.6	20.5	0.4	-	34.0	20.5	-	-
Accrued provisions for returns	23.5	32.9	-	-	23.5	32.9	-	-
Deferred income	2.2	-	-	-	2.2	-	-	-
Other	21.6	22.0	5.4	4.4	27.0	26.4	4.6	2.6
<b>Total</b>	<b>268.6</b>	<b>280.9</b>	<b>15.9</b>	<b>10.7</b>	<b>284.5</b>	<b>291.6</b>	<b>15.7</b>	<b>9.7</b>

## Note 20 Pledged assets and contingent liabilities

Contingent liabilities (SEK million)	Group		Parent company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Bank guarantees and sureties to external parties	51.2	77.0	51.2	77.0
Parent company guarantees to external parties	143.9	126.5	143.9	126.5
Surety for Qliro Financial Services' utilised credit facility	-	-	511.8	328.0
<b>Total</b>	<b>195.1</b>	<b>203.5</b>	<b>707.0</b>	<b>531.5</b>

Bank guarantees for external parties relate to bank guarantees and sureties pledged to suppliers and other external parties for subsidiaries in the Group.

Parent company guarantees relate to parent company guarantees and sureties pledged to suppliers and other external parties on behalf of subsidiaries in the Group.

The parent company's guarantee commitment for Qliro Financial Services' credit facility is a contingent liability in that Qliro Financial Services' pledged accounts receivable (see Pledged assets below) would not be enough to cover the outstanding debt under the said credit facility.

CDON AB's Finnish subsidiary, CDON Alandia Ab, has at the request of the Åland authorities paid in EUR 5.9 million attributable to the tax claim previously made by the Tax Administration in Finland for the 2012 financial year, pending the ruling on the tax dispute. CDON Alandia and its advisers still assert that the company acted correctly and in compliance with applicable legislation. The company has not made a provision

for the taxes imposed. As previously announced, CDON Alandia appealed the tax decision to the Helsinki Administrative Court, which has not yet considered the matter.

Pledged assets (SEK million)	Group		Parent company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Pledged accounts receivable	745.8	505.6	-	-
<b>Total</b>	<b>745.8</b>	<b>505.6</b>	<b>-</b>	<b>-</b>

Pledged accounts receivable relate entirely to Qliro Financial Services, which uses its accounts receivable as collateral for borrowing. Pledged accounts receivable are recognised net of credit losses, i.e. at the value of the accounts receivable recognised in the balance sheet.

## Note 21 Financial instruments and financial risk management

### Capital management

The Group's aim is to have a solid financial position that helps maintain the confidence of investors, creditors and the market, as well as form a solid foundation for the continued development of business operations, while generating satisfactory long-term investor returns. However, there are no explicit quantitative objectives for capital management, such as regards the debt/equity ratio.

Capital is defined as total equity.

Capital (SEK million)	Group	
	31 Dec 2016	31 Dec 2015
Total equity	1,026.2	1,205.4

In the first quarter of 2017, Qliro Financial Services received authorisation from the Swedish Financial Supervisory Authority (FI) to operate as a credit market company. The permit means that Qliro Financial Services will be subject to external capital adequacy requirements. Apart from the above, neither the parent company nor any of the subsidiaries have any external capital requirements to be met.

### Finance policy

The Qliro Group is exposed to various types of financial risks through its operations, such as market risk, liquidity risk and credit risk.

The Qliro Group's financial risk management is centralised within the parent company to capitalise on economies of scale and synergies, as well as to minimise operational risks. The parent company also functions as the Group's internal bank and is responsible for financing and financial policies. This includes the pooling of cash requirements. The Board has established financial policies for overall management of risks and for specific areas, such as liquidity risk, interest rate risk, currency risk, credit risk, insurance risk, the use of financial instruments and placement of excess liquidity.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfil its obligations associated with financial liabilities. This risk is centrally managed by the parent company, which ensures that there is always sufficient cash and cash equivalents and the ability to extend the available financing. Access to cash and cash

equivalents for the subsidiaries is partially ensured through the use of cash pools. Total credit facilities amounted to SEK 950 million (550) at the end of the reporting period, attributable to Qliro Financial Services. Accounts receivable are pledged continuously with respect to Qliro Financial Services' credit facility. Qliro Financial Services' credit facility is coupled to customary covenants. At the end of the reporting period, the credit facility had been utilised with outstanding loans of SEK 511.8 (328.0) million. At 31 December 2016, consolidated cash and cash equivalents stood at SEK 435.2 million (324.2).

The Group's financial policy stipulates that there must always be at least SEK 50 million in available cash and cash equivalents.

### Market risk – interest rate risk

Interest rate risk is the risk that the value of a financial instrument may vary due to changes in market interest rates.

Consolidated interest-bearing liabilities at the end of the year amounted to SEK 513.2 million (328.0) and were totally attributable to Qliro Financial Services.

If the variable interest rate on the Group's loans in 2016 would have increased or decreased by 1 per cent, it would have affected the Group's net financial items by SEK 3.9 million (0.8). Qliro Financial Services is mainly exposed to interest rate risk through mismatched interest rate horizons on assets and liabilities. Qliro Financial Services minimises interest rate risk by matching the interest rate horizon on assets and liabilities. Qliro Financial Services also has the right to adjust the lending rate due to increased borrowing costs, such as those related to credit policy decisions.

### Credit risk

Credit risk is defined as the company's exposure to losses in the event that one party to a financial instrument fails to fulfil its obligations. The exposure is based on the carrying amount of the financial assets, of which the majority constitute Qliro Financial Services' loans to the public, but other accounts receivable and cash and cash equivalents are also exposed to credit risk. Both the Group and Qliro Financial Services have policies regarding credit risk.

Credit risk related to loans to the public is distributed among a large number of customers, mainly private individuals. Qliro Financial Services has a credit organisation, detailed credit policies and credit regulations in place to identify and manage credit risk. For additional information on loans to the public, see Note 14. Receivables are also sold to external factoring companies. The vast majority of these accounts receivable are sold with full transfer of the credit risk to the counterparty. See Note 13 for further details regarding accounts receivable.

Note 21, continued

### Market risk – currency risk

Currency risk is the risk that fluctuations in exchange rates will adversely affect the company's income statement, financial position and/or cash flow. The risk can be divided into transaction exposure and translation exposure.

#### Transaction exposure

Transaction exposure is the risk that arises from the net inflows and outflows in foreign currencies required by operations and their financing. The transactions are not hedged using financial instruments, however natural hedges are sought if possible, for example by purchasing and selling in the same currency. Net cash flow in foreign currencies was as follows:

Flow of foreign funds (SEK million)	Group	
	2016	2015
DKK	279.1	294.1
NOK	760.7	788.1
EUR	-293.5	-136.8
USD	-250.2	-269.7
GBP	-124.6	-162.0
PLN	2.4	6.4

A five per cent exchange rate fluctuation for each currency would affect operating profit/loss by the following amounts:

Sensitivity analysis (SEK million)	Group	
	2016	2015
DKK	± 14.0	± 14.7
NOK	± 38.0	± 39.4
EUR	± 14.7	± 6.8
USD	± 12.5	± 13.5
GBP	± 6.2	± 8.1
PLN	± 0.1	± 0.3

#### Translation exposure

Translation exposure is the risk that arises from translation of equity in foreign subsidiaries. Financial instruments are not used to hedge translation exposure. Net foreign assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

Currency (SEK million)	Group			
	2016	%	2015	%
DKK	-0.4	-0.9	-1.7	-35.3
NOK	23.8	58.3	2.3	48.2
EUR	17.4	42.6	4.2	87.1
<b>Total</b>	<b>40.8</b>	<b>100.0</b>	<b>4.9</b>	<b>100.0</b>

A five per cent exchange rate fluctuation for each currency would affect equity by the following amounts:

Sensitivity analysis (SEK million)	Group	
	2016	2015
DKK	± 0.0	± 0.1
NOK	± 1.2	± 0.1
EUR	± 0.9	± 0.2

#### Classification and categorisation of financial assets and liabilities in the Group

Valuation at fair value includes a valuation hierarchy related to the data for said valuations. This valuation hierarchy is divided into three levels, which coincide with the levels introduced in IFRS 13 Financial Instruments: Information.

The three levels consist of:

Level 1: Listed prices (unadjusted) on active markets for identical assets or liabilities which the company has access to at the time of valuation.

Level 2: Other data than the listed prices included in Level 1, which are directly or indirectly observable for the asset or liability. Level 2 can also include other data than observable listed prices of the asset or liability, such as interest rate levels, yield curves, volatility and multiples.

Level 3: Non-observable data for the asset or liability. At this level, assumptions that market participants would use when pricing the asset or liability must be taken into account, including risk assumptions.

## Notes

### Note 21, continued

For all items, with the exception of extended loans, the carrying amount is an approximation of the fair value, so these items are not divided into levels according to the valuation hierarchy. Lending belongs to Level 2. As loans from credit institutions (credit facilities) have a floating interest rate and short tie-in periods, the carrying amount is, in all material aspects, judged to correspond to fair value.

2016 Group (SEK million)	Carrying amount			Fair value	
	Held for trading	Loans receivable and accounts receivable	Other liabilities	Total	Total
<b>Financial assets not measured at fair value</b>					
Accounts receivable		89.9		89.9	89.9
Loans to the public		745.8		745.8	745.8
Other receivables		26.7		26.7	26.7
Accrued income		40.0		40.0	40.0
Cash and cash equivalents		435.2		435.2	435.2
<b>Total financial assets</b>	<b>-</b>	<b>1,459.5</b>	<b>-</b>	<b>1,459.5</b>	<b>1,459.5</b>
<b>Financial liabilities not measured at fair value</b>					
Accounts payable			549.4	549.4	549.4
Credit facilities			511.8	511.8	511.8
Other current interest-bearing liabilities			0.6	0.6	0.6
Other liabilities			141.3	141.3	141.3
Accrued expenses			282.3	282.3	282.3
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,485.4</b>	<b>1,485.4</b>	<b>1,485.4</b>

2016 Parent company (SEK million)	Carrying amount			Fair value	
	Held for trading	Loans receivable and accounts receivable	Other liabilities	Total	Total
<b>Financial assets not measured at fair value</b>					
Receivables from Group companies		56.7		56.7	56.7
Other receivables		3.4		3.4	3.4
Cash and cash equivalents		422.6		422.6	422.6
<b>Total financial assets</b>	<b>-</b>	<b>482.6</b>	<b>-</b>	<b>482.6</b>	<b>482.6</b>
<b>Financial liabilities not measured at fair value</b>					
Accounts payable			1.9	1.9	1.9
Liabilities to Group companies			380.7	380.7	380.7
Other liabilities			-0.2	-0.2	-0.2
Accrued expenses			15.7	15.7	15.7
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>398.1</b>	<b>398.1</b>	<b>398.1</b>



## Note 21, continued

2015 Group (SEK million)	Carrying amount			Fair value	
	Held for trading	Loans receivable and accounts receivable	Other liabilities	Total	Total
<b>Financial assets not measured at fair value</b>					
Accounts receivable		121.2		121.2	121.2
Loans to the public, net		505.6		505.6	505.6
Other receivables		26.4		26.4	26.4
Accrued income		58.7		58.7	58.7
Cash and cash equivalents		324.2		324.2	324.2
<b>Total financial assets</b>	-	<b>1,036.0</b>	-	<b>1,036.0</b>	<b>1,036.0</b>
<b>Financial liabilities not measured at fair value</b>					
Accounts payable			680.4	680.4	680.4
Credit facilities			328.0	328.0	328.0
Other liabilities			119.2	119.2	119.2
Accrued expenses			291.6	291.6	291.6
<b>Total financial liabilities</b>	-	-	<b>1,419.2</b>	<b>1,419.2</b>	<b>1,419.2</b>

Loans to the public are recognised at net value (previously recognised at gross value).

2015 Parent company (SEK million)	Carrying amount			Fair value	
	Held for trading	Loans receivable and accounts receivable	Other liabilities	Total	Total
<b>Financial assets not measured at fair value</b>					
Receivables from Group companies		343.0		343.0	343.0
Other receivables		4.1		4.1	4.1
Cash and cash equivalents		280.6		280.6	280.6
<b>Total financial assets</b>	-	<b>627.7</b>	-	<b>627.7</b>	<b>627.7</b>
<b>Financial liabilities not measured at fair value</b>					
Accounts payable			6.3	6.3	6.3
Liabilities to Group companies			387.1	387.1	387.1
Accrued expenses			9.7	9.7	9.7
<b>Total financial liabilities</b>	-	-	<b>403.0</b>	<b>403.0</b>	<b>403.0</b>

### Maturity structure of financial liabilities – undiscounted cash flows

Maturity of future contractual interest payments based on current interest rates and amortisation.

Group (SEK million)	2016					Parent company (SEK million)	2016				
	Total	0–3 months	3 mon.–1 year	1–5 years	>5 years		Total	0–3 months	3 mon.–1 year	1–5 years	>5 years
Accounts payable	549.4	549.4				Accounts payable	1.9	1.9			
Other liabilities	145.4	145.4				Liabilities to Group companies	98.5	98.5			
Utilised credit facilities <sup>1</sup>	514.8	514.8				Other liabilities	0.7	0.7			
Accrued expenses	282.3	240.9	41.4			Accrued expenses	15.7	13.2	2.5		
Financial leases	1.4	0.1	0.4	0.9		<b>Total</b>	<b>116.9</b>	<b>114.4</b>	<b>2.5</b>	-	-
<b>Total</b>	<b>1,493.4</b>	<b>1,450.7</b>	<b>41.8</b>	<b>0.9</b>	-						

## Notes

### Note 21, continued

Group (SEK million)	2015				
	Total	0–3 months	3 mon.–1 year	1–5 years	>5 years
Accounts payable	680.4	680.4			
Other liabilities	129.3	129.3			
Utilised credit facilities <sup>1</sup>	328.8	328.8			
Accrued expenses	291.6	252.4	39.3		
<b>Total</b>	<b>1,430.2</b>	<b>1,390.3</b>	<b>39.3</b>	-	-

Parent company (SEK million)	2015				
	Total	0–3 months	3 mon.–1 year	1–5 years	>5 years
Accounts payable	6.3	6.3			
Liabilities to Group companies	243.6	243.6			
Other liabilities	0.6	0.6			
Accrued expenses	9.7	7.0	2.7		
<b>Total</b>	<b>260.1</b>	<b>257.4</b>	<b>2.7</b>	-	-

<sup>1</sup> Utilised credit facility is attributable to Qliro Financial Services. Loans under the facility do not have a stipulated maturity. Loans under the facility are amortised continuously through customer payments and may be repaid in full within 0–3 months if Qliro Financial Services so wishes. The contracted credit facility has a nine-month mutual notice of termination.

## Note 22 Leases

### Operating leases

#### Group

The Group rents mainly office premises and warehousing facilities through operating leases.

Leases and other future payment commitments at 31 December 2016 (SEK million)	Group		
	E-commerce	Financial services	Qliro Group Total
2017	45.5	0.0	45.6
2018	34.4	-	34.4
2019	30.2	-	30.2
2020	3.1	-	3.1
2021	2.9	-	2.9
2022 and beyond	0.7	-	0.7
<b>Total leases and other commitments</b>	<b>116.9</b>	<b>0.0</b>	<b>116.9</b>
<b>Leasing expense for the year</b>	<b>39.5</b>	<b>0.0</b>	<b>39.6</b>

Leases and other future payment commitments at 31 December 2015, SEK million	Group		
	E-commerce	Financial services	Qliro Group Total
2016	45.5	-	45.5
2017	40.8	-	40.8
2018	11.9	-	11.9
2019	2.9	-	2.9
2020	0.0	-	0.0
2021 and beyond	0.0	-	0.0
<b>Total leases and other commitments</b>	<b>101.1</b>	<b>-</b>	<b>101.1</b>
<b>Leasing expense for the year</b>	<b>40.2</b>	<b>2.4</b>	<b>42.6</b>

#### Parent company

The parent company rents mainly office premises through operating leases.

Leases and other future payment commitments at 31 December 2016 (SEK million)	Parent company	
2017		10.1
2018		9.7
2019		8.9
2020		0.2
2021		0.0
2022 and beyond		-
<b>Total leases and other commitments</b>		<b>28.9</b>
<b>Leasing expense for the year<sup>1</sup></b>		<b>1.0</b>

Leases and other future payment commitments at 31 December 2015, SEK million	Parent company	
2016		10.0
2017		9.6
2018		9.0
2019		2.9
2020		-
2021 and beyond		-
<b>Total leases and other commitments</b>		<b>31.5</b>
<b>Leasing expense for the year<sup>1</sup></b>		<b>2.9</b>

<sup>1</sup> The parent company mainly rents offices. Rental costs are allocated to the subsidiaries by the number of employees, resulting in a great difference between estimated future commitments and actual lease cost.

Note 22, continued

## Financial leases

Financial leasing liabilities fall due for payment as follows:

2016 (SEK million)	Group								
	E-commerce			Financial services			Qliro Group Total		
	Minimum lease charges	Interest	Principal	Minimum lease charges	Interest	Principal	Minimum lease charges	Interest	Principal
Within a year	-	-	-	0.5	0.0	0.5	0.5	0.0	0.5
Between one and five years	-	-	-	0.9	0.0	0.9	0.9	0.0	0.9
More than five years	-	-	-	-	-	-	-	-	-
	-	-	-	<b>1.4</b>	<b>0.0</b>	<b>1.4</b>	<b>1.4</b>	<b>0.0</b>	<b>1.4</b>

Total payments for the year in the Group related to financially leased assets amounted to SEK 0.07 million (0.0). During the year, SEK 0.002 million (0.0) was recognised as interest expense and SEK 0.07 million (0.0) as amortisation of debt. Total amount expensed related to financially leased equipment was SEK 0.008 million (0.0).

## Note 23 Average number of employees

### Average number of employees

	Group											
	E-commerce				Financial services				Qliro Group Total			
	2016		2015		2016		2015		2016		2015	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Sweden	357	423	385	456	88	42	51	36	445	465	436	492
<b>Total</b>	<b>357</b>	<b>423</b>	<b>385</b>	<b>456</b>	<b>88</b>	<b>42</b>	<b>51</b>	<b>36</b>	<b>445</b>	<b>465</b>	<b>436</b>	<b>492</b>
<b>Total average no. of employees</b>	<b>780</b>		<b>841</b>		<b>130</b>		<b>87</b>		<b>910</b>		<b>928</b>	

	Parent company			
	2016		2015	
	Men	Women	Men	Women
Sweden	14	6	13	7
<b>Total</b>	<b>14</b>	<b>6</b>	<b>13</b>	<b>7</b>
<b>Total average no. of employees</b>	<b>20</b>		<b>20</b>	

### Distribution of men and women in executive management

	Group											
	E-commerce				Financial services				Qliro Group Total			
	2016		2015		2016		2015		2016		2015	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Board of Directors	91	9	91	9	60	40	67	33	86	14	88	12
CEO and other executives	81	19	89	11	100	0	82	18	84	16	76	24
<b>Total</b>	<b>86</b>	<b>14</b>	<b>90</b>	<b>10</b>	<b>80</b>	<b>20</b>	<b>75</b>	<b>26</b>	<b>85</b>	<b>15</b>	<b>82</b>	<b>18</b>

	Parent company			
	2016		2015	
	Men %	Women %	Men %	Women %
Board of Directors	86	14	88	12
CEO and other executives	100	0	100	0
<b>Total</b>	<b>93</b>	<b>7</b>	<b>94</b>	<b>6</b>

## Note 24 Salaries, other remuneration and social security contributions

### Remuneration of senior executives

Guidelines for remuneration of senior executives, referred to below as “Executives”, were adopted at the AGM on 23 May 2016 as follows.

### Remuneration guidelines

The objective of the guidelines is to ensure that the Qliro Group can attract, motivate, and retain senior executives within the context of the Qliro Group’s peer group, which mainly consists of Nordic companies involved in e-commerce and retail sales of consumer brands and products, and in consumer credit and payment solutions. Remuneration shall be formulated so as to be competitive, while still in alignment with the interests of shareholders. Remuneration of Executives shall consist of a fixed and variable cash-based salary, opportunities to participate in long-term share-based incentive programmes, customary benefits and pension plans. These components shall create a well-balanced remuneration package that reflects individual performance and responsibility, in both the short and long term, as well as the Qliro Group’s overall performance.

### Fixed salary

The fixed salary of Executives shall be reviewed annually and shall be competitive and based on the individual Executive’s expertise, responsibilities and performance.

### Variable remuneration

Senior executives’ variable remuneration paid in cash shall be based on performance in meeting established targets for their areas of responsibility and for Qliro Group and its subsidiaries. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives’ respective areas of responsibility are intended to promote Qliro Group’s performance both in the short and long term. The cash-based variable remuneration shall generally not exceed 100 per cent of the senior executive’s fixed annual salary. The Board may resolve that part of senior executives’ variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Share- and share-price-related incentive plans should include a personal investment and be linked to certain predetermined financial and/or share- or share-price-related performance criteria, and should be designed to ensure a long-term commitment to the value growth of Qliro Group and its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders. For executives who are employed at Qliro Financial Services the payment of a portion of the variable remuneration is deferred and can amount to the highest

amount in accordance with current regulations for credit market companies. The board has imposed restrictions on their variable remuneration by making payment conditional on the performance that the remuneration was based on proving to be sustainable over time.

### Other benefits

The Qliro Group provides other benefits to Executives in accordance with local practice. Other benefits may include a company car, company health care and health insurance. Occasionally, company accommodation may be provided for a limited period.

### Pensions

Executives are entitled to pension commitments based on those that are customary in the country in which they are employed. Pension commitments are secured through premiums paid to insurance companies. The retirement age is normally 65.

### Notice of termination and severance pay

The maximum notice period in Executive contracts is generally 12 months, and in exceptional cases 18 months, during which time salaries will continue to be paid.

### Remuneration of Board members

Board members elected at General Meetings may in certain cases receive a fee for services within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

### Deviations from the guidelines

In special circumstances the Board may deviate from these guidelines, for example, paying additional variable remuneration for exceptional performance. In such a case, the Board shall explain the reason for the deviation at the following AGM.

### Share-based remuneration

#### *The 2016 long-term incentive programme*

At the 2016 AGM, it was resolved to adopt a new long-term share-related incentive programme (LTIP 2016). LTIP 2016 comprises:

(a) a long-term performance share plan (PSP) for senior executives and other key employees in the parent company and Qliro Group’s subsidiaries/segments with a similar structure as the long-term incentive plans adopted at the AGMs in 2011–2015 with the exception that no participant will be allotted employee options in the year’s PSP; and

(b) a synthetic call option plan (QOP) for the CEO and other key employees in Qliro Group’s subsidiaries/segments that offer financial services, Qliro Financial Services, which shall be based on the underlying value growth in Qliro Financial Services.

The PSP is intended for about 60 senior executives and other key employees in the Qliro Group. To participate in the PSP, par-

*Note 24, continued*

Participants are required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each Savings Share, Qliro Group will allot retention and performance based rights to the participants free of charge. Subject to fulfilment of certain retention-based and performance-based conditions during the period 1 April 2016 – 31 March 2019 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependant on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2019.

The QOP comprises the CEO and other key persons working at Qliro Financial Services, a total of about 15 persons. To take part in the QOP, participants are required to acquire synthetic call options at market value. The market value of Qliro Financial Services is determined through a valuation performed by an independent measurement institute in connection with the notification (Start Date) and at the end of the programme (End Date). Generally accepted valuation models shall be applied and valuation shall be confirmed by Qliro Group's auditor.

Participants shall acquire the synthetic call options at market value in connection with the QOP notification in 2016 (Start Date). The market value of the synthetic call options shall be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes).

Allocation of synthetic call options are made by the Board of Directors or the Remuneration Committee, in accordance with the principles approved by the AGM, and shall be based on the employee's competence, area of responsibility and fixed annual salary (gross of tax) (Gross Salary). Participants can acquire synthetic call options equivalent to an amount not more than 4-18 per cent of Gross Salary per person (depending on the participant's investment category in the QOP). Employees can invest a maximum of SEK 1.73 million in the QOP. Issue of synthetic call options shall be effected by agreement between Qliro Group and the employee, essentially on the following conditions:

- The synthetic call options can be exercised three years after they were issued as well as on divestment of Qliro Financial Services by Qliro Group (End Date). If Qliro Group divests Qliro Financial Services before the 2017 AGM, Qliro Group shall have the right to acquire the synthetic call options at market value as calculated using the Black-Scholes model.
- One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro Financial Services, provided that the established value of Qliro Financial Services at the End Date is at least 171 per cent of the established value at the Start Date (exercise price).

- Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, with some exceptions, through Qliro Group's transference its own ordinary shares to the participants. The number of ordinary shares transferred to participants shall be based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after Qliro Group publishes its interim report for the first quarter of 2019).
- The synthetic call options that can be issued during the QOP shall be freely tradeable, but subject to the right for Qliro Group to acquire the synthetic call options at market value, calculated using the Black-Scholes model.
- The QOP will not cause the number of shares in Qliro Financial Services to change.

*The 2015 long-term incentive programme*

At the 2015 AGM, it was resolved to adopt a new long-term share-related incentive programme (LTIP 2015). LTIP 2015 comprised:

- (a) a long-term performance share plan (PSP) with a similar structure as the long-term incentive plans adopted in 2011–2014; and
- (b) a synthetic call option plan based on the underlying value growth in Qliro Group's subsidiaries/segments ("the Synthetic Call Option Plan").

The PSP is intended for about 51 senior executives and other key employees in the Qliro Group. To participate in the PSP, participants were required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares could either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each share, Qliro Group will allot retention and performance based rights to the participants free of charge, and, to the CEO and senior executives, performance based employee stock options. Subject to fulfilment of certain retention and performance based conditions during the period 1 April 2015 – 31 March 2018 (Measurement Period), each retention right and performance right will entitle the participant to receive one ordinary share free of charge and each employee stock option will entitle the participant to purchase one ordinary share at a price corresponding to 120 per cent of the market value of the share at the time of the employee stock option's granting. The right to finally be awarded shares is also dependant on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment at Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2018.

The Synthetic Call Option Plan for 2015 could not be launched for various reasons.

## Note 24, continued

*The 2014 long-term incentive programme*

At the 2014 AGM, it was resolved to adopt a share-related and performance-based incentive programme ("LTIP 2014" or "the Plan") for senior executives and other key employees in Qliro Group with the same structure as 2012 and 2013.

The plan was intended for about 55 senior executives and other key employees in the Qliro Group. To participate in the Plan, the participants were required to make a personal investment in Qliro Group shares. These shares could either be shares already held or shares purchased on the market in connection with the notification to participate in the Plan. The participants would then receive, free of charge, an allocation of retention- and performance-based share rights, as well as, in certain cases, performance-based employee options according to the terms adopted at the AGM. Subject to fulfilment of certain retention- and performance-based conditions for the period 1 April 2014 – 31 March 2017 ("the Measurement Period"), and subject to the participant retaining the invested shares during the vesting period ending at the release of the Qliro Group's interim report for the period January – March 2017, and that the participant, with some exceptions, is still employed with the Qliro Group at the release of the interim report for the period January – March 2017, each right entitles the participant to receive, free of charge, one ordinary share in the company and each option entitles the participant to purchase one ordinary share at a price equivalent to 120% of the share price at the allotment date.

*The 2013 long-term incentive programme*

The long-term incentive programme adopted at the 2013 AGM ("LTIP 2013") was wrapped up in the second quarter of 2016. One of the Board's established performance-based conditions of LTIP 2013 was Qliro Group's gross profit during the measurement period (1 April 2013 – 31 March 2016), which would amount to at least SEK 2,680 million for the entry level and at least SEK 2,970 million for the stretch level. None of the retention- or performance-based conditions were met in the 2013 long-term incentive programme, and all retention-based and performance-based rights have therefore expired.

Personnel expenses (SEK million)	Group		Parent company	
	2016	2015	2016	2015
Salaries	358.0	329.9	25.9	21.0
Social security contributions	120.4	104.4	8.8	7.2
Pension expenses – defined contribution plans	29.2	23.4	4.0	3.2
Expenses for share-based remuneration	0.8	0.6	0.8	0.6
Social security contributions on share-based remuneration	-0.2	-0.5	-0.2	-0.5
<b>Total</b>	<b>508.2</b>	<b>457.8</b>	<b>39.3</b>	<b>31.5</b>

Basic salary and variable remuneration, SEK million	Group	
	2016	2015
CEO and senior executives 7 persons (10)	21.3	20.2
<i>Of which variable salary</i>	<i>2.1</i>	<i>1.9</i>

Remuneration and other benefits Group (SEK million)	2016					
	Basic salary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Marcus Lindqvist, current CEO	1.7	0.8	0.0	0.5	0.1	3.2
Paul Fischbein, former CEO	2.7	-	0.0	1.0	-	3.7
Senior executives, 6 persons	14.7	1.3	0.0	3.2	0.2	19.4
<b>Total</b>	<b>19.2</b>	<b>2.1</b>	<b>0.1</b>	<b>4.7</b>	<b>0.3</b>	<b>26.2</b>

The amounts recognised for 2016 are for the full year. Variable remuneration for 2016 paid out in 2017 to the CEO: SEK 0.8 million (0.3). Remuneration for 2016 paid out in 2017 to other senior executives: SEK 1.3 million (1.6).

Remuneration and other benefits Group (SEK million)	2015					
	Basic salary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Paul Fischbein, CEO	3.5	0.3	-	1.0	0.3	5.1
Senior executives, 9 persons	14.8	1.6	-	3.7	0.2	20.3
<b>Total</b>	<b>18.3</b>	<b>1.9</b>	<b>-</b>	<b>4.8</b>	<b>0.5</b>	<b>25.5</b>

The amounts recognised for 2015 are for the full year. Variable remuneration for 2015 paid out in 2016 to the CEO: SEK 0.3 million (1.0). Remuneration for 2015 paid out in 2016 to other senior executives: SEK 1.6 million (4.4).

## Note 24, continued

Payroll expenses and other remuneration Parent company (SEK million)	Parent company	
	2016	2015
Board and senior executives, 9 persons (11)	14.0	12.0
<i>Of which variable salary</i>	<i>1.3</i>	<i>0.7</i>
Other employees	12.6	9.5
<b>Total salaries and other remuneration</b>	<b>26.7</b>	<b>21.5</b>

Remuneration and other benefits Group and parent company (SEK million)	2016						Total
	Basic salary, Board remuneration	For Board duties in subsidiary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	
Lars-Johan Jarnheimer, Chairman of the Board	0.7						0.7
Peter Sjunnesson	0.5	0.3					0.8
Lorenzo Grabau	0.5						0.5
David Kelly	0.4						0.4
Patrick Andersen	0.4						0.4
Daniel Mytnik <sup>1</sup>	0.4						0.4
Caren Genthner-Kappesz	0.4						0.4
Remuneration from parent company							
Marcus Lindqvist, current CEO	1.7		0.8	0.0	0.5	0.1	3.2
Paul Fischbein, former CEO	2.7		0.0	0.0	1.0	0.0	3.7
Other senior executives, 6 persons							
Remuneration from parent company	5.0		0.4	0.0	0.9	0.2	6.5
Remuneration from subsidiaries	9.7		0.8	0.0	2.3	0.0	13.0
<b>Total</b>	<b>22.3</b>	<b>0.3</b>	<b>2.1</b>	<b>0.1</b>	<b>4.7</b>	<b>0.3</b>	<b>29.7</b>

The amounts recognised for 2016 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.8 million (0.3) for the CEO and SEK 1.3 million (1.6) for other senior executives. The Board will receive its full remuneration from the parent company. Notice of termination of the CEO is maximum 12 months when terminated by the company and 9 months when terminated by the employee. The CEO is not entitled to severance pay.

Remuneration and other benefits Group and parent company (SEK million)	2015						Total
	Basic salary, Board remuneration	For Board duties in subsidiary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	
Lars-Johan Jarnheimer, Chairman of the Board	0.7						0.7
Peter Sjunnesson	0.5	0.2					0.7
Lorenzo Grabau	0.5						0.5
David Kelly	0.4						0.4
Patrick Andersen	0.4						0.4
Daniel Mytnik <sup>1</sup>	0.4						0.4
Jens Grede	0.3						0.3
Mengmeng Du	0.3						0.3
Paul Fischbein, CEO							
Remuneration from parent company	3.5		0.3	-	1.0	0.3	5.1
Other senior executives (9 persons)							
Remuneration from parent company	3.9		0.4	-	0.9	0.2	5.5
Remuneration from subsidiaries	10.9		1.2	-	2.8	-	14.9
<b>Total</b>	<b>21.7</b>	<b>0.3</b>	<b>1.9</b>	<b>-</b>	<b>4.8</b>	<b>0.5</b>	<b>29.1</b>

<sup>1</sup> In 2015, there was a consulting agreement between Qliro Group and Daniel Mytnik entitling him to consulting fees of SEK 1.6 million per year for services rendered to the Board and company management for Qliro Group in addition to usual board work. Daniel Mytnik was therefore not considered independent of the company and its management.

*Note 24, continued*

The amounts recognised for 2015 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.3 million (1.0) for the CEO and SEK 1.6 million (4.4) for other senior executives. The Board will receive its full remuneration from the parent company.

Notice of termination of the CEO is maximum 18 months when terminated by the company and 12 months when terminated by the employee. The CEO is not entitled to severance pay.

**Share-based remuneration**

Starting in 2011, Qliro Group AB's AGM established an incentive programme for management and key employees.

*The 2016 long-term incentive programme*

The 2016 PSP programme is intended for about 60 senior executives and other key employees in the Qliro Group. A personal investment in Qliro Group AB shares is necessary to participate. These shares can either be already held or shares purchased at market price in connection with notification to participate in the programme. Participants must retain the shares during the three-year vesting period. After that, participants are allotted retention- and performance-based rights, which can be exercised later on depending on whether defined targets are met. The share rights are divided into Class A (retention rights) and Class B (performance rights). The number of shares the participant was issued based on the rights depends partly on which category the participant belongs to and on the fulfilment of the following retention- and performance-based conditions. For Class A, Total Shareholder Return (TSR) on Qliro Group's ordinary shares during the Measurement Period (1 April 2016 – 31 March 2019) shall exceed 0 per cent to reach the entry target. (b) For Class B, the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 per cent to reach the entry target and 20 per cent or more to reach the stretch target. The retention-based and performance-based rights were allotted to the participants free of charge in 2016. The retention- and performance-based rights can be exercised after publication of the interim report for the first quarter of 2019. The programme includes 321,337 retention-based rights and 2,293,592 performance-based rights.

The synthetic call option programme (QOP) is directed to the CEO and other key persons in Qliro Group's subsidiary/segment Qliro Financial Services, a total of about 15 persons. The value of the issued synthetic call options amounts to a maximum of approximately 2.7 per cent of the value of Qliro Financial Services. To participate, the synthetic call options must be acquired at market value through a personal investment. The market value shall be calculated by a prestigious, independent rating agency using the Black-Scholes model. Participants can exercise the synthetic call options three years after issue (and in the event that Qliro Group divests Qliro Financial Services), provided that the established value of Qliro Financial Services at the End Date is at least 171 per cent of the established value at the Start Date.

Payment to participants is intended to be made through Qliro Group's transference of its own ordinary shares to the participants. Employees can invest a maximum of SEK 1.73 million in the synthetic call option programme. A total of 1,649,700 synthetic call options were acquired by the QOP participants.

*The 2015 long-term incentive programme*

The 2015 PSP programme was intended for about 51 senior executives and other key employees in Qliro Group. A personal investment in Qliro Group AB shares was necessary to participate. These shares can either be already held or shares purchased at market price in connection with notification to participate in the programme. Participants must retain the shares during the three-year vesting period. After that, participants are allotted retention- and performance-based rights, and in some cases, employee options, which can be exercised later on depending on whether defined targets are met. The share rights and employee stock options are divided into Class A (retention rights) and Class B (performance rights and employee stock options). The number of shares the participant was issued based on the rights and acquired through the employee stock options depended partly on which category the participant belonged to and on the fulfilment of the following retention- and performance-based conditions. For Class A, Total Shareholder Return (TSR) on Qliro Group's ordinary shares during the Measurement Period (1 April 2015 – 31 March 2018) shall exceed 0 per cent to reach the entry target. (b) For Class B, the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 per cent to reach the entry target and 20 per cent or more to reach the stretch target. The retention-based and performance-based rights as well as the employee options were allotted to the participants free of charge in June 2015. The retention- and performance-based rights as well as the performance-based employee stock options can be exercised after publication of the interim report for the first quarter of 2018. The programme contained 142,800 retention-based rights, 870,000 performance-based rights and 208,000 performance-based employee stock options.

The Synthetic Call Option Programme for 2015 was never launched.

*The 2014 long-term incentive programme*

The 2014 programme was intended for about 55 senior executives and other key employees in Qliro Group. A personal investment in Qliro Group AB shares was necessary to participate. These shares could either be already held or shares purchased at market price in connection with notification to participate in the programme. Participants must retain the shares during the three-year vesting period. After that, participants are allotted retention- and performance-based rights, and in some cases, employee options, which can be exercised later on depending on whether defined targets are met. The objectives relate to return on shares, gross profit levels and return on shares compared with



*Note 24, continued*

a reference group. The retention-based and performance-based rights as well as the employee options were allotted to the participants free of charge in early June 2014. They can be exercised after publication of the interim report for the first quarter of 2017. The programme contained 90,100 retention-based rights, 537,500 performance-based rights and 116,000 performance-based employee stock options.

*The 2013 long-term incentive programme*

The long-term incentive programme adopted at the 2013 AGM was wrapped up in the second quarter of 2016. None of the retention- or performance-based conditions were met in the 2013 long-term incentive programme, and all retention-based and performance-based rights have therefore expired.

**Cost effects of incentive programmes**

The PSP programmes are equity-regulated programmes. The fair value at the allotment date is expensed over the vesting period. The cost of the programmes is recognised in equity and as an operating expense. The cost is based on the fair value of Qliro Group AB shares at the allotment date and the number of shares that are expected to be earned. The cost of the programmes in 2016 totalled SEK 0.8 million (0.6), excluding social security contributions. When shares are allotted, social security contributions are paid for the value of benefits to the employee. During the vesting period, provisions are made for these estimated social security contributions.

The estimated fair value of services received in return for the employee options granted is based on the Black & Scholes valuation model. The expected volatility is based on historic values. Adjustments are also made in the programmes for actual employee turnover during the period. For the retention-based programmes, the probability that the targets will be achieved is taken into account by using adjustment factors for the various targets when the cost is calculated.

In the synthetic call option programme (QOP), the options are issued to the participants at market price, so no upfront costs arise for Qliro Group. so no upfront costs arise for Qliro Group. Future expenses or income for Qliro Group attributable to synthetic call options issued under the QOP depends on value developments in Qliro Financial Services. If the value of Qliro Financial Services at the End Date exceeds 171 per cent of the value at the Start Date, the synthetic call options have a value. The total value of issued synthetic call options at the End Date cannot exceed about 2.7 per cent of the difference between the established value for Qliro Financial Services at the End Date and 171 per cent of the value at the End Date, however, the profit is limited to a value of Qliro Financial Services at the End Date that is ten times higher than the value at the Start Date.

Qliro Group's total cost will consist of the administrative expense of hedging arrangements to deliver Qliro Group common shares at a value corresponding to the difference between the established value of Qliro Financial Services at the End Date

and 171 per cent of the value at the Start Date, less the option premium that the participants have paid. Any adjustment to the holders will occur in 2019, or when Qliro Group divests Qliro Financial Services. The maximum dilution of shares and votes in Qliro Group due to the QOP amounts to no more than 2 per cent.

**Recalculation of certain conditions in the incentive programmes adopted in 2013–2014 due to the preferential rights issue in the Qliro Group**

Certain conditions in the long-term incentive programmes adopted in 2013–2014 were recalculated due to Qliro Group's preferential rights issue carried out in Q4 2014. The following conditions were recalculated: a) the number of ordinary shares that each retention-based and performance-based right and employee option allotted 2013–2014 entitles to be granted; b) exercise prices for the employee options allotted 2013–2014; and c) the participant's maximum profit per each retention-based and performance-based right or employee option allotted 2013–2014. The actual number of allotted retention- and performance-based shares and employee stock options were not affected by the aforementioned conversion, that is, the number is unchanged.

Recalculated number of ordinary shares that each retention-based and performance-based right and employee option allotted 2014–2016 entitles to be granted:

Number of ordinary shares that each retention-based and performance-based right or employee option entitles to be granted:	After recalculation	Before recalculation
Long-term incentive programme, 2013	1.156 shares	1.000 share
Long-term incentive programme, 2014	1.156 shares	1.000 share
Long-term incentive programme, 2015	1.000 share	1.000 share
Long-term incentive programme, 2016	1.000 share	1.000 share

This means that if all 3,068,279 rights and employee options that were allotted to senior executives and other key employees 2014–2016 could be exercised as at 31 December 2016, then a total of 3,089,873 ordinary shares would be granted to the participants after recalculation.

**Dilution**

If all rights and employee stock options allotted to senior executives and other key employees had been exercised as at 31 December 2016, the number of shares issued by the company would have increased by 3,089,873 ordinary shares, which corresponds to a dilution of 2.1 per cent of capital and votes at year-end 2016. The settlement of possible outcomes/payments to the QOP participants is intended to occur through the transference of Qliro Group's own ordinary shares to QOP participants (in 2019), which could lead to further dilution effects (in 2019). The maximum dilution of shares and votes in Qliro Group due to the QOP amounts to no more than 2 per cent.

## Notes

### Note 24, continued

Outstanding rights and employee stock options	President	Senior executives	Key employees	Total
Long-term incentive programme, 2013	0	0	0	0
Long-term incentive programme, 2014	0	39,000	99,426	138,426
Long-term incentive programme, 2015	0	39,000	275,922	314,922
Long-term incentive programme, 2016	529,414	689,150	1,396,367	2,614,931
<b>Total outstanding as at 31 December 2016</b>	<b>0</b>	<b>399,337</b>	<b>2,668,942</b>	<b>3,068,279</b>

In addition to the above, 1,649,700 synthetic call options were also issued in the QOP. Their value is based on the change in value of Qliro Financial Services and the intention is to settle them with ordinary shares in the parent company, Qliro Group. Against this background, there is potential dilution related to the number of shares required to settle the liability to the employees.

	2016		2015	
	Number of rights and options	Weighted redemption price	Number of rights and options	Weighted redemption price
Outstanding rights and options as at 1 January	1,238,838	-	1,234,801	-
Rights and options issued during the year	2,614,931	-	1,009,612	-
Rights and options forfeited during the year	-785,490	-	-1,005,575	-
<b>Total outstanding as at 31 December</b>	<b>3,068,279</b>	<b>-</b>	<b>1,238,838</b>	<b>-</b>

Specification of long-term incentive programme	Number of rights and options	Number of participants	Maximum redemption price <sup>3</sup>	Redemption period	No. of rights and options at 1 January	Forfeited during the year	Redeemed during the year	Outstanding rights and options at 31 December
<b>Total allocation 2013<sup>1</sup></b>								
2013	710,200	30	150.6	2016	246,000	-246,000	-	-
<b>Total allocation 2014<sup>1</sup></b>								
2014	639,026	42	109.0	2017	346,426	-208,000	-	138,426
<b>Total allocation 2015<sup>2</sup></b>								
2015	1,009,612	37	50,0–82,03	2018	646,412	-331,490	-	314,922
<b>Total allocation 2016<sup>2</sup></b>								
2016	2,614,931	33	29,5–41,03	2019	2,614,931	0	0	2,614,931
<b>Total</b>	<b>4,973,769</b>				<b>3,853,769</b>	<b>-785,490</b>	<b>0</b>	<b>3,068,279</b>

<sup>1</sup> Recalculated due to preferential rights issues (see explanation above).

<sup>2</sup> Refers only to the performance share program (PSP)

<sup>3</sup> Maximum redemption price is governed by "participant" category

Personnel expenses (SEK million)	Group		Parent company	
	2015	2014	2015	2014
Granted rights 2011	-	-	-	-
Granted rights and options 2012	-	-	-	-
Granted rights and options 2013	0.1	0.1	0.1	0.1
Granted rights and options 2014	0.0	0.3	0.0	0.3
Granted rights and options 2015	0.3	0.2	0.3	0.2
Granted rights and options 2016	0.4	-	0.4	-
<b>Total expense recognised as personnel expenses</b>	<b>0.8</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>

The long-term incentive programme adopted at the 2013 AGM was wrapped up in the second quarter of 2016. None of the retention- or performance-based conditions were met in the 2013 long-term incentive programme, and all retention-based and performance-based rights have therefore expired.

## Note 25 Fees and compensation to auditors

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
<b>KPMG</b>						
Audit engagements	2.0	2.4	0.5	0.6	2.5	3.0
Audit-related services	0.0	0.0	-	-	0.0	0.0
Tax consulting	0.0	0.1	-	-	0.0	0.1
Other services	0.1	0.1	-	-	0.1	0.1
<b>Total</b>	<b>2.2</b>	<b>2.6</b>	<b>0.5</b>	<b>0.6</b>	<b>2.7</b>	<b>3.2</b>

(SEK million)	Parent company	
	2016	2015
<b>KPMG</b>		
Audit engagements	0.7	0.7
Other services	0.1	-
<b>Total</b>	<b>0.8</b>	<b>0.7</b>

Audit engagements refer to statutory audits of the annual accounts and accounting records and the administration of the Board and CEO, as well as other audits and reviews conducted in accordance with agreements or contracts.

This includes other duties that are incumbent on the company's auditor as well as the provision of advice or other assistance resulting from observations in connection with such reviews or the performance of such other duties.

## Note 26 Supplementary disclosures regarding the statement of cash flows

Items in profit/loss for the year that do not generate cash flow from operations:

(SEK million)	Group					
	E-commerce		Financial services		Qliro Group Total	
	2016	2015	2016	2015	2016	2015
Gain/loss on divestment of operations	102.9	-	-	-	102.9	-
Gain from sale of non-current assets	-	2.2	-	-	-	2.2
Depreciation, amortisation, impairment, and disposal of non-current assets	69.7	31.2	14.4	7.5	84.0	38.7
Change in provision for contingent considerations	1.5	-0.5	-	-	1.5	-0.5
Incentive programme	2.5	0.6	-	-	2.5	0.6
Unrealised exchange differences	-0.6	-1.0	0.0	-	-0.6	-1.0
Other items	1.9	-5.1	-1.3	-	0.6	-5.1
<b>Total</b>	<b>177.9</b>	<b>27.4</b>	<b>13.0</b>	<b>7.5</b>	<b>190.9</b>	<b>34.9</b>
<b>Other supplementary disclosures</b>						
Interest received during the financial year	0.1	0.7	0.0	0.0	0.1	0.7
Interest paid during the financial year	-1.5	-2.6	-7.2	-0.9	-8.8	-3.4
<b>Total</b>	<b>-1.4</b>	<b>-1.9</b>	<b>-7.2</b>	<b>-0.9</b>	<b>-8.7</b>	<b>-2.7</b>

## Notes

### Note 26, continued

(SEK million)	Parent company	
	2016	2015
Gain/loss on divestment of operations	102.9	25.8
Gain/loss on sale of non-current assets	1.6	-
Depreciation, amortisation, impairment, and disposal of non-current assets	0.9	0.8
Change in other provisions	-0.2	-0.5
Incentive programme	2.5	0.6
Unrealised exchange differences	7.9	-10.6
<b>Total</b>	<b>115.6</b>	<b>16.1</b>
<b>Other supplementary disclosures</b>		
Interest received during the financial year	0.0	0.6
Interest paid during the financial year	-0.3	-1.0
<b>Total</b>	<b>-0.3</b>	<b>-0.5</b>

## Note 27 Transactions with related parties

### Group

#### Related parties

Investment AB Kinnevik (Kinnevik)	Kinnevik holds shares in Qliro Group AB.
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#### Parties related to Kinnevik:

Tele2 AB (Tele2)	Kinnevik holds a significant number of shares in Tele2.
Modern Times Group MTG AB (MTG)	Kinnevik holds a significant number of shares in MTG.

All transactions between related parties are based on market-based conditions and negotiations are completed on an arm's-length basis.

No consulting services were purchased from board member Daniel Mytnik during the year. In 2015, the Group's purchases

from Daniel Mytnik for consulting services including out-of-pocket costs amounted to SEK 1.6 million. Daniel Mytnik sits on the board of Qliro Group AB. Apart from this, there were no transactions with senior executives beyond that found in Note 24.

### Transactions with related parties

The Group purchases telecom, data communication and marketing services from Kinnevik. In 2016, purchases totalled SEK 3.5 million (5.5).

### Transactions with parties related to Kinnevik

The Group purchases telecom and data communication services from Tele2.

The Group purchases advertising services from MTG.

### Parent company

The parent company has related party relationships with its subsidiaries (see Note 12).

Summary of related party transactions (SEK million)	Year	Sale of goods/ services to related parties	Purchase of goods/services from related parties	Other (e.g. interest, dividend)	Claims on related parties at 31 December	Liability to related parties at 31 December
Subsidiaries	2016	17.1		-38.9	56.7	323.7
Subsidiaries	2015	17.1	-	-103.9	343.0	297.1

## Note 28 Significant events after the end of the financial year

### CDON Alandia Ab paid EUR 5.9 million to the Tax Administration in Finland

After year-end, Qliro Group announced that CDON AB's Finnish subsidiary, CDON Alandia Ab, has at the request of the Åland authorities paid in EUR 5.9 million attributable to the tax claim previously made by the Tax Administration in Finland for the 2012 financial year, pending the ruling on the tax dispute. CDON Alandia and its advisers still assert that the company acted correctly and in compliance with applicable legislation. As previously announced, CDON Alandia appealed the tax decision to the Helsinki Administrative Court, which has not yet considered the matter. A date for the judicial review has yet to be announced. In light of this, the company has not expensed the amount paid.

### Qliro Group revises strategic direction and sets new targets

After year-end, Qliro Group AB announced that it has revised its strategic direction and set new long term financial targets. Qliro Group's activities focus on the segments Marketplace (CDON), Fashion (Nelly, NLY Man and Members) and Financial Services (Qliro Financial Services). Also included in the Group are the business units Lekmer and Gymgrossisten.

Qliro Group's overall goal is to strengthen its position as the leading platform for digital commerce in the Nordics, provide an attractive offer of payment solutions and additional financial services for consumers and e-retailers, and establish a position as a leading e-retailer in selected segments in the Nordic fashion market. The priorities for the Lekmer and Gymgrossisten business units are continuous improvement of operating earnings and cash flows and development of each brand.

### Gustav Hasselgren new head of Gymgrossisten

Qliro Group AB announced after year-end that Gustav Hasselgren had been recruited to head Gymgrossisten. Gustav will take over by mid-May 2017.

### Qliro becomes credit market company

In March Qliro Group AB announced that subsidiary Qliro AB (Qliro) had received authorisation from the Swedish Financial Supervisory Authority (FI) to operate as a credit market company. The permit allows Qliro to launch its payment solution in Norway, offer savings accounts covered by the state deposit guarantee and introduce new digital financial services, and means that Qliro AB is now under the scrutiny of FI.

## Note 29 Operating expenses by cost type

(SEK million)	Group	
	2016	2015
Cost of sales	-2,908.5	-2,991.0
Distribution and warehousing costs	-574.1	-589.9
Personnel expenses	-490.4	-455.6
Depreciation and amortisation	-80.4	-38.7
Other expenses	-514.1	-492.6
<b>Total expenses</b>	<b>-4,567.6</b>	<b>-4,567.7</b>

## Note 30 Earnings per share

(SEK)	Group	
	2016	2015
Basic and diluted earnings per share (excluding discontinued operations)	-0.51	-0.69
Basic and diluted earnings per share (including discontinued operations)	-1.24	-0.68

The numerator and denominator used in the above calculation are shown below.

	2016	2015
Basic and diluted earnings per share (excluding discontinued operations)		
Profit/loss for the year attributable to parent company shareholders, SEK million	-75.8	-102.4
Average number of shares	149,269,779	149,269,779
<b>Basic and diluted earnings per share (including discontinued operations), SEK</b>	<b>-0.51</b>	<b>-0.69</b>

	2016	2015
Basic and diluted earnings per share (including discontinued operations)		
Profit/loss for the year attributable to parent company shareholders, SEK million	-185.7	-101.6
Average number of shares	149,269,779	149,269,779
<b>Basic and diluted earnings per share (including discontinued operations), SEK</b>	<b>-1.24</b>	<b>-0.68</b>

The parent company's custodial Class C shares attributable to the Group incentive programme (see Note 24) may generate potential dilution in the future. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2016 or 2015.

## The Board's attestation

The Board of Directors and Chief Executive Officer certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards which are defined in regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts provide a true and fair view of the financial position and financial performance of the Parent Company and the Group. The Directors' Report for the Group and parent company present a fair summary of the Group and parent company's activities, position, and results, and describes significant risks and uncertainty factors faced by the parent company and Group companies.

Stockholm, 3 April 2017

**Lars-Johan Jarnheimer**  
Chairman of the Board

**Marcus Lindqvist**  
CEO

**Patrik Andersen**  
Board member

**Caren Genther-Kappesz**  
Board member

**Lorenzo Grabau**  
Board member

**David Kelly**  
Board member

**Daniel Mytnik**  
Board member

**Peter Sjunnesson**  
Board member

Our audit report was submitted on 3 April 2017

**KPMG AB**

**Cronie Wallquist**  
Authorised Public Accountant

The annual accounts and consolidated financial statements were, as stated above, approved for publication by the Board and CEO on 4 April 2017.

# Auditor's report

To the Annual General Meeting of Qliro Group AB (publ), Corporate Identity No. 556035-6940

## Report on the annual accounts and consolidated accounts

### Opinion

We have audited the annual accounts and consolidated accounts for Qliro Group AB (publ) for the year 2016, with the exception of the Corporate Governance Report on pages 22–31. The Company's annual accounts and the consolidated accounts are included in this document on pages 5–84.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and presents fairly, in all material respects, the financial position of the Parent Company at 31 December 2016 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. In our opinion, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2016 and its financial performance and cash flow in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 22–31. The Board of Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the AGM adopt the income statements and balance sheets of the Parent Company and the Group.

### Basis for our opinion

We have conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our liability under these standards are described in the section Auditor's responsibility. We are independent of the Company and the Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

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

### Particularly significant areas

Particularly significant areas of the audit are the areas which, in our professional judgement, were the most significant to the audit of the annual report and consolidated financial statements for the current period. These areas were handled within the framework of the audit of, and in our stance on, the annual report and the consolidated financial statements as a whole, but we do not have separate opinions on these areas.

### Valuation of goodwill and other intangible assets in the form of trademarks

See Note 3 and 10 and the accounting principles on pages 43–50 of the annual report and consolidated financial statements for detailed information and a description of the area.

### Description of the area

The carrying amount of intangible assets in the form of goodwill and trademarks amounts to SEK 261 million at 31 December 2016. Intangible assets with an indefinite useful life shall annually, or when there is an indication of impairment, be subject to an impairment test that contains both complexity and a significant element of good judgement.

The impairment test shall be conducted according to a specific technique where forecasts must be made on both internal and external conditions and plans. Examples of such judgements are future cash flows and the discount rate to be used to determine whether estimated future receipts and payments are subject to risk.

### How the area is taken into account in the audit

We have taken note of and assessed the Group's impairment testing to ascertain whether it was conducted in accordance with the stipulated techniques.

Furthermore, we have assessed the reasonableness of future cash flows and the assumed discount rate by reviewing and evaluating the Group's written documentation and plans. We also evaluated previous years' assessments relative to actual outcomes.

We have involved our own valuation specialists in the audit team to ensure access to experience and expertise in the area, mainly in terms of methodology used. An important part of our work was also to evaluate how changes in assumptions may affect the valuation after we have reviewed and assessed the Group's sensitivity analysis.

We also assessed the content of the information on the impairment testing as provided in the annual report and consolidated financial statements.

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**Valuation of deferred tax assets attributable to loss carryforwards**

See Note 3 and 9 and the accounting principles on pages 43–50 of the annual report and consolidated financial statements for detailed information and a description of the area.

**Description of the area**

As at 31 December 2016, the Group recognised deferred tax assets of SEK 120 million attributable to loss carryforwards. The corresponding amount for the parent company was SEK 114 million as at 31 December 2016. The accounting of such deferred tax assets is based on the Group's assessment of the amount and timing of future taxable profits.

Estimates of future profits require assessments and estimates of future market conditions as well as interpretation of tax legislation. The carrying amount of deferred tax assets may be overestimated or underestimated and can vary significantly if different assumptions are applied in assessments of future profits and the possibility of utilising loss carryforwards.

**How the area is taken into account in the audit**

We have tested and assessed the principles used and the Group's method for forecasting future profits.

We also evaluated the reasonableness of key assumptions used in the calculation of business plans and considered the Group's historical ability to form accurate forecasts.

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**Information other than the annual accounts and consolidated financial statements**

This document also contains information other than the annual accounts and consolidated financial statements and is found on pages 1–4 and 89–90. The board of directors and CEO are responsible for this other information.

Our opinion regarding the annual report and consolidated financial statements does not include this information and does not attest to the accuracy of this other information.

In connection with our audit of the annual report and consolidated financial statements, it is our responsibility to read the information identified above and consider whether or not the information is substantially inconsistent with the annual report and consolidated financial statements. In this review, we also take into account the knowledge we otherwise have obtained during the audit and assess whether or not the information in general seems to contain significant errors.

If we, based on the work performed regarding this information, conclude that the other information contains a material misstatement, we are obliged to report it. We have nothing to report in this regard.

**Responsibility of the Board of Directors and CEO**

The Board and the CEO are responsible for preparing the annual report and consolidated financial statements and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, with regard to the consolidated financial statements, in accordance with IFRS as adopted by the EU. The Board of Directors and CEO are also responsible for such inter-

nal control as they deem necessary for preparing an annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and consolidated financial statements the Board and CEO are responsible for assessing whether or not the Company and Group are going concerns. They disclose, as applicable, circumstances that may affect the ability to continue operations and to use the going concern assumption. The going concern assumption is not applied if the Board and CEO intend to liquidate the Company, to cease operations or has no realistic alternative to doing any of this.

The Board's Audit Committee shall, without prejudice to the Board's responsibilities and tasks in general, monitor the Company's financial reporting.

**Auditor's responsibility**

Our goal is to achieve a reasonable degree of assurance about whether or not the annual report and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our opinions. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if one exists. Errors may occur due to fraud or error, and are considered to be material if they, individually or together, can be reasonably expected to influence the economic decisions that users take based on the annual report and consolidated financial statements.



As part of an audit in accordance with ISA, we use professional judgement and have a professionally sceptical attitude throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual report and consolidated financial statements, whether due to fraud or error, formulate and carry out review procedures on the basis of these risks and obtain audit evidence that is sufficient and appropriate to providing a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement due to error, because irregularities may include collusion, forgery, deliberate omissions, misinformation or the overriding of internal controls.
- We acquire an understanding of the portion of the Company's internal control that is important to our audit in order to formulate review procedures that are appropriate to the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the Board's and CEO's accounting estimates and related disclosures.
- We come to a conclusion on the appropriateness of the Board and CEO using the going concern assumption in preparing the annual report and consolidated financial statements. We also come to a conclusion, based on the acquired audit evidence, on whether or not there is any material uncertainty related to such events or conditions that may lead to significant doubts about the ability of the Company and Group to continue operations. If we conclude that there is a substantial element of uncertainty, we must draw attention in the audit report to the disclosures in the annual report and consolidated financial statements on the significant uncertainty or, if such information is insufficient, modify our opinion on the annual report and consolidated financial statements. Our conclusions are based on the audit evidence obtained up until the date of the audit report. However, future events or circumstances can mean that a company and a group are no longer a going concern
- We evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including disclosures, and whether or not the annual report and consolidated financial statements reflect the underlying transactions and events in a way that gives a fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group so that we can give an opinion regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the Group audit. We are solely responsible for our opinion.

We must inform the Board of the audit's planned scope and direction and the timing of it. We also must provide information

about significant findings during the audit, including significant deficiencies in internal control that we identify.

We must also provide the Board with a statement that we have complied with the relevant ethical requirements regarding independence, and take up all relationships and circumstances that may reasonably affect our independence, and where applicable, the related countermeasures.

Of the areas that are communicated with the Board, we determine which of these areas were the most significant to the audit of the annual report and consolidated financial statements, including the main assessed risks for material misstatement, and that therefore constitute the particularly significant areas for the audit. We describe these areas in the audit report unless the laws or regulations prevent disclosure of the matter or when, in extremely rare cases, we consider that a matter should not be communicated in the audit report because the negative consequences of doing it might reasonably be expected to be greater than the public interest in this communication.

## Report on other legal and regulatory requirements

### Opinion

In addition to our audit of the annual report and consolidated financial statements, we have audited the administration of the Board of Directors and CEO of Qliro Group AB (publ) for the year 2016 and the proposed appropriation of the Company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated as proposed in the Directors' Report and that the members of the Board and CEO be discharged from liability for the financial year.

### Basis for our opinion

We have conducted the audit in accordance with generally accepted auditing standards in Sweden. Our liability under these standards are described in the section Auditor's responsibility. We are independent of the Company and the Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

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

### Responsibility of the Board of Directors and CEO

The Board of Directors is responsible for the proposed appropriation of the Company's profit or loss. Proposing a dividend includes an assessment of whether the dividend is justifiable considering the requirements that the Company's and Group's operations, scope and risks place on the size of the parent company's and Group's equity, consolidation requirements, liquidity and position in general.

The Board is responsible for the Company's organisation and administration of its affairs. This includes regular assessment of

the Company's and Group's financial situation and ensuring that the Company's organisation is designed so that accounting, cash management and financial affairs are otherwise controlled in a satisfactory manner.

The CEO is responsible for the ongoing administration of the Board's guidelines and instructions, including taking the actions necessary so that the Company's accounting is performed in accordance with the law and that cash management is handled in a secure manner.

### Auditor's responsibility

Our goal regarding the audit of the administration, and therefore our opinion on discharge from liability, is to obtain audit evidence that with a reasonable degree of certainty can determine whether or not any board member or the CEO in any material respect:

- has taken any action or been guilty of any omission that could give rise to a liability to the Company, or
- has in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the Company's profit or loss, and thus our opinion on this, is that with a reasonable degree of certainty assess whether or not the proposal is in accordance with the Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that may give rise to any liability for damages to the Company, or that the proposed appropriation of the Company's profit or loss is not consistent with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use professional judgement and have a professionally sceptical attitude throughout the audit. The review of the administration and the proposed appropriation of the Company's profit or loss is primarily based on the audit of the accounts. Which additional review procedures are performed

is based on our professional assessment, based on risk and materiality. This means that we focus the review on such measures, areas and conditions that are essential to operations and where deviations and transgressions would have particular significance to the Company's situation. We go through and examine decisions made, working documents, actions taken and other factors that are relevant to our opinion on discharge from liability. As a basis for our opinion concerning the Board's proposed appropriations of the Company's profit or loss, we examined whether the proposal is in accordance with the Swedish Companies Act.

### The auditor's review of the corporate governance report

The Board is responsible for the corporate governance report on pages 22–31 and for it being prepared in accordance with the Annual Accounts Act.

Our review was conducted in accordance with FAR's statement RevU 16 The auditor's review of the corporate governance report. This means that our review of the corporate governance report has another focus and is substantially narrower in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, Paragraph 2, Items 2–6 of the Annual Accounts Act and Chapter 7, Section 31, Paragraph 2 of the same Act are consistent with the annual report's and consolidated financial statements' other parts and comply with the Annual Accounts Act.

Stockholm, 3 April 2017

KPMG AB

Cronie Wallquist  
Authorised Public Accountant

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# Definitions

## **Return on equity, %**

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

## **Return on capital employed, %**

Return on capital employed is calculated as 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 and working capital less provisions.

## **Equity per share**

Equity attributable to parent company shareholders divided by the number of shares at the end of the period.

## **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 cash**

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

## **Earnings per share**

Earnings for the year attributable to the parent company's shareholders divided by average number of shares for the period.

## **Working capital**

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

## **Operating margin, %**

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

## **Operating profit/loss (EBIT)**

Operating profit/loss, also called EBIT, is earnings before interest and tax.

## **EBITDA**

Earnings before interest, tax, depreciation, amortisation and impairment of intangible assets and property, plant, and equipment.

## **EBT**

Profit/loss before tax.

## **EBTDA**

Earnings before tax, excluding depreciation, amortisation and impairment.

## **Adjusted operating profit/loss (adjusted EBIT)**

Operating earnings excluding items affecting comparability.

## **Adjusted EBITDA**

Earnings before interest, tax, depreciation, amortisation and impairment of intangible assets and property, plant, and equipment, excluding items affecting comparability.

## **Equity/assets ratio**

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

## **Investments/Net sales**

Investments in property, plant and equipment divided by net sales for the period.

## **Number of active customers**

The number of customers who have made a purchase at least once in the past 12 months.

## **Number of visits**

Gross number of visits to the Group's online stores.

## **Average shopping basket**

(Online sales + shipping revenue)/number of orders placed.

## **Business volume – Qliro Financial Services**

Gross loans granted during the period (incl. VAT).

## **Items affecting comparability**

Separate accounting of items affecting comparability between periods is intended to provide a better understanding of the Group's operating activities.

