Qliro Group

Annual report 2017

Qliro Group AB (publ)
Nasdaq Stockholm: QLRO

Contents

Interplay between digital commerce and financial services

Qliro Group took several steps last year that strengthened our position as the Nordic leader in digital commerce. Qliro Group enters the new year with full focus on CDON Marketplace, Nelly and Qliro Financial Services. The transition was successful with net sales increasing by 8 percent to SEK 3,397 million, gross profit by 35 percent to SEK 763 million and operating profit before depreciation and amortization by 582 percent to SEK 90 million last year. Operating earnings went from a loss of SEK 61 million in 2016 to a profit of SEK 21 million. We also strengthened our financial position.

Growth and profitability were driven by CDON Marketplace's increasing sales from external merchants, Nelly's focus on private labels and Qliro Financial Services' continued expansion. During the year, we streamlined the structure by agreeing to sell Health and Sports Nutrition Group and selling Lekmer and Members.com.

Our goal is to be the Nordic leader in digital commerce and related financial services. CDON Marketplace and Nelly have strong positions in two dynamic segments of e-commerce. At the same time, their growth drives increasing volume to Qliro Financial Services, resulting in low customer acquisition costs and making it possible to offer new financial services. Consumers with Qliro accounts also visit our affiliated e-merchants more frequently.

CDON Marketplace enters a new phase

CDON Marketplace has a strong position as the leading Nordic online marketplace. CDON.COM is one of the most well-known brands in Nordic e-commerce with over 1.8 million customers. The recipe for success is a wide selection, good service and low prices.

In 2017, the marketplace's total sales increased by 12 percent to SEK 2,313 million. An increasing portion of this is driven by external merchants who sold goods for SEK 500 million via CDON.COM during the year. This is a milestone in the transformation into a marketplace with many merchants, rather than just selling our own stocked goods.

We are now entering a new phase where investments in technology, logistics and branding facilitate increased efficiency and where the organization will not grow from the current level.

Nelly positioned for accelerated growth

Nelly is one of the Nordic countries' strongest online fashion brands for young consumers. Nelly's core is its own brand NLY, complemented by a select fashion portfolio of about 200 external brands. Growth and profitability were driven by a high number of own brands and loyal customers.

Sales increased by 5 percent for the year, while operating profit before depreciation, amortization and impairment more than doubled.

This shows that our investments in own brands, assortment and logistics have put us on the right track. We had an increase in the return ratio in the first quarter 2018, partly as a change in online shopping behaviour. We are now working to generate profitable growth.

Qliro Financial Services has achieved sufficient scale

Qliro Financial Services offers financial services that facilitate digital commerce and simplifies the everyday lives of consumers. We ensure that merchants provide effective payment solutions with good conversion and access to credit. With this foundation, we have launched savings accounts and personal loans that simplify life for consumers.

Operating income increased by 41 percent and operating profit before depreciation, amortization and impairment increased by 56 percent during the year. At the end of the year, lending to the public exceeded SEK 1 billion. A growing portion of this was personal loans in Sweden where conditions are good for accelerating this business.

We have now built up a large enough organization to handle a considerable increase in the loan book with current offers without significantly increasing the number of employees.

Sustainability efforts

At Qliro Group, we see it as an opportunity and an obligation to act as sustainably as possible. The migration to e-commerce opens many opportunities for modern, efficient commerce but there are also challenges in the industry. We take responsibility for our environment, employees, customers and other stakeholders who place increasingly greater demands on how we operate. That is why we have taken several significant steps concerning sustainability in 2017.

Together with our key stakeholders, we have identified four focus areas in a so-called materiality analysis. Based on these, we have developed a strategic foundation for our sustainability commitments going forward. The aim is to take more responsibility and continue to develop our sustainability efforts.

For more information on our focus, results and ambitions, see our first sustainability report. We have also prepared for responsible handling of personal data under the General Data Protection Regulation (GDPR).

Financial flexibility

We have a strong financial position that allows us to continue investing. At year-end, cash amounted to SEK 554 million and net cash to SEK 304 million in the e-commerce business.

With a focus on operational efficiency, we are expanding our marketplace, fortifying our brands, streamlining logistics, taking advantage of our customer relationships and strengthening our role in the value chain.

The transition to e-commerce is happening faster than ever before. We have three million customers who make six million purchases a year and 1,500 e-merchants in our ecosystem. With that as our foundation we will strengthen our position as the Nordic leader in digital commerce with related financial services.

Finally, I would like to thank all the employees of Qliro Group for their enthusiasm and efforts in 2017. I would also like to thank our customers and shareholders for the trust they have placed in us.

Stockholm, April 2018

Marcus Lindqvist
President and CEO

Five-year summary

SEK million	2017	2016	2015	2014	2013
Operating income and earnings					
Net sales	3,397	3,159	3,061	3,031	2,877
Gross profit	763	566	455	395	352
Operating profit before depreciation, amortization and impairment	90	13	-55	-17	-90
Operating profit	21	-61	-88	-35	-103
Profit before tax and group contributions	13	-61	-91	-63	-134
Profit before tax	38	-63	-132	7	-84
Profit for the period	29	-50	-103	4	-68
Profitability and related key ratios					
Gross margin	22.5%	17.9%	14.9%	13.0%	12.2%
Operating margin	0.6%	-1.9%	-2.9%	-1.2%	-3.6%
Operating margin before depreciation, amortization and impairment	2.7%	0.4%	-1.8%	-0.6%	-3.1%
Return on capital employed	1.6%	neg	neg	neg	neg
Return on equity	2.9%	neg	neg	0.5%	neg
Qliro Financial Services net loans to the public	1,055	754	509	174	0
Qliro Financial Services external financing	936	512	328	0	0
Gross debt Group, excluding Qliro Financial Services	250	0	0	0	232
Gross debt Qliro Financial Services	941	513	328	0	0
Capital structure and related key ratios					
Equity/assets ratio	31.1%	40.5%	45.5%	55.7%	39.2%
Operating ratios					
No. of visits, thousand	200,671	192,767	220,150	214,370	197,216
No. of orders, thousand	6,248	6,109	6,266	6,329	6,122
Number of customers, thousand	2,989	2,869	2,972	2,962	2,790
Average shopping basket, SEK	672	632	603	565	523

Qliro Group

Qliro Group is the Nordic leader in digital commerce and related financial services. The Group operates CDON Marketplace, Nelly and Qliro Financial Services.

CDON Marketplace is the largest Nordic online store with 1,500 online merchants. Nelly is a leading online fashion brand for young people. Qliro Financial Services provides financial services to e-merchants and consumers.

History

CDON.COM was launched in 1999 and is a pioneer in Nordic e-commerce. CDON.COM's success laid the foundation for Qliro Group today. A portfolio of companies was built by acquiring online merchants. Nelly was launched in 2004 and acquired in 2007. In 2014, NLY Man was introduced as a fashion shop for men.

Qliro Financial Services was established in the Group in 2014 and now offers financial services to e-merchants and consumers throughout the Nordic region.

Simplified structure in 2017

A renewed strategy focused on CDON Marketplace, Nelly and Qliro Financial Services was announced in January 2017. The aim was to invest resources in operations that could benefit from each other and that have good growth opportunities. Following the revision of the strategy, Lekmer, Members.com and Health and Sports Nutrition Group were sold. This resulted in a structure focusing on three business areas. During the year, sustainability efforts were also raised to a new level to enhance future competitiveness.

Qliro Group increased net sales by 8 percent to SEK 3,397 million, gross profit by 35 percent to SEK 763 million and operating profit before depreciation, amortization and impairment by 582 percent to SEK 90 million.

From several subsidiaries to three focused business areas

Business model

CDON Marketplace and Nelly have strong positions in two dynamic segments of Nordic e-commerce. Their growth drives increasing volume to Qliro Financial Services, which ensures that merchants offer payment solutions with good conversion and access to credit. Volume from e-commerce gives Qliro Financial Services low customer acquisition costs and makes it cost-effective to scale new services such as savings accounts and personal loans.

Qliro Group's e-commerce focuses on the marketplace with many categories along with fashion for trend aware people. Growth in the Nordic region is expected to be strong in these segments in the coming years. Financial services provides an opportunity to gain further leverage on this growth.

Next step

Qliro Group will develop its position as a leader in digital commerce for merchants and consumers in the Nordic region. The goal is to offer the market's best online shopping and selling experience. The Group will grow its marketplace and in online fashion as well as broaden its offering of financial services.

Qliro Group

SEK million	2017	2016	Δ
Net sales	3,397	3,159	8%
Gross profit	763	566	35%
Gross margin	23%	18%	
Operating profit before depreciation, amortization and impairment	90	13	582%
Operating profit	21	-61	
Cash flow from operations	25	-3	

3.4 SEK billion in net sales

3.0 million customers

200 million visits

6.3 million orders

Strategy

- CDON.COM will be the leading Nordic online marketplace
- Nelly will strengthen its leading position in its online fashion niche
- Qliro Financial Services will develop its offering of financial services

Achieved 2017

- Focused by selling Lekmer, Members.com and agreeing to sell HSNG
- Reinforced CDON Marketplace, Nelly and Qliro Financial Services
- Strengthened cash flow, increased sales by 9 percent and operating profit before depreciation and amortization by 582 percent

Focus 2018

- Grow in e-commerce's most dynamic segments: marketplace and fashion
- Take advantage of e-commerce to broaden the offering of financial services
- Grow Qliro Financial Services' loan book

CDON.COM

CDON Marketplace

CDON Marketplace is the leading Nordic online department store with a broad offering of consumer electronics, mobile phones, books, games, films, sport and leisure goods, clothing, shoes, furnishings and toys.

CDON.COM is one of the most well-known brands in Nordic e-commerce with over 1.8 million customers. The recipe for success is a wide range, good service and low prices with a focus on Sweden, Norway, Denmark and Finland. Consumers turn to CDON.COM to purchase various products at the same site as well as to take advantage of competitive prices, easy payments and efficient delivery.

CDON.COM sells products from its own warehouse and welcomes external merchants to sell their products through the site. The marketplace is appreciated by consumers and is an effective sales channel for external merchants. CDON Marketplace is the leading Nordic online marketplace with over 1,500 affiliated merchants.

History

CDON.COM was launched in 1999 and is a pioneer in Nordic e-commerce. From initially selling media products, the offering has been broadened and today includes everything from consumer electronics to sport and leisure articles, clothing, shoes and toys. This is driven by external merchants who have sold goods at CDON since 2013. The success of this business laid the foundation for Qliro Group today.

Expansion of marketplace in 2017

CDON Marketplace's total sales increased by 12 percent. External merchant sales increased by 43 percent to SEK 500 million. This means that the marketplace has now achieved significant scale. The model is proven by the fact that existing merchants increased sales and new merchants joined. The 1,500 external merchants accounted for 21 percent of the marketplace's total sales.

Net sales increased by 6 percent to SEK 1,863 million, driven by own sales and commission income. In 2017, the business invested heavily in automation of the marketplace and in making it easier for new merchants to drive sales. At the same time, the business partners code of conduct was updated to support sustainability efforts in the supply chain.

During the year, the number of visits increased by 6 percent to 90 million, the number of customers by 4 percent to 1.8 million and the number of purchases by 1 percent to 3.4 million.

Business model

The business model is supported by two pillars. Since its inception in 1999, the company has purchased products in its own inventory, which it then sold mainly to consumers. These products are mostly purchased from well-known brands and suppliers. The external merchants pay a commission based on their

From only own sales to a marketplace with 1,500 merchants

sales at CDON.COM. The marketplace model offers the opportunity to grow without building own inventory, which reduces capital requirements.

Globally, marketplaces have a very strong position in e-commerce. In the Nordics, marketplaces still have a smaller market share than in other countries. The marketplace is an attractive model for buying and selling online. Consumers appreciate being able to buy multiple items and compare prices at the same place. At the same time, online merchants benefit from the traffic and services generated by the marketplace. E-commerce in the Nordic region is expected to grow significantly over the next few years. The marketplace could take advantage of this growth.

Financial targets

CDON Marketplace's growth target is based on gross merchandise value, which is the sum of own sales and external merchant sales.

The target is to achieve a level of long-term organic growth in gross merchandise value of an average of 10 percent per year and generate operating profit before depreciation, amortization and impairment of 1-2 percent of gross merchandise value.

Next step

CDON Marketplace will continue its transformation from own sales to boosting sales for external merchants.

The focus is on connecting e-merchants who have strong positions in their respective categories. It is important to combine sales from external merchants with own sales to optimize the product range and drive traffic.

CDON Marketplace has entered a new phase where investments in technology, logistics and branding facilitate increased efficiency. The organization will not grow from the current level.

1.9
SEK billion in net sales

1.8
million customers

90
million visits

3.4
million orders

CDON Marketplace

SEK million	2017	2016	Δ
Gross merchandise value, external merchants	500	350	43%
Total gross merchandise value[1]	2,313	2,069	12%
Net sales	1,863	1,751	6%
Operating profit before depreciation, amortization and impairment	-21	-10	112%
Operating profit	-40	-37	8%
Cash flow from operations	-108	48	
Investments (CAPEX)	-25	-12	
Cash flow after investments	-133	44	
Opening inventory balance	186	236	-21%
Closing inventory balance	255	186	37%
Active customers, past twelve months, thousands	1,772	1,707	4%
Visits, thousands	90,434	85,039	6%
No. of orders, thousands	3,416	3,374	1%
Average shopping basket, SEK	664	614	8%

[1] Commission income included in net sales is replaced with gross merchandise value from external retailers for CDON Marketplace.

Strategy

- Be the leading Nordic online marketplace
- Expand the range through external merchants
- Strengthen and develop the brand

Achieved in 2017

- SEK 500 million in sales by external merchants
- IT platform overhauled to automate processes
- Expanded the brand in new categories

Focus 2018

- Press on with conversion to marketplace
- Attract new e-merchants with strong positions in their categories
- Make use of investments in technology to increase efficiency

NELLY.COM

Nelly

Nelly offers fashion and beauty products for young women through Nelly.com and for men through NLY Man. At Nelly's core is its own brand NLY, complemented by a carefully selected assortment of fashion from more than 200 brands. Its own brand is highly fashionable and fosters strong customer loyalty.

Nelly's success is based on a distinct sense for trends and great enthusiasm in the target audience through social media relationships. Nelly has one of the Nordic countries' strongest brands in online fashion among young women. The business area has offices in Borås and Stockholm.

History

Nelly.com was launched in 2004 and was acquired in 2007. Since then, Nelly.com has expanded and the range has been broadened from lingerie and swimwear for women to clothing, accessories, beauty products and sportswear.

The men's department at Nelly.com was spun off in 2014 to form the men's store NLY Man. Nelly focuses on the Nordic market but also has sites in German, Dutch and English to reach customers in more countries.

Own brands grew in 2017

Sales increased by 5 percent last year, while operating profit before depreciation, amortization and impairment more than doubled. The range of own brands is collectively named "NLY" and accounted for about 43 percent of sales. Own brands in clothing, shoes, accessories, lingerie, swimwear and sportswear are being expanded.

In 2017, the business invested in own brands, product range and marketing. The company broke new ground in digital marketing through the drama series Filter as a new channel for reaching the target audience. The sale of the Members.com Shopping Club in July 2017 helped Nelly become more focused.

During the year, the number of visits increased by 2 percent to 110.2 million, the number of customers by 5 percent to 1.2 million and the number of purchases by 4 percent to 2.8 million.

Business model

Nelly's business model is based on a core of its own designs and labels and a complementary range of selected clothing from 200 brands. The clothes and accessories are purchased from manufacturers in the UK, Turkey, China and other countries. Relationships with manufacturers are governed by the updated business partners code of conduct and other policies. The clothes are transported to the Falkenberg logistics center, marketed digitally and sold at Nelly.com and NLYman.com. Fashion is one of the fastest growing categories in e-commerce.

Increased focus on own brands, NLY

Financial targets

Nelly's long-term target is to achieve organic growth of 8 percent per year on average and generate an operating margin before depreciation, amortization and impairment of at least 6 percent.

Next step

Nelly will continue to strengthen its own brands and remain at the forefront of digital marketing and sales.

Investments in brands, assortment and logistics have created the right conditions for profitable growth. Nelly had an increase in the return ratio in the first quarter of 2018, partly as a change in online shopping behaviour. Nelly is now working to generate profitable growth.

Nelly

SEK million	2017	2016	Δ
Net sales	1,310	1,244	5%
Operating profit before depreciation, amortization and impairment	121	60	103%
Operating margin before depreciation, amortization and impairment, %	9%	5%	
Operating profit	99	30	230%
Operating margin, %	8%	2%	
Cash flow from operations	140	84	
Investments (CAPEX)	-7	-18	
Cash flow after investments	133	67	
Opening inventory balance	160	190	-16%
Closing inventory balance	193	160	21%
Active customers, past twelve months, thousands	1,217	1,162	5%
Visits, thousands	110,237	107,728	2%
Orders before returns, thousands	2,832	2,735	4%
Average shopping basket, SEK	681	654	4%
Percentage of private label sales	43%	40%	
Return ratio, past twelve months	35%	33%	
Product margin	51%	45%	
Fulfillment and distribution costs	18%	20%	
Nordics, share of net sales	93%	92%	

Strategy

- Strengthen leading position in selected niche in trends and fashion online
- Highly fashionable assortment mix with strong own brands
- Innovative digital marketing and sales

Achieved in 2017

- Increased share of own brands from 40 percent to 43 percent
- Lowered fulfillment and distribution costs by two percentage points
- Increased operating profit by 230 percent to SEK 100 million

Focus 2018

- Continue developing the NLY brand
- Go from delivery in 3-5 days to 1-3 days in the Nordics
- Take advantage of investments for accelerated growth

1.3
SEK billion in net sales

1.2
million customers

110
million visits

2.8
million orders

Qliro Financial Services

Qliro Financial Services provides financial services to merchants and consumers. By taking advantage of the transactions generated in e-commerce, Qliro Financial Services can cost-effectively expand its offering of financial services.

E-merchants are offered a comprehensive check-out solution with the most popular forms of payments such as invoice, partial payment, card and direct bank payments in the Nordics. Consumers are offered several services to simplify their everyday lives, primarily paying safely at their desired pace but also saving and borrowing.

The business area consists of the subsidiary Qliro AB, which is a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI), which implies a comprehensive regulatory framework for services, lending and financing.

History

Qliro Financial Services was launched to simplify payments online in 2014. In 2015 the roll-out of the payment solution continued in Sweden and was also introduced in Finland and Denmark.

The service is currently used throughout the Nordic region by e-merchants like CDON.COM, Nelly, NLY Man, Gymgrossisten, Lekmer, Tretti, Members, Skånska Byggvaror, Bangerhead and Designtorget. Qliro Financial Services is constantly expanding its offer to both e-merchants and consumers.

Launch of new services in 2017

Growth was strong in 2017 with total operating income increasing by 47 percent to SEK 204 million and operating profit before depreciation, amortization and impairment by 56 percent to SEK 26 million.

Net lending to the public amounted to SEK 1,055 million at year-end, of which SEK 994 million was in invoices, partial payments and installments and SEK 61 million was in personal loans. Lending was financed by a credit facility in the amount of SEK 325 million, SEK 612 million in savings accounts and the balance with equity.

In 2017, Qliro Financial Services launched a safe and mobile-friendly savings account for consumers, personal loans in Sweden, an app for consumers and the entire payment service in Norway. The latter has strengthened the offering to major Nordic merchants. Qliro AB became a credit market company in March 2017.

During the year, business volume increased by 25 percent to SEK 3,962 million and the number of transactions by 15 percent to SEK 4.2 million.

From e-commerce payment solution to simplifying consumers' financial lives

Business model

The business model is based on offering a payment solution to merchants and benefiting from their e-commerce transactions. Some of these lead to installment payments and partial payments, which builds up a loan book that generates interest income. Since its inception, the company has handled 11.4 million transactions and lent SEK 10 billion.

The loan book's development and composition are the main drivers of revenues and profit. Credit through installment payments and partial payments generate revenue for up to three years. These revenues are shared with the e-merchants. In addition, personal loans with longer maturities and savings accounts are offered to consumers.

Qliro Financial Services conducts data-driven credit testing based on reliable information to lend money to consumers with good potential to repay.

The market for payment services for digital commerce is growing in pace with e-commerce. The market for personal loans is significant but has lower growth.

Financial targets

Qliro Financial Services' long-term target is to reach an operating profit before depreciation, amortization and impairment of at least SEK 150 million in 2019.

Next step

Qliro Financial Services continues to develop products to broaden and strengthen its offer to merchants and consumers.

The organization is now large enough to handle a considerable increase in the loan book with current offering without significantly increasing the number of employees.

223
SEK million in revenues

1.1
SEK billion in loan book

4.0
SEK billion in business volume

4.2
million orders

Qliro Financial Services

SEK million	2017	2016	Δ
Interest income	220	147	50%
Interest expense	-17	-8	96%
Net interest income	204	139	47%
Net fee and commission income	8	7	2%
Other operating income	12	12	-5%
Total operating income	223	158	41%
Other operating expenses	-169	-121	39%
Depreciation, amortization and impairment	-28	-14	92%
Total operating expenses	-197	-136	45%
Net credit losses	-28	-20	35%
Operating profit	-2	2	
Operating profit before depreciation, amortization and impairment	26	17	56%
Net loans to the public	1,055	754	40%
External financing	936	512	83%
Public deposits	612	0	
Business volume	3,962	3,182	25%
No. of orders, thousands	4,209	3,644	15%
Average shopping basket, SEK	941	873	8%

Strategy

- Promote increased e-commerce and extend consumer relationship
- Develop the offering of financial services
- Simplify consumers' everyday lives with financial services

Achieved in 2017

- Became a credit market company under the supervision of the Swedish Financial Supervisory Authority
- Launched savings accounts and personal loans in Sweden
- Launched full payment service in Norway

Focus 2018

- Attract more external merchants
- Broaden consumer offer
- Grow the loan book, especially in personal loans

Sustainability report

Qliro Group takes responsibility for sustainable development within its operations. The migration to e-commerce opens many opportunities for modern, efficient commerce but there are also challenges in the industry. The Group sees it as an opportunity and an obligation to act sustainably from an economic, social and environmental perspective.

Qliro Group developed its sustainability efforts in 2017, partly by clarifying our ambitions within four selected focus areas and partly by developing the sustainability reporting process. Through these efforts we aim to take even more responsibility for sustainable development.

The 2017 sustainability report comprises Qliro Group AB (publ) and its subsidiaries. In the financial statements, HSNG is recognized as a discontinued operation. HSNG is not included in this report, as a separate sustainability report will be prepared by HSNG.

This is Qliro Group's first sustainability report prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiatives (GRI) Standards, Core option.

The auditor´s review on the legally required sustainability report is presented on page 22.

Business model

Qliro Group offers digital commerce and related financial services through the business areas CDON Marketplace, Nelly and Qliro Financial Services. The Group's business model is described on page 4, CDON Marketplace on page 6, Nelly on page 8 and Qliro Financial Services on page 10.

Values

Qliro Group operates in a fast-paced entrepreneurial environment. The business is driven by these shared values:

Collaboration

- We build strong, diverse teams that collaborate internally and externally to share best practice and increase efficiency throughout our value chain.

Innovation

- We strive to be at the forefront by being innovative, quick and smart.

Results

- We focus on results. Results that benefit our customers and others around us.

Sustainability management

Qliro Group AB is the parent company and manages group-wide functions. The three business areas operate and develop their businesses. Group management is responsible for the sustainability work, but involving all employees is a success factor.

Management

Qliro Group's management team consists of the CEO, CFO, business area managers and heads of business development and communications. The CEO is responsible for administrative compliance with the Board's guidelines. The CEO and management are responsible for strategy, financing, financial control, risk management, internal and external communication, reports and more. For more information, see page 35.

Guidelines

Qliro Group has an economic, environmental and social perspective on corporate sustainability. The Group strives to be responsible toward direct and indirect stakeholders, but also future generations. To uphold this, there are several policies in place.

The code of conduct describes values that are to be observed by employees. The code contains standpoints regarding gifts, health and safety, IT, equal treatment, and relationships with competitors, customers, suppliers and more. These are described both from the company's and the employee's perspective.

The environmental policy stipulates that the business must comply with the law and takes travel, waste management, use of renewable materials, reduction of paper documents and more into account. An important part is how suppliers work with the environment. For shipments to customers, suppliers that pursue long-term, strategic environmental goals are largely used.

The business partners code of conduct stipulates that relationships should be characterized by honesty and ethical principles. The Group strives to enter business relationships with companies whose activities are consistent with its ethical principles regarding human rights, working conditions, occupational health and safety, and freedom of association.

The whistleblower policy aims to ensure that employees and business partners feel it is safe to raise suspicions of irregularities. Whistleblowing is expected of employees when necessary. Suspicions can be reported anonymously, and the information will be investigated.

Qliro Group and its business areas are also members of several associations that place demands on the business. Nelly is

Sustainability efforts are elevated further to strengthen competitiveness

a member of Textile Importers (www.textileimporters.se) and the Scandinavian Shoe Environmental Initiative (www.ssei.se) and has signed an initiative for fur-free trade (www.djurensratt.se/palsfri-handel) and the Swedish Fashion Ethical Charter (www.swedishfashioncouncil.se/english#/swedish-fashion-ethical-charter-eng/). Qliro Financial Services is a member of the Compliance Forum (www.complianceforum.se).

Materiality analysis and stakeholder dialogs

In 2017, Qliro Group conducted a materiality analysis to identify the most crucial sustainability aspects and where the impact is greatest. The analysis was based on risks and opportunities in the areas environment, social conditions, personnel, respect for human rights, anti-corruption and governance. It is the basis for the sustainability work.

In the first stage, representatives from management and the business areas participated. Several areas were selected with the guidance of megatrends, international sustainability initiatives, standards such as the UN Global Compact and its global sustainability goals, as well as concepts like the circular economy. A competitor analysis was also conducted.

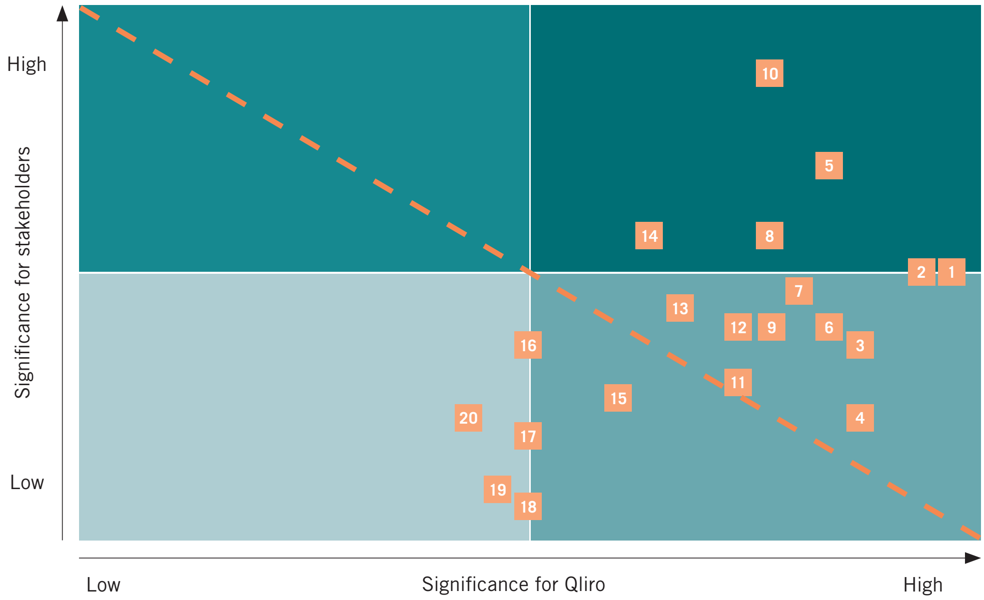
In the second stage, interviews and surveys were conducted with stakeholders who directly or indirectly affect or are affected by our business. These included customers, employees, owners, board members, associations, partners, financial analysts and suppliers. They have different expectations and demands when it comes to sustainability. The purpose of the dialogs was to focus our sustainability initiatives on key issues.

Dialogs on sustainability aspects

Stakeholders	Key issues	Forum for dialogs
Customers	• Human rights • Logistics and packaging • Transportation • Waste • Pollution • Cyber security	• Survey • Customer support
Suppliers	• Logistics and packaging • Pollution • Human rights • Energy and climate • Transportation • Business ethics	• Survey • Ongoing dialogs
Employees	• Working conditions and employee well-being • Logistics and packaging • Human rights • Transportation • Diversity and equality	• Survey • Employee survey • Performance review
Owners	• Long-term profitability • Business ethics • Strategic sustainability initiatives • Management team composition • Risk management • Tax transparency	• Interview • Annual General Meeting
Financial analysts	• Logistics and packaging • Transportation • Cyber security • Strategic sustainability initiatives	• Interview
Board members	• Logistics and packaging • Business ethics • Tax transparency • Management team composition • Responsibility toward consumers • Responsible and sustainable products	• Interview • Board meetings
Associations	• Supply chain • Human rights • Working conditions and employee well-being • Energy and climate	• Interview
Partners	• Energy and climate • Working conditions and employee well-being • Supply chain • Responsible and sustainable products • Logistics and packaging	• Interview

Prioritization of sustainability initiatives

The stakeholders' and Qliro Group's combined priorities are illustrated in the graph below.



1. Human rights
2. Cyber security
3. Business ethics
4. Management team composition
5. Transportation
6. Product quality and safety
7. Pollution
8. Supply chain
9. Waste
10. Logistics and packaging
11. Diversity and equality
12. Responsible and sustainable products
13. Working conditions and employee well-being
14. Energy and climate
15. Responsibility for consumers
16. Water
17. Tax transparency
18. External engagements
19. Community outreach
20. Circular economy

Overall, Qliro Group and its stakeholders shared similar views. Both parties ranked human rights, energy and climate, the supply chain, transportation, logistics and packaging, and cyber security highly.

Four focus areas

The stakeholder dialogs highlighted 14 aspects that were grouped into four focus areas: eco efficiency, responsible value chain, attractive employer and trusted business partner. In each of these areas, an ambition was defined.

The focus is on developing sustainability initiatives with guidelines, procedures, goals and follow-ups as well as continued dialogs with stakeholders. Sustainability risks are considered an integral part of risk management. The description of the four focus areas also present how the initiatives promote the goals of the UN 2030 Agenda for Sustainable Development.

Four focus areas

Focus area	Aspects	Principle
Eco efficiency	• Logistics and packaging • Transportation • Energy and climate • Pollution • Waste	Work to minimize resource consumption and environmental impact related to manufacturing, warehousing and transportation
Responsible value chain	• Human rights • Supply chain • Product safety and quality • Responsible and sustainable products	Require suppliers to consider working conditions and human rights in the manufacturing chain and take responsibility for the quality and safety of the offering
Attractive employer	• Working conditions and employee well-being • Diversity and equality	Ensure a healthy workplace where employees are happy and develop, work for equality and diversity of skills, gender, experience and cultures
Trusted business partner	• Business ethics • Management team composition • Cyber security	Act in an ethical manner, counteract corruption and protect customer data and privacy

Eco efficiency

Qliro Group works to minimize resource consumption and environmental impact related to manufacturing, warehousing and transportation. This promotes cost-effectiveness, environmental consideration and satisfied customers.

The e-commerce business has large warehouses that use energy for heating. The CDON Marketplace warehouse is handled by Postnord TPL AB, while Nelly has its own. Both are heated by district heating, which for CDON Marketplace is mainly from waste incineration.

CDON Marketplace makes its outsourced warehouse more efficient through dialogs with the warehouse supplier to identify saving initiatives. In Nelly's warehouse, daily monitoring is done to make processes more efficient, reduce energy consumption and ensure efficiency in fork-lift usage, time use and filling of trucks.

Nelly carries out some clothing production for its own brands through contract manufacturers. Nelly requires the manufacturers to comply with current environmental and chemical legislation. CDON Marketplace offers customers an opportunity to make more sustainable purchases by donating SEK 20 to Save the Rain Forest Sweden, which has generated over SEK 2 million for the organization.

Risk management within eco efficiency

Qliro Group's risks concerning eco efficiency include:

- Risk that measures taken in production, warehousing and transportation are insufficient
- Risk that hazardous products are not recycled

Production, warehousing and transportation affect the environment through energy consumption, resource use, waste and carbon dioxide emissions. To prevent this, the Group has looked at risks in production including supplier agreements and procedures for supplier review.

Qliro Group will prioritize freight forwarders who actively work to reduce environmental impact. The transportation market continuously develops more eco efficient alternatives. In addition to this, options for working more independently with the issue are being examined. Limiting environmental impact in logistics and packaging materials often leads to increased cost-effectiveness.

Qliro Group aims to do more recycling. Waste is sorted into several categories and hazardous waste is sorted in accordance with the law.

Increased demands from customers or legislators for reducing greenhouse gas emissions may entail increased costs or other obstacles. For example, attitudes toward e-commerce could change and legislators could make decisions that change shipping conditions. These risks are monitored continuously and are managed through business development.

Results in eco efficiency

Packaging and transportation

Optimized use of packaging materials is important for cost-effectiveness, profitability and environmental impact. This means that packages are tailored to the size of the product to minimize packaging material use and air.

Qliro Group works extensively with freight forwarders that work actively with sustainability to achieve environmentally efficient transportation. The Group has measured emissions from shipments as a first step in reducing climate impact. Emissions from business travel and shipments between warehouse and customer are reported according to the Greenhouse Gas (GHG) Protocol's Scope 3 with 2016 as the base year. Greenhouse gas emissions declined during the period, mainly due to improved fuel mix and transport efficiency measures. Business travel by train and air increased, partly due to the expansion of both Nelly and CDON in Stockholm. Employees are encouraged to choose train travel when possible to reduce environmental impact.

Greenhouse gas emissions, tonnes CO_2

	2017	2016
Business travel		
Train travel	1.5	1.5
Car travel	13	19
Air travel	260	108
Shipment from warehouse to customer	1,822	2,032
Total	**2,097**	**2,161**

Minimizing climate impact helps achieve global sustainability goals.

Responsible value chain

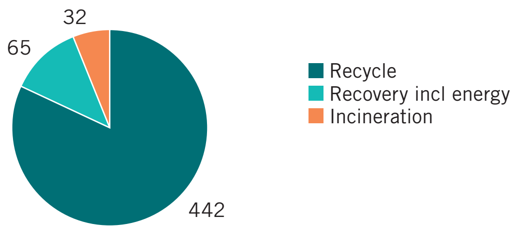
Waste management

Waste is mainly generated from packaging materials in deliveries from suppliers. To minimize the environmental impact of waste, established providers with pronounced sustainability initiatives are used for waste disposal. Waste is divided into hazardous and non-hazardous and is measured with 2017 as the base year.

Hazardous waste is primarily made up of electronics, toner cartridges, fluorescent lamps, etc. This waste is sent to recycling, with 5.9 tonnes being recycled in 2017.

Non-hazardous waste is primarily wood, cardboard and plastic packaging. In 2017, 538.4 tonnes was handled, mainly sent to recycling and recovery.

Non-hazardous waste, 2017



Ambition within eco efficiency

Qliro Group will work to minimize resource consumption and climate impact related to manufacturing, warehousing and transportation. Our ambition for 2020 is to reduce harmful impact on the environment and climate by further developing procedures and streamlining processes.

The following activities are planned for 2018:

- Expand mapping of environmental impact in terms of emissions
- Further develop environmental and travel policy
- Prepare for reporting of energy consumption within the organization
- Clarify goals and follow-up of sustainability aspects

Qliro Group has as a long-term goal of increasing control over shipments from suppliers to warehouses to work with their environmental impact.

Qliro Group's value chain includes suppliers, employees and other stakeholders. The Group works with its suppliers to safeguard human rights and sound working conditions in manufacturing, handling and recycling.

Qliro Group shall manufacture and buy products as sustainably as possible. The Group is responsible for ensuring that products and services meet safety and quality requirements and places requirements on suppliers through its Business Partners Code of Conduct. The code of conduct is part of the Group's purchasing agreement and all suppliers are encouraged to sign the code, or similar agreements, and act in accordance with its principles. If the code is not followed, cooperation with the supplier can be terminated.

The Board adopted a new Business Partners Code of Conduct at the end of 2017. The code is based on the Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Global Compact, applicable conventions of the International Labor Organization and legislation, and includes the following areas:

- Legal requirements
- Prohibition of child labor
- Prohibition of forced labor and disciplinary action
- Prohibition of discrimination
- Freedom of association and the right to collective bargaining
- Employment conditions
- Salaries and benefits
- Working hours
- Occupational health and safety
- Environmental consideration
- Business ethics

Nelly also has special provisions regarding flammability and chemicals in manufacturing. Nelly controls that suppliers comply with quality and chemical requirements through site visits, external lab tests, and in-house tests.

CDON Marketplace mainly purchases products from established suppliers in Europe. Through sampling or when necessary, the environmental and safety labelling of the suppliers products is monitored.

Supplier requirements and responsibility for safe and sustainable products help achieve global sustainability goals.

Qliro Financial Services conducts data-driven credit testing based on reliable information to lend money to consumers with good potential to repay. Qliro AB is under the supervision of the Swedish Financial Supervisory Authority (FI), which implies a comprehensive regulatory framework for the service offering, lending and financing.

Risk management in responsible value chain

CDON Marketplace and Nelly have similar value chains and sustainability risks, while it is different for Qliro Financial Services. Qliro Financial Services' suppliers are largely Swedish, and the risks are considered to be low. Qliro AB is also under the supervision of the Financial Supervisory Authority with external controls on lending and risk management. Nelly employs manufacturers in other countries where the risks are deemed to be higher.

Qliro Group evaluates collaborations with manufacturers to reduce risks in production. Certain risks are higher in some countries, such as discrimination against workers, lack of freedom of speech and association, limitations on collective bargaining, corruption and integrity violations.

Qliro Group's risks concerning responsible value chain include:

- Risk of violations of human rights or working conditions in the supply chain
- Risk of quality and safety shortfalls in product range

The Group has many suppliers. There is a risk of violations of human rights and working conditions in the supply chain or that the products are not manufactured in a responsible and eco-friendly way. Therefore, there is also a risk that people or the environment may be hurt during manufacturing or consumption. This can lead to reputational risks and, in the long run, profitability risks.

Operational sustainability risks are prevented through site visits, internal controls and routine descriptions. The Business Partners Code of Conduct describes expectations and requirements for compliance with human rights and working conditions. If supplier deficiencies are discovered, such as human rights violations or non-compliance with product safety, cooperation with the supplier may be terminated.

In contract manufacturing, Nelly follows up sustainability risks in manufacturing and offering in a structured manner.

Results in responsible value chain

Qliro Group and its subsidiaries enter into a considerable amount of supplier or co-operation agreements every year which are deemed to be significant and/or of strategic importance. In 2016 and 2017, over 90 percent of these agreements had clauses on or had been reviewed with regards to human rights. The goal is to continuously increase this share.

Qliro Group adheres to health and safety regulations for products and services. There were no incidents for which the Group was fined in 2016. In 2016, the Swedish Chemicals Agency inspected jewelry and in 2014 they inspected handbags. The result showed that Nelly had sold two jewelry items and two handbags with too high levels of certain chemicals. Nelly handled this according to procedure, recalling the products and terminating jewelry purchases from the supplier in question and ending its relationship with the handbag supplier. Nelly was fined SEK 20,000 in October 2017 for the incident regarding handbags. No other violations of the code of conduct were discovered in 2016 and 2017.

Qliro Financial Services' net credit losses increased by 35 percent to SEK 27.6 million (20.4) in 2017, which is lower than the growth of the loan book.

Ambition within responsible value chain

Qliro Group shall require suppliers to comply with human rights and proper working conditions in the manufacturing chain and take responsibility for the safety and quality of the offer. The ambition for 2020 is to reduce risks in the value chain by further developing product safety efforts and improving control over the supply chain.

The following activities are planned for 2018:

- Employee training in code of conduct and whistleblower function
- Efforts to increase the share of agreements with human rights clause
- Evaluate membership in Business Social Compliance Initiative (BSCI)
- Clarify goals and follow-up of sustainability aspects

Customer surveys and stakeholder dialogs are used to monitor trends and customer demand for responsible and sustainable products.

Attractive employer

Qliro Group works to foster a productive and healthy workplace. A good working environment is a prerequisite for good health among employees, higher employee satisfaction and better performance.

The Group maintains a healthy workplace through systematic work environment initiatives, promoted by consideration and sound values. Processes for employee evaluations and professional development are well established. Examples of benefits include flexible working hours, supplementation of parental leave pay, salary switching opportunities, agreements with occupational health service providers and preventive health care allowance. More than 40 percent of employees were covered by union agreements.

The Group is observant of risks in the workplace and takes measures to prevent accidents and occupational injuries. There are established processes for rehabilitation and prevention of long-term sick leave. The workplace is drug-free.

Diversity

Qliro Group's ability to attract, develop and retain employees with the right skills is a prerequisite for running a profitable business. Good working conditions, together with clear equality and diversity initiatives, make for a healthy workplace where employees are content and can progress.

When recruiting, the Group strives for a variety of skills and other qualities in terms of gender, age, qualifications and more. The Equal Treatment Plan provides the same opportunities for work and development regardless of gender, age, origin, religion, sexual orientation or disability. The Group does not tolerate any type of discrimination or harassment.

As part of the onboarding plan, employees will be informed of the Group's values regarding gender equality, diversity and discrimination. All employees are informed of and are expected to follow the Code of Conduct.

Employee Code of Conduct

The Employee Code of Conduct was updated in December 2017 by decision of the Board. The code clarifies the obligations of employees and covers the following:

1. Relationships with customers
2. A healthy workplace
3. Relationships with suppliers, other business partners and competitors
4. Conflicts of interest
5. External communication
6. Whistleblowing
7. Consequences of violating the code

Work for a healthy workplace; equality and diversity help achieve global sustainability goals.

Qliro Group and its employees are together responsible for a healthy work environment and that every employee is appreciated and respected. Each employee is responsible for acting in a correct manner and for being aware of how one's actions may be perceived.

Risk management within attractive employer

Qliro Group's risks concerning attractive employer include:
- Risk of not being perceived as an attractive employer
- Risk that gender equality and diversity initiatives are not successful

To be an attractive employer is of the highest importance to Qliro Group. The Group works with initiatives for personnel development and succession plans for key functions. Working conditions and remuneration help attract and retain staff.

For Qliro Group, diversity and equality are important, partly to offer an attractive workplace, partly to ensure knowledge and understanding of customer needs. Lack of gender equality and diversity may lead to insufficient ability to understand the market. The Group has guidelines for gender equality and diversity that complement the Code of Conduct, which include following up on related indicators.

Qliro Group has a whistleblower function for reporting cases of discrimination or harassment. The purpose of the whistle blower function is that all employees should be able to report violations without fear of negative treatment. Employees should also feel assured that reports are handled professionally. The whistleblower policy is available on the intranet and website.

Risk management within attractive employer

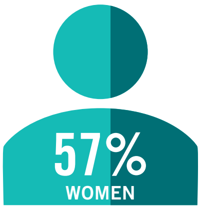
The ability to attract new employees and offer an attractive workplace where people thrive, remain and progress is a success factor. The Group strives for a sound employee turnover. Employee turnover was 24 percent in 2016 and 22 percent in 2017 (excluding hourly, fixed-term and temporary employees). Employee turnover in 2017 was highest for persons under 30. This is natural since Qliro Group employs many young people at the beginning of their careers who move on to further education or other challenges. In 2017, 57 percent of new employees were women and in 2016 that figure was 60 percent. The figures below include all employees, including full-time, fixed-term and part-time employees.

Employee data

New employees 2017

Total	285
Women	162
Men	123

■ Women ■ Men



New employees 2016

Total	229
Women	137
Men	92

	2017			2016		
New employees	No.	Of which women	Women %	No.	Of which women	Women %
Total	285	162	57%	229	137	60%
Under 30	186	120		168	96	
30-50	96	42		58	40	
Over 50	3	0		3	1	

Terminated employment 2017

Total	219
Women	117
Men	102

■ Women ■ Men

Terminated employment 2016

Total	223
Women	125
Men	98

	2017			2016		
Terminated employment	No.	Of which women	Women %	No.	Of which women	Women %
Total	219	117	53%	223	125	56%
Under 30	132	80		126	79	
30-50	82	35		91	41	
Over 50	5	2		6	5	

Qliro Group strives for even gender and age distribution. In 2017, the share of women on the Board of Directors, in Group management and in business area management increased. Gender distribution is even in the Group as a whole, but the share of men is greater in senior positions. Nelly is an exception. Equality at the management level continues to be an important issue.

Gender distribution

Gender distribution 2017

Total	849
Women	439
Men	410

■ Women ■ Men

Gender distribution 2016

Total	783
Women	393
Men	390

	2017			2016		
Diversity, employees	No.	Of which women	Women %	No.	Of which women	Women %
Total	849	439	52%	783	393	50%
Under 30	432	258		376	216	
30-50	379	162		367	156	
Over 50	38	19		40	21	

Diversity, cont.

	2017			2016		
Diversity, Board	No.	Of which women	%	No.	Of which women	%
Total	7	3	43%	7	1	14%
Under 30	0	0		0	0	
30-50	5	3		2	1	
Over 50	2	0		5	0	
Diversity, Group management						
Total	7	2	29%	7	1	14%
Under 30	0	0		0	0	
30-50	6	1		7	1	
Over 50	1	1		0	0	
Diversity, business area management teams						
Total	18	6	33%	18	5	28%
Under 30	0	0		1	0	
30-50	18	6		17	5	
Over 50	0	0		0	0	

Qliro Group primarily has full-time, permanent employees. Less than 15 percent of employees were temporary in 2016 and 2017, and the number of consultants was not significant.

Ambition within attractive employer

Qliro Group shall ensure a healthy workplace where employees thrive and progress, as well as work for equality and diversity of skills, gender, experience and cultures. The ambition for 2020 is to continue to work systematically for a healthy workplace, gender equality and diversity.

The following activities are planned for 2018:

- Develop the onboarding framework
- Training for leaders and managers in gender equality and diversity issues
- Initiatives to clarify career paths and increase internal recruitment in the Group
- Clarify goals and follow-up of sustainability aspects

Qliro Group's ambition is to develop the recruitment process by increasing the use of personality and aptitude tests to find the right competences and build good teams.

Trusted Business Partner

Qliro Group creates value by being a trusted business partner. Initiatives in this focus area aim to create an open and responsible culture with clear, established policies and practices that ensure ethical and secure business relationships. The Group has zero tolerance with respect to corruption and bribery.

The Employee Code of Conduct lays the foundation for establishing good business relationships. It also clarifies principles regarding bribery and corruption, stock exchange rules, conflicts of interests and more. Employees are expected to adhere to the code in their work and make sure that business partners know our principles. Any suspicions are followed up and investigated.

Qliro Group works with many suppliers and partners where good business relationships are crucial. As an e-commerce company and financial partner, data security and privacy protection are also business critical. E-commerce uses personal data for billing, customer surveys, marketing and more. Qliro Financial Services uses personal data for credit assessments.

Customer trust in the management of personal data is a crucial factor and the Group has a responsibility as a data processor. Qliro Group strives to raise awareness about information security and the handling of personal data, both internally and externally.

Systematic efforts are ongoing to ensure that personal data is handled responsibly in accordance with the EU's new General Data Protection Regulation (GDPR), which will enter into force in May 2018. These efforts will be intensified in 2018.

Ethical conduct is supported by the management leading by example. It is important to understand customer needs and employee expectations. The Group puts a lot of focus on how management teams are comprised in terms of background, competence, gender and age.

Ethical behavior and countering corruption help achieve global sustainability goals.

Risk management within Trusted Business Partner

Qliro Group's risks concerning Trusted Business Partner include:

- Risk of corruption and bribery
- Risk of data breaches and loss of customer data, and failure to comply with the GDPR
- Risk of violating legislation or internal regulations
- Risk of lack of diversity on Board of Directors and in management

Qliro Group has zero tolerance against bribery and corruption. The risk of corrupt behavior occurs mainly in connection with purchasing and sales but is considered to be relatively low. The code of conduct covers issues of bribery and corruption and has been shared with all employees. The Business Partner Code of Conduct shall be attached to new agreements with suppliers. Breaches of the code may result in termination of business dealings with the supplier. The Group has a whistleblower function where employees and business partners can report suspicions of corrupt behavior.

Qliro Group is engaged in digital operations. Data protection and customer integrity are paramount. Data breaches and loss of customer data may affect confidence in security and adversely affect the business. It can also pose a risk of disclosure of individual customer data. The Group works in a structured manner with data security issues and ensures safe handling of personal data. Efforts are being made to comply with the GDPR, including guidelines and procedures.

Security routines and controls are well established and are developed continuously. All business areas have IT departments with experts that continuously develop the IT functions. Action plans regarding information loss and incident reporting will be further developed in connection with the introduction of the GDPR.

Qliro Group's operations are governed by regulations, especially regarding financial services. Violations of laws and regulations may endanger our reputation and lead to fines and other penalties. The Group has developed a policy framework and procedures to minimize the risk of non-compliance. The company's lawyers prevent and minimize risks of violations of laws and regulations.

Qliro AB is under the supervision of the Swedish Financial Supervisory Authority (FI), which means that the company has undergone controls to conduct its business. Checks are performed on a regular basis, so the company can retain its license. Qliro Financial Services has an independent regulatory department that is responsible for compliance with external and internal regulations (policies, guidelines, instructions, etc.). Anti money laundering is one example. Qliro Financial Services has processes and procedures in place to identify risks and counter money laundering. All employees are also trained on these issues.

Understanding customer needs and employee expectations is crucial to the Group's success. The risk of insufficient understanding and incorrect business decisions decreases if the Board and management teams are composed of people with different skills and backgrounds.

Qliro Group adheres to the Swedish Corporate Governance Code, including its provisions on the composition of the Board. The parent company and all subsidiaries are domiciled in Nordic countries and pay taxes according to current legislation.

Business ethics results in 2017

Qliro Group follows up on any incident regarding customer privacy or loss of customer data. In 2016, two incidents in Finland occurred regarding incorrect envelope windows on letters with invoices sent to customers. The incidents were handled in accordance with the guidelines. No incidents occurred in 2017. No cases of confirmed or suspected corruption have occurred in 2016 or 2017.

Ambition within Trusted Business Partner

Qliro Group shall act in an ethical manner, counteract corruption and protect customer data and privacy. The ambition for 2020 is to further develop the procedures for ethical and secure business relations.

The following activities are planned for 2018:

- Achieve compliance with GDPR
- Further development of guidelines for IT security
- Employee training in data and IT security
- Employee training in code of conduct and whistleblower function
- Clarify goals and follow-up of sustainability aspects

Qliro Group has zero tolerance against bribery and corruption.

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Qliro Group AB, corporate identity number 556035-6940

Engagement and responsibility

It is the board of directors that is responsible for the sustainability report for the year 2017 on pages 12–22 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 16 April 2018

KPMG AB

Mårten Asplund
Authorized Public Accountant

Directors' report

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

Operations

Qliro Group offers digital commerce and financial services in three business areas: CDON Marketplace, Nelly and Qliro Financial Services.

Qliro Group's overall goals are to:

- Strengthen its position as the leading Nordic platform for digital commerce.
- Establish a position as a leading online merchant in selected segments in the Nordic fashion market.
- Provide an attractive offer of payment solutions and additional financial services for consumers and online merchants.

Qliro Group's e-merchants have around 200 million visits annually and the platform is used by over 1,500 e-merchants. In 2017, 3 million active customers completed 6.3 million purchases. Sales totaled SEK 3,397 million and operating profit was SEK 21 million. Qliro Group had 694 full-time employees on average during the year.

Three interacting business areas

Qliro Group's business areas are referred to as segments in the financial reporting: CDON Marketplace, Nelly and Qliro Financial Services. CDON Marketplace and Nelly make up the e-commerce business.

CDON Marketplace

CDON.COM is the leading Nordic online department store. In 2017, 1.8 million customers completed 3.4 million purchases. Net sales increased by 6 percent to SEK 1,863 (1,751) million, representing 55 (56) percent of consolidated sales.

CDON Marketplace's gross merchandise value increased by 12 percent to SEK 2,313 (2,069) million for the year. External merchant sales increased 43 percent to SEK 500 million for the year.

Operating profit before depreciation, amortization and impairment was SEK -21.4 (-10.1) million for the year. This was affected by investments in the platform and the brand.

CDON Marketplace had 159 full-time employees on average during the year.

Nelly

Nelly offers fashion to trend conscious young consumers through Nelly.com and NLY Man. In 2017, 1.2 million customers completed 2.8 million purchases. Net sales increased by 5 percent to SEK 1,310 (1,244) million, representing 39 (40) percent of consolidated sales.

The sale of own brands increased by 3 percentage points to 43 (40) percent. The product margin increased by 6 percentage points to 51 (45) percent, primarily due to increased private label sales and an improved assortment. The return rate was 35 (33) percent.

Operating profit before depreciation, amortization and impairment improved by 103 percent to SEK 121.3 (59.9) million. The improvement in profits is primarily due to higher sales, a higher share of own brands and more efficient logistics.

Nelly had 339 full-time employees on average during the year.

Qliro Financial Services

Qliro Financial Services offers merchants services to facilitate digital commerce and consumers financial services to simplify everyday living. In 2017, 1.6 million customers completed 4.2 million purchases. Total operating income increased by 47 percent to SEK 204 million, representing 7 (5) percent of consolidated sales.

Business volume increased by 25 percent to SEK 3,962 million and net lending to the public amounted to SEK 1,055 (754) million at year-end. Lending was financed by a contracted credit facility in the amount of SEK 325 (512) million, SEK 612 million in savings accounts and the balance with equity. During the year, savings accounts with government deposit guarantees and personal loans in Sweden were launched. Qliro AB has been a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI) since March 2017.

Operating profit before depreciation, amortization and impairment improved by 56 percent to SEK 26.1 (16.7) million. This was driven primarily by revenue from lending to the public.

Qliro Financial Services had 176 full-time employees on average during the year.

Discontinued operations

In January 2017, the Group's strategic focus was revised. Consequently, Lekmer AB was divested in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018. Tretti AB had been divested in the third quarter of 2016. These companies are recognized as discontinued operations in the Group. Continuing operations are recognized in this annual report (including historical comparative figures in income statements and cash flow reports) unless otherwise stated.

Lekmer was launched in 2006 and was acquired in 2010. The company sells toys and products for children online. On June 30, 2017, Lekmer AB was sold to Babyshop. Lekmer was valued at SEK 90 million on a debt-free basis with normalized working capital. The result of the divestment of shares including divestment expenses was SEK -2.2 million.

HSNG was founded in 1996 and acquired in 2008. The company runs Gymgrossisten (dietary supplements and exercise equipment), Bodystore (health food online) and Fitness Market Nordic (wholesale operation). On January 30, 2018, Health and Sports Nutrition Group HSNG AB was sold to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital. The Group's carrying amount for HSNG shares amounted to SEK 202.1 million at the end of 2017. The result will be recognized during 2018.

Profit after tax for discontinued operations amounted to SEK -52.1 (-192.4) million for the year. This consisted of Lekmer's operating earnings and the impact on earnings from divestment of the shares in Lekmer and HSNG's operating earnings, transaction-related expenses and a Group contribution of SEK 24.5 (-2.5) million from discontinued operations to continuing operations.

Sustainability report 2017

For the 2017 financial year, Qliro Group prepared its first sustainability report separate from the annual report in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiatives (GRI) Standards, Core option, see page 12–22.

Qliro Group developed its sustainability efforts partly by clarifying our ambitions within four selected focus areas and partly by developing the sustainability reporting process. Through these efforts we aim to take even more responsibility for sustainable development.

Significant events in 2017

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

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. No date for the judicial review has yet to be announced. The company has not expensed the amount.

Revised strategic direction and established financial targets

In January, a revised strategic direction focused on CDON Marketplace, Nelly and Qliro Financial Services as well as new long-term goals were announced.

New CEO of Health and Sports Nutrition Group

In February it was announced that Gustav Hasselgren had been recruited as CEO of Health and Sports Nutrition Group.

Qliro AB became credit market company

In March Qliro AB became a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI). This provided the opportunity to launch savings accounts and personal loans in Sweden and to introduce the payment solution in Norway.

Divested Lekmer

In April an agreement was entered to sell Lekmer AB to Babyshop Sthlm Holding AB. Lekmer was valued at SEK 90 million on a debt-free basis and with normalized working capital. The transaction was executed on June 30, 2017.

Divested Members.com

In May, Nelly began collaborating with Campadre on shopping club sales. Soon afterwards, the assets of the Members.com shopping club were sold to Campadre. The deal was completed on July 3.

Qliro launched savings accounts

In May, Qliro AB launched savings accounts with state deposit guarantees in Sweden.

2017 Annual General Meeting

On May 8, the Annual General Meeting was held in Stockholm, where all proposals from the Board and the Nomination Committee were approved.

Bond

In May, a three-year unsecured bond loan of SEK 250 million that expires in May 2020 was issued. The bond has a floating rate of Stibor 3 months +4.8 percent with a floor of 0 percent. The total framework of the bond loan is SEK 500 million, and the company may issue the remaining sum later. The first day of trading in the bond was June 16, 2017.

Qliro launched personal loans in Sweden

In September Qliro AB launched personal loans in Sweden. Personal loans will complement Qliro AB's main services such as payments, invoices and partial payments. The service is completely digital. Initially, individuals can borrow between SEK 20,000 and SEK 350,000 with no collateral.

New Head of Qliro Financial Services

In December it was announced that Carolina Brandtman had been recruited as the new Head of Qliro Financial Services. She will take office in the fourth quarter of 2018. Carolina succeeds Patrik Illerstig as permanent Head of Qliro Financial Services. Eva-Lotta Berg Ljungström will serve as interim Head of Qliro Financial Services.

Sale of Health and Sports Nutrition Group HSNG AB

On November 21, an agreement was reached to sell Health and Sports Nutrition Group to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital, corresponding to an EBIT multiple of 14.6x based on full-year profit for 2017. HSNG remains a partner with Qliro Financial Services and CDON Marketplace after the transaction. HSNG is recognized as a discontinued operation.

Significant events in 2018

Changed accounting policies for Qliro Financial Services

New rules for the reporting of financial instruments, IFRS 9, were introduced on January 1, 2018. They primarily affect Qliro Group through Qliro Financial Services' credit loss reserves. This results in earlier and higher recognition of the reserves for credit losses than before, but it will not affect cash flow or underlying credit risk.

Sale of Health and Sports Nutrition Group HSNG AB

On January 30, 2018, the divestment of Health and Sports Nutrition Group to Orkla was completed.

CDON Marketplace launched a corporate offering

On March 20, 2018, CDON.com launched a new B2B site aimed at small and medium-sized companies in Sweden. The ambition is to have an attractive offering to corporate customers throughout the Nordics.

Qliro Group commented on Nelly and CDON Marketplace

On April 5, 2018, Qliro Group announced that Nelly's order intake increased during the first quarter, but the sales increase was limited because of delayed deliveries and increased returns and that the result was affected by investments in marketing and organization. It was also announced that CDON Marketplace adjusted its organization as part of the transformation to a marketplace.

Financial position and results

(SEK million)	2017	2016	Δ
Net sales	3,396.7	3,158.5	8%
Gross profit	762.7	565.7	35%
Gross margin	22.5%	17.9%	
Operating profit before depreciation, amortization and impairment	90.0	13.2	582%
Operating margin before depreciation, amortization and impairment, %	2.7%	0.4%	
Operating profit	20.7	-60.5	
Operating margin	0.6%	-1.9%	
Net financial items	-7.5	0.0	
Profit before tax and group contributions	13.2	-60.5	
Net income after tax for continuing operations	28.8	6.0	
Net income after tax for continuing and discontinued operations	-23.3	-186.4	
Basic and diluted earnings per share excluding divested operations	-0.16	-1.24	
Basic and diluted earnings per share excluding divested operations	-0.16	-1.24	
Total assets	3,243.5	2,536.7	

Tretti, Lekmer and HSNG are recognized as discontinued operations in the consolidated accounts. Interest expense for deposits in Qliro Financial Services is reported as cost of goods and services sold in the consolidated financial statements. In 2017, no items affecting comparability were recognized and historical figures were not adjusted for items affecting comparability in 2016.

Sales

Net sales increased by 8 percent to SEK 3,396.7 (3,158.5) million in 2017. Adjusted for exchange rate fluctuations, growth was 7 percent for the year. E-commerce operations had a total of SEK 201 (193) million visits and 3 (2.9) million customers made 6.2 (6.1) million purchases.

Operating expenses

Cost of goods sold totaled SEK 2,634.0 (2,592.8) million. The gross margin was 22.5 (17.9) percent. The gross margin was strengthened mainly because Qliro Financial Services and Nelly increased profitability.

Sales and administrative expenses amounted to SEK 767.3 (642.2) million. Operating profit reached SEK 20.7 (-60.5) million with an operating margin of 0.6 (-1.9) percent.

Net financial items

Net financial items totaled SEK -7.5 (0.0) million. This consisted of interest and transaction costs for bond loans taken in the second quarter of 2017. Qliro Financial Services' interest expenses for deposits are regarded as operating expenses and have been recognized as cost of goods sold since January 1, 2017, and recalculated comparative figures are presented for comparability. Profit before tax and group contributions amounted to SEK 13.2 (-60.5) million.

Tax

Tax totaled SEK 8.9 (-12.9) million. See Note 9 for more information.

Net profit and earnings per share

Profit after tax amounted to SEK 28.8 (50.1) million for continuing operations.

The impact on earnings from the divestment of Lekmer as well as Lekmer's and HSNG's operating earnings are recognized as earnings from discontinued operations. The corresponding impact on earnings totaled SEK -52.1 (-136.2) million. Consolidated earnings after tax for continuing and discontinued operations amounted to SEK -23.3 (-186.4) million.

The number of ordinary shares issued amounted to 149,269,779. Basic and diluted earnings per share for continuing and discontinued operations amounted to SEK -0.16 (-1.24), based on the weighted average number of shares during the year.

Financial position

Total assets at year-end amounted to SEK 3,243.5 (2,545.9) million. The divestment of HSNG and Lekmer decreased consolidated assets compared with the previous year, which was offset by Qliro Financial Services' increased lending to the public. Equity amounted to SEK 1,009.6 (1,026.2) million at the end of the year.

Cash and cash equivalents including consolidated translation differences amounted to SEK 624.7 (435.2) million at year-end. Cash and cash equivalents in e-commerce operations amounted to SEK 553.8 (435.2) million. Adjusted for the outstanding bond of SEK 250.0 (-) million, net cash in e-commerce operations amounted to SEK 303.8 (435.2) million.

Cash flow from operating activities before changes in working capital amounted to SEK 92.1 (11.7) million for the year, of which e-commerce operations accounted for SEK 65.1 (-2.0) million and Qliro Financial Services accounted for SEK 27.0 (13.8) million.

Cash flow from changes in working capital in e-commerce operations amounted to SEK -143.5 (40.7) million for the year. In the first quarter of 2017 CDON Alandia paid EUR 5.9 million attributable to the tax claim previously made by the Finnish Tax Administration for the 2012 financial year. The amount was recognized as a non-interest-bearing asset in the balance sheet. CDON Marketplace and Nelly had higher inventory levels at the end of the year than in the previous year. At year-end Nelly had started building stock for the spring season.

Cash flow from changes in working capital in Qliro Financial Services amounted to SEK 76.8 (-55.8) million for the year. This was made up of a combination of increased loans to the public (invoices, partial payments, installments and personal loans), deposits from the public (savings accounts) and utilization of credit facilities.

Consolidated cash flow from operations after changes in working capital amounted to SEK 25.4 (-3.4) million for the year.

Cash flow from investing activities amounted to SEK -95.5 (164.2) million for the year. Investments were made mainly in Qliro Financial Services and CDON Marketplace. The divestment of Lekmer contributed SEK 11.5 million in the fourth quarter of 2017.

Cash flow from financing activities totaled SEK 333.7 (-68.0) million for the year. Cash flow for the year was mainly affected in the second quarter by the SEK 250 million bond and the refinancing of internal loans related to the divestment of Lekmer.

Acquisitions and divestments

Qliro Group divested Tretti AB in the third quarter of 2016, Lekmer AB in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018.

On June 30, 2017, Lekmer AB was sold to Babyshop. Lekmer was valued at SEK 90 million on a debt-free basis with normalized working capital.

On January 30, 2018, Health and Sports Nutrition Group HSNG AB was sold to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital. The capital gain is recognized in 2018.

Profit after tax for discontinued operations amounted to SEK -52.1 (-136.2) million for the year. For further information on acquisitions and divestments, see Note 5.

Outlook

Qliro Group's long-term financial targets

- CDON Marketplace's target is to reach a level of gross organic growth (gross merchandise value or GMV) of an average of 10 percent per year and generate an operating profit of 1-2 percent of the GMV before depreciation, amortization and impairment.
- Nelly's long-term target is to achieve organic growth of an average of 8 percent per year and generate an operating margin before depreciation, amortization and impairment of at least 6 percent.

- Qliro Financial Services' target is to reach an operating profit before depreciation and amortization of at least SEK 150 million in 2019.

The target for Qliro Financial Services will remain the same after the introduction of IFRS 9. No forecast is otherwise being provided for 2018.

Risk factors

Qliro Group is exposed to several risk factors. Some of the risks considered significant to the Group's future development are summarized below, in no relative order.

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

Operational risks
- Disturbances in 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 risk
- Credit risk
- Interest rate risk
- Liquidity risk

Legal risks
- Legislation, regulations and compliance
- Intellectual property rights

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

Industry and market risks

The market

The market for e-commerce is undergoing change. E-commerce in the Nordic region has generally grown by around 10 percent per year in recent years according to the DIBS E-Commerce Index. There are no guarantees that the e-commerce market will continue to grow or that Qliro Group's products will continue to benefit from positive market developments.

Competition

Qliro Group's operations are highly competitive, and the actions of other players could affect demand and the requirements placed on our business. The Group has a strong position in selected segments of Nordic e-commerce and is continuously working to strengthen its competitiveness.

Seasonal variations

CDON Marketplace is exposed to seasonal variations because a large portion of sales occur during the fourth quarter. Nelly also exhibits seasonal variations, where the second and fourth quarters are the strongest. Lower demand during a single quarter can significantly affect sales and earnings negatively.

Risks related to fashion trends

Nelly is exposed to fluctuations in trends and fashion, as well as consumer preferences in terms of design, quality and price. Misconceptions of consumer preferences can lead to lower sales, surpluses of certain products and price cuts.

Economic situation and consumer purchasing power

Qliro Group's sales are affected by business cycles, developments in e-commerce and demand for the Group's products and services, especially in the Nordic region. The economy and consumers' purchasing power are affected by factors that are beyond the Group's control, such as interest rates, exchange rates, inflation levels, taxes, unemployment levels and other economic factors. A weakening of the economy with lower consumption may reduce demand for the Group's products, which could adversely affect financial position and earnings.

Operational risks

Disturbances in IT and control systems

Qliro Group's operations are dependent on reliable IT and control systems that are well suited to the business. The Group has made significant investments in IT and control systems. Even though improvements, maintenance, upgrades and support of these systems and processes is ongoing, it is not inconceivable that the systems may suffer malfunctions that could have a negative impact on financial position and earnings.

Supplier relationships

Qliro Group is dependent on hundreds of external suppliers. There are, however, alternatives to most of the current suppliers, which means that if the company loses one or more suppliers it will only have a limited negative impact.

Warehousing and distribution

Qliro Group has one warehouse of its own as well as several others that are operated by external suppliers. If a warehouse were to be destroyed or to close, or if its equipment were to be damaged, the company might not be able to deliver products to its customers. The Group is dependent on transportation to and from the warehouses and is exposed to disruptions in its distribution network. In the event of a malfunction, the Group will attempt to repair the warehouse or use alternative warehouses or transportation. If this cannot be guaranteed, it could have a negative effect on financial position and profit.

Qliro Group works continuously with risk prevention. The Group 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 grow. A careful analysis is made prior to each investment but any establishments in new geographic markets or segments may lead to unforeseen costs or lower sales than expected.

Ability to recruit and retain staff

Qliro Group's success is highly dependent on its ability to recruit, retain and develop senior executives and other key individuals. The Group works with programs and initiatives for staff development, talent identification and succession planning for key individuals.

Financial risks

Currency risk

Currency risk consists of risks in transactions in various currencies (transaction exposure) and risks when translating foreign operations into the Swedish krona (translation exposure).

The Group's reporting currency is the Swedish krona. A significant portion of sales are from outside Sweden, which gives rise to transaction exposure. Translation of foreign operations into the Swedish krona means that the Group is also somewhat vulnerable to translation exposure.

Currency risk is not hedged using financial instruments, however natural hedges are sought, for example by purchasing and selling in the same currency. The most important currencies are NOK, DKK and EUR for sales, and NOK, DKK, EUR, USD and GBP for purchases.

Credit risk

Credit risk is defined as exposure to losses resulting from one party failing to fulfill its obligations. Exposure is based on the carrying amount of financial assets, of which the majority comprises accounts receivables and cash and cash equivalents.

Credit risk related to accounts receivables is spread over many customers in small amounts, mainly private individuals. Accounts receivables are sold both to the subsidiary Qliro AB and to external factoring companies. Most of these accounts receivables are sold to external factoring companies with full transfer of the credit risk to the counterparty.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's financing costs since fair value or future cash flows may fluctuate due to changes in market interest rates.

Qliro Group manages this risk through diversified financing. At the end of 2017, the Group had an outstanding bond loan of SEK 250 million. In addition, Qliro Financial Services was funded by consumer deposits (savings accounts) and a short-term revolving credit facility.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its commitments associated with financial liabilities.

This risk is managed by the parent company, which ensures that there is sufficient cash and cash equivalents and the ability to increase available financing. Access to cash and cash equivalents for the business areas is partially ensured through cash pools.

Qliro Financial Services' total credit facilities amounted to SEK 600 million at year-end. SEK 325 (512) million of this amount was utilized. The e-commerce business' cash totaled SEK 554 (435) million and net cash amounted to SEK 304 (435) million, less the SEK 250 million bond.

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 Group sells. If the business is spread to new customers, services or markets, it may be subject to new regulatory requirements. The Group endeavors to comply with laws and regulations 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, which may have an adverse effect.

Qliro Financial Services

The Qliro Financial Services segment consists of the subsidiary Qliro AB, which since March 2017 is a credit market company registered with the Swedish Financial Supervisory Authority (FI).

Qliro Financial Services offers invoices and partial payments for purchases via the Group's and external e-merchants' Swedish, Finnish, Norwegian and Danish online shops. In addition, other digital financial services are offered to e-merchants and consumers, such as savings accounts that are covered by the government deposit guarantee and unsecured personal loans. The operations are exposed to several risks as listed below.

Qliro Financial Services should always be well-capitalized. The Board of the subsidiary has established capital targets aimed at meeting regulatory minimum requirements, buffer requirements and managing risk exposures in financial stress situations. See Note 21 for more information.

Currency risk
Qliro Financial Services manages currency risk by matching the currency exposure of the loan book with financing in the same currencies. There is also the possibility of hedging currency risks with forwards.

Credit risk
Qliro Financial Services manages credit risk through its credit organization as well as its credit policies, rules and regulations. The risk is monitored, checked and reported regularly to the CEO and Board. Through good management of credit risk, profitability in lending operations can be optimized.

Interest rate risk
Qliro Financial Services manages interest rate risk by matching the interest rate horizon on assets and liabilities as far as possible. The lending rate can also be adjusted if borrowing costs increase.

Liquidity risk
Qliro Financial Services manages liquidity risk by ensuring that there is sufficient cash and cash equivalents and an ability to increase available financing. See Note 21 for more information.

Business and strategic risk
Business and strategic risk is the risk of losses due to changes in market conditions (changes in volume, interest rate margins and other price changes regarding credit granting), failed business decisions and consumers choosing other payment solutions.

Our reputation could be damaged if the services of Qliro Financial Services are not perceived as safe, economical and easy-to-use.

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

Qliro Financial Services is primarily exposed to the following operational risks:
- Internal fraud
- External fraud
- Interruptions and disturbances

Qliro Financial Services has an internal regulatory framework to ensure the effective management of operational risks. This includes documentation of processes and analysis of its risks. To minimize the effects of disturbances, internal rules for continuity management and contingency plans are available. Staff are trained in operational risks to promote a healthy risk culture.

Environmental initiatives
Qliro Group's ability to take responsibility for sustainable development is the key to strengthening our customers' and the public's confidence in us. The business requires warehousing, packaging, and transportation. Customers, owners and the public expect environmentally conscious choices and that the business is operated in a manner that is sustainable in the long term. The Group is constantly searching for new ways to further reduce its environmental impact.

Qliro Group developed its sustainability efforts partly by clarifying our ambitions within four selected focus areas and partly by developing the sustainability reporting process. Through these efforts we aim to take even more responsibility for sustainable development. The sustainability report is prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core option (see page 12).

Employees
Qliro Group recognizes that its employees are crucial to its operations. Attracting, developing and retaining employees is necessary to achieving success and meeting established targets for growth and business development. The average number of employees was 694 during the year, excluding Lekmer and HSNG.

The sustainability report contains more information (see page 19). Information on the average number of employees and payroll expenses is available in Notes 23 and 24.

Proposal for guidelines for remuneration to senior executives
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.

The Board of Directors proposes that the 2018 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 specialized in online-payment solutions, digital consumer financing, personal loans and savings accounts.

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 those of 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).

The remuneration to the 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.

Qliro Group has three outstanding long-term equity-related incentive programs (performance share plans) for senior executives and other key persons in the parent company and Qliro Group's subsidiaries/segments, namely "PSP 2015", "PSP 2016" and "PSP 2017". The incentive programs expire in April 2018 (PSP 2015), April 2019 (PSP 2016) and April 2020 (PSP 2017). These programs could be followed by other equity-related programs, warrants and synthetic options. For more information about Qliro Group's long-term incentive programs, please see the annual report.

Synthetic call options

Qliro Group has two outstanding synthetic call option plans ("QOP 2016" and "QOP 2017") for the management and other key persons in Qliro Group's subsidiary/segment that offers financial services. For more information about Qliro Group's synthetic call option plans, please see the annual report.

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.

Remuneration to senior executives covered by the remuneration rules for credit market companies

For senior executives covered by the remuneration rules for credit market companies, special remuneration rules apply pursuant to laws and regulations issued by the Swedish Financial Supervisory Authority. The remuneration rules will become applicable in relation to the parent company Qliro Group AB (publ) when Qliro Group AB (publ) forms a so called consolidated situation with its subsidiary Qliro AB. The boards of Qliro Group AB (publ) and Qliro AB have established a remuneration policy that covers all employees in each respective company and, on the one hand, is compatible with and promotes sound and efficient risk management and, on the one hand, counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied in relation to remuneration for senior executives covered by the remuneration rules:

- Qliro Group AB (publ) and Qliro AB will conduct an analysis annually to identify employees whose duties have a significant impact on the company's risk profile based on a number of different criteria.
- The performance assessment shall, in case of variable remuneration, be set in a multi-year framework in order to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are taken into account when paying performance based

remuneration.
- The variable remuneration shall be based on the employee's performance and the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be taken into account in the assessment of the employee's performance.
- At least 40-60 percent of the variable remuneration shall be deferred at least three to five years before it is paid or the right of ownership passes to the employee.
- Variable remuneration shall only be paid or passed to the employee to an extent justifiable by the company's financial situation and justified based on the performance of the company, the business unit and the employee. The deferred portion of the remuneration may be cancelled in full for these reasons.

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.

Share-based long-term incentive programs

Qliro Group has three outstanding share-based long-term incentive programs decided on at the AGMs in 2015, 2016 and 2017. See Note 24 for more information.

The total cost of the share-based incentive program proposed to the 2018 AGM is estimated to be approximately SEK 7,2 million excluding social security contributions in accordance with IFRS 2. The cost will be distributed over the years 2018-2021. The estimated expenses for social security contributions will also be expensed as employee benefit expenses through regular provisions.

The maximum cost of the incentive program is expected to total approximately SEK 16.1 million (excluding social security contributions).

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 uncertainties as the Group.

Parent company sales totaled SEK 27.1 (17.5) million. Administrative expenses totaled SEK -65.6 (-65.2) million and consist of costs of a recurring nature, primarily related to Group-wide functions but also related to operating Qliro Group AB as a publicly listed company with expenses for central functions, board fees, auditing services, etc.

Earnings from participations in subsidiaries was SEK -76.3 million (-102.9) and consisted primarily of capital losses, including transaction-related costs from the divestment of Lekmer. Other net financial items totaled SEK -2.4 (-2.3) million. The parent company received Group contributions of SEK 127 million and paid Group contributions to subsidiaries of SEK -51.3 million. Profit before tax amounted to SEK -41.6 (-198.6) million. Cash and cash equivalents in the parent company amounted to SEK 545.1 (422.6) million at year-end.

The parent company made investments of SEK 59.1 (297.1) million in non-current assets. Most of these investments concerned unconditional shareholder contributions to Qliro AB and CDON AB of SEK 44.0 million and SEK 15.0 million respectively.

Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at December 31, 2017 (SEK):

Share premium reserve	1,076,535,317
Retained earnings	-358,678,638
Loss for the year	-49,415,238
Total	**668,441,441**

The Board proposes that the retained earnings, share premium reserve and loss for the year for a total of SEK 668,441,441 be carried forward. The share premium reserve amounts to SEK 1,076,535,317. Regarding the company's earnings and position in general, see 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 capitalization at the close of trading on Nasdaq Stockholm on the last trading day of 2017 was SEK 2.7 billion.

Shareholders at December 31, 2017

Owner	Capital	Votes	Shares
Kinnevik	28,3%	28,5%	42,613,642
Rite Ventures	6,9%	6,9%	10,321,494
Oppenheimer	5,8%	5,9%	8,755,104
Avanza Pension	3,8%	3,8%	5,666,581
Nordnet Pensionsförsäkring	2,8%	2,8%	4,235,981
Origo Funds	2,4%	2,5%	3,676,465
Lancelot Funds	2,2%	2,2%	3,300,000
Öhman Funds	2,0%	2,0%	2,984,439
Hartford Funds Management Company, LLC	1,7%	1,7%	2,543,122
Dimensional Fund Advisors	1,1%	1,1%	1,676,001
Thomas Krishan	0,9%	0,9%	1,410,937
Treasurer of the State of North Carolina Equity Investment Fund	0,9%	0,9%	1,373,154
Humle Funds	0,9%	0,9%	1,284,614
Briscole AB	0,7%	0,7%	1,000,000
Länsförsäkringar	0,7%	0,7%	988,499
Total 15 largest shareholders	**61,0%**	**61,5%**	**91,830,033**
Others	39,0%	38,5%	58,614,746
Treasury Shares (Class C)	0,8%	0,0%	1,175,000
Total issued shares[1)]	**100,0%**	**100,0%**	**150,444,779**

[1)] Includes 1 175 000 class C shares held by Qliro Group as treasury shares. Own shares that are held by the company may not be represented at general meetings of shareholders. Practically, this means that a shareholder's share of ownership as a % of votes is slightly higher than her/his share of ownership as a % of capital.

Source: Modular Finance

Share capital

As at December 31, 2017, the number of outstanding shares was 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 program authorized 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 1,009.6 million at year-end. For changes in the share capital between 2016 and 2017, see page 77.

At December 31, 2017, there were 4,000,127 outstanding share rights attributable to the company's share-based incentive programs. In addition, there were also 2,309,700 synthetic call options attributable to the company's synthetic call option programs for management and key employees in Qliro Financial Services. See Note 24 for more information.

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 2017 and the Board proposes no dividend for 2018.

Share price trend

The share price at the beginning of the year was SEK 8.65. On the last trading day of the year, the share price was SEK 18.10.

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 regulations. The company also applies the Swedish Corporate Governance Code (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 oversees 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 19,779 shareholders at the end of 2017. Shareholdings by its ten largest shareholders correspond to some 55.2 percent of the share capital and votes. Swedish institutions and mutual funds own approximately 60 percent of the share capital; international investors hold about 20 percent; Swedish private investors own around 20 percent.

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 page 31.

On May 8, 2017, Qliro Group's AGM authorized the Board to issue (and repurchase) up to 4,550,000 C shares if they so decided. The aim of the authorization was to ensure the delivery of shares to participants in Qliro Group's long-term incentive program adopted by the AGM in 2017. The authorization had not been utilized at the end of 2017.

Furthermore, the AGM held in 2017 authorized 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 percent of all shares in Qliro Group. This authorization had not been utilized at the end of 2017.

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 the website at 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 2017 will be held on May 22, 2018, 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 2017 AGM, Qliro Group's board chairman convened a nomination committee to prepare proposals for the company's 2018 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 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 Stefan Roos, appointed by Origo Fonder. 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 December 30, 2017, jointly represented approximately 38 percent 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 2018 AGM.

In its work, the Nomination Committee applies Rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. The Nomination Committee considers the importance of increased diversity on the Board, in terms of gender, age and nationality, as well as experience, occupational background and business areas. As part of its efforts to find the most competent Board members, the Nomination Committee strives for an even gender balance.

Board of Directors

Qliro Group's Board of Directors 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 ten members.

Responsibilities and duties of the Board

The Board has overall responsibility for the organization 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.

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. The guidelines require that major investments in fixed assets 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 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 regarding 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 external function for internal auditing. The Group's 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 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

The Board of Qliro Group AB comprises seven board members. Board members are Lars-Johan Jarnheimer, Caren Genthner-Kappesz, Christoffer Häggblom, Daniel Mytnik, Jessica Pedroni Thorell, Peter Sjunnesson and Erika Söderberg Johnson. 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 most 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 as at December 31, 2017

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		
Caren Genthner-Kappesz	Member	1970	German	2016	Yes	Yes		
Christoffer Häggblom	Member	1981	Finnish	2017	Yes	Yes	Member	
Daniel Mytnik	Member	1971	Swedish	2014	No	Yes	Chairman	Member
Jessica Pedroni Thorell	Member	1983	Swedish	2017	No	Yes	Member	
Peter Sjunnesson	Member	1959	Swedish	2015	Yes	Yes		Member
Erika Söderberg Johnson	Member	1970	Swedish	2017	Yes	Yes		Chairman

Remuneration Committee

The remuneration committee consists of Daniel Mytnik, chairman, Christoffer Häggblom and Jessica Pedroni Thorell.

The Remuneration Committee's tasks are described in section 9.1 of the Code. The Remuneration Committee's main tasks 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 programs and programs concluded during the year for variable remuneration (e.g. long-term share-based incentive programs) 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 consists of Erika Söderberg Johnson, chairman, Daniel Mytnik and Peter Sjunnesson.

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.

Compensation to Board members

The fixed remuneration for the Board for the period until the close of the 2018 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 2017

During the year the Board regularly reviewed Qliro Group's consolidated earnings, financial position, organization 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 sales of Lekmer and Health and Sports Nutrition Group) and continued streamlining of internal procedures and control processes. At the end of 2017 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 company. The result of this evaluation was also reported to the Nomination Committee.

The Board had a total of 13 meetings in 2017, including four ordinary meetings, one organizational meeting and eight extraordinary meetings.

Presence at board and committee meetings

Name	Board meetings	Audit Committee	Remu-neration Committee
Number of meetings until 5/8/2017	7	3	4
Number of meetings from 5/8/2017	6	2	5
Total meetings in 2017	**13**	**5**	**9**
Lars-Johan Jarnheimer	13/13		
Caren Genthner-Kappesz[1)]	11/13		4/4
Christoffer Häggblom (from 5/8/2017)	6/6		5/5
Jessica Pedroni Thorell (from 5/8/2017)	6/6		5/5
Daniel Mytnik	11/13	5/5	9/9
Peter Sjunnesson	13/13	5/5	
Erika Söderberg Johnson (from 5/8/2017)	6/6	2/2	
Patrick Andersen (until 5/8/2017)	7/7		4/4
Lorenzo Grabau (until 5/8/2017)	5/7		3/4
David Kelly (until 5/8/2017)	4/7	1/3	

1) Caren Genthner-Kappesz was a member of the Remuneration Committee until May 8, 2017.

External auditors

Qliro Group AB's auditor KPMG AB was elected by the 2017 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Mårten Asplund, Authorized Public Accountant at KPMG, has overseen the company's audits since May 2017. An auditor election will take place at the 2018 AGM.

The auditor reports its findings to the shareholders by means of the auditors' report, which is presented to the AGM. In addition, the auditor's 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 2016 and 2017. These services comprised consultation on accounting and tax issues 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. See Note 25 for further details on audit fees.

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 (see page 40).

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 Qliro 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 May 8, 2017.

Remuneration guidelines

The Qliro Group should endeavor to offer total remuneration that will enable the Group to attract, develop and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating in e-commerce and retail with consumer brands and products, as well as Nordic credit market companies dealing with 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 incentive programs
- 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' short-term 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 percent 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.

Long-term incentive plans should include a personal investment and be linked to certain predetermined value-creating 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/or its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders by paying the participants in shares.

For senior executives who are covered by the remuneration rules that apply to credit market companies, the payment of a portion of the variable remuneration is deferred and can total a maximum 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.

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, for example company car, occupational health services and medical expense 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.

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 the market rate and be approved by the Board.

Deviations from the guidelines

Under special circumstances, the Board may deviate from the guidelines if it is deemed necessary. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-based long-term incentive programs

Qliro Group has three outstanding share-based long-term incentive programs decided on at the Annual General Meetings in 2015, 2016 and 2017, as well as an outstanding synthetic call option plan for senior executives and key employees in Qliro Financial Services (launched in 2016 and 2017). See Note 24 for more information.

Evaluation of the guidelines and auditor's statement as to whether the guidelines have been complied with

In accordance with the Swedish Corporate Governance Code, the Board's Remuneration Committee follows and evaluates the application of the AGM's guidelines for remuneration of executives. The company's auditor has, in accordance with Chapter 8, Section 54 of the Companies Act, provided an opinion as to whether the remuneration guidelines for executives in force in 2017 were adhered to. The Remuneration Committee's evaluation and the auditor's review have concluded that in 2017 Qliro Group followed the guidelines adopted by the AGM. The opinion and the Board of Director's report on the outcome of the Remuneration Committee's evaluation is available on the company's website at www.qlirogroup.com, at company headquarters at Sveavägen 151 in Stockholm, and is sent to the shareholders who request it, stating their mailing or e-mail address.

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 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 several 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

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 had an independent internal audit function that is responsible for monitoring and evaluating risk management and internal control activities. Internal auditing has been performed by a third party, whose work includes scrutinizing the application of established guidelines.

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 INGKA Holding B.V. (the parent company of the IKEA Group of Companies), Egmont International Holding A/S and Arvid Nordquist Handelsaktiebolag as well as a board member in SAS AB 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 major shareholders.

Shareholding (including any related person's holding): 100,000 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 was CEO of Glossybox from December 2015 to March 2018. 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 oversaw the German advertising operations and the 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.

Independent of the company, executive management and major shareholders.

Shareholding (including any related person's holding): -

Daniel Mytnik
Board member
Swedish, born 1971

Daniel Mytnik has been a member of the Board of Qliro Group since May 2014. Daniel co-founded Ventiga Capital Partners, a London-based private equity firm, in 2015 and has been a Managing Partner since inception. 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.

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

Shareholding (including any related person's holding): 131,513 shares

Peter Sjunnesson
Board member
Svensk medborgare, född 1959

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 Qliro Group's payment solutions company Qliro AB and of several 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.

Member of the Audit Committee.

Independent of the company, executive management and major shareholders.

Shareholding (including any related person's holding): 55,000 shares

The current Board was elected at the AGM on May 23, 2017, for the period until the end of the next AGM, which will be held on May 22, 2018.

Erika Söderberg Johnson
Board member
Svensk medborgare, född 1970

Swedish, born 1970

Erika Söderberg Johnson is Chief Financial Officer at Biotage, a life science company listed on Nasdaq Stockholm. Prior to joining Biotage in 2012, Erika was Chief Financial Officer of Karo Bio from 2007 to 2011, for Affibody from 2005 to 2007, and for Global Genomics from 2002 to 2005, and she also worked with investment banking and corporate finance at SEB Enskilda from 1993 to 2002. Erika is a board member of Saab AB, which is listed on Nasdaq Stockholm.

Erika holds an MSc in Economics and Business Administration from the Stockholm School of Economics.

Chairman of the Audit Committee.

Independent of the company, executive management and major shareholders.

Shareholding (including any related person's holding): 1,300

Christoffer Häggblom
Board member
Finnish, born 1981

Christoffer Häggblom is the founder and Managing Partner of Rite Ventures and has 20 years of experience with technology-focused growth companies, both as an entrepreneur and investor. Christoffer is chairman of Verkkokauppa.com, Finland's largest e-commerce company, which is listed on Nasdaq First North Helsinki, and is also a board member of SaaSbolaget Lemonsoft and Acervo, an investment company focused on listed shares and bonds.

Christoffer holds an MSc in Finance from Hanken School of Economics in Helsinki.

Member of the Remuneration Committee.

Independent of the company, executive management and major shareholders.

Shareholding (including any related person's holding): Rite Ventures owns, directly and indirectly, 10,321,494 shares

Jessica Pedroni Thorell
Board member
Swedish, born 1983

Jessica Pedroni Thorell has been Investment Manager at Kinnevik since 2014, focusing on identifying and leading new investments in Europe and managing several consumer-focused investments in e-commerce and financial services. Prior to joining Kinnevik, Jessica spent four years as Senior Associate at the international risk capital company General Atlantic, where she managed the company's investment in Klarna. From 2008 to 2010, Jessica worked at Goldman Sachs' Nordic investment banking department.

Jessica holds an MSc in Economics and Business Administration from the Stockholm School of Economics and a CEMS master's in international management from the University of St. Gallen.

Member of the Remuneration Committee.

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

Shareholding (including any related person's holding): –

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 before that 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 degree in business administration from FEI in Stockholm.

Shareholding (including any related person's holding): 185,000 shares

Mathias Pedersen
Chief Financial Officer
Born 1971

Mathias Pedersen was appointed as CFO of Qliro Group in August 2016. His most recent position before that was at Kinnevik AB where he was Investment Director. Some of his prior positions include CFO of East Capital Group, East Capital Explorer and ETAC. Mathias holds a master's degree from the Stockholm School of Economics and has completed the Program for Management Development at Harvard Business School.

Shareholding (including any related person's holding): 80,000 shares (held through pension insurance, capital insurance or the like)

Magnus Fredin
Head of CDON
Born 1981

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

Shareholding (including any related person's holding): 22,309 shares

Jan Wallsin
Head of Nelly
Born 1968

Jan Wallsin took over as Head of Nelly in the summer of 2017. Jan has years of experience with consumer goods in e-commerce and played a central role in H&M's establishment online. Before coming to Nelly, he was Digital and Online Development Manager for H&M New Business Group. Prior to that he was marketing and area manager for Poståkeriet Sverige and an officer in the Swedish Armed Forces. Jan has a degree in economics from IHM Business School.

Shareholding (including any related person's holding): 12,000 shares

Eva-Lotta Berg Ljungström
Interim Head of Qliro Financial Services
Born 1964

Eva-Lotta Berg Ljungström took over as Interim Head of Qliro Financial Services in September 2017. Eva-Lotta has extensive experience in financial services, IT and sales. She has held senior positions at GE Capital as Head of GE Capital Fleet Services in Europe and Asia and as CEO of GE Capital in the Nordics. Eva-Lotta has a degree in business administration from the Gothenburg School of Economics.

Shareholding (including any related person's holding): 0 shares

Anna Ullman Sersé
Head of Business Development
Born 1973

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

Shareholding (including any related person's holding): 29,823 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 before that 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's 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

		E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	Note	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	4	3,179.8	3,016.3	220.1	147.1	-3.2	-4.9	3,396.7	3,158.5
Cost of sales	16	-2,566.5	-2,544.4	-72.4	-54.3	4.9	5.8	-2,634.0	-2,592.8
Gross profit/loss		**613.3**	**471.9**	**147.7**	**92.8**	**1.6**	**0.9**	**762.7**	**565.7**
Sales & administrative expenses		-605.3	-535.4	-167.8	-109.7	5.8	2.9	-767.3	-642.2
Other operating income	7	13.4	3.1	22.3	22.5	-5.8	-2.9	29.9	22.7
Other operating expenses	7	-0.8	-3.4	-3.7	-3.3	-	-	-4.5	-6.7
Operating profit/loss	4, 5, 6, 10, 11, 12, 13, 14,16, 22, 24, 25, 27	**20.6**	**-63.7**	**-1.5**	**2.3**	**1.6**	**0.9**	**20.7**	**-60.5**
Financial income	8	5.0	7.2	0.0	0.0	-	-	5.0	7.2
Financial expenses	8	-12.2	-7.2	-0.3	0.0	-	-	-12.5	-7.2
Profit/loss before tax and group contributions		**13.5**	**-63.7**	**-1.9**	**2.3**	**1.6**	**0.9**	**13.2**	**-60.5**
Group contributions, net		22.5	-0.1	2.0	-2.4	-	-	24.5	-2.5
Tax	9							-8.9	12.9
Profit/loss after tax for continuing operations								**28.8**	**-50.1**
Profit/loss after tax for discontinued operations								**-52.1**	**-136.2**
Profit/loss after tax for continuing and discontinued operations								**-23.3**	**-186.4**
Attributable to:									
Parent company shareholders								-23.3	-185.7
Non-controlling interest								0.0	-0.7
Profit/loss for the year								**-23.3**	**-186.4**
Basic and diluted earnings per share (excluding discontinued operations), SEK								0.19	-0.34
Basic and diluted earnings per share (including discontinued operations), SEK								-0.16	-1.24

Consolidated statement of comprehensive income

		Qliro Group Total	
(SEK million)	Note	**2017**	2016
Profit/loss for the year		-23.3	-186.4
Other comprehensive income			
Items that have been or can be reclassified to profit or loss			
Translation differences for foreign operations for the year		-0.6	4.7
Other comprehensive income for the year	17	**-0.6**	**4.7**
Comprehensive income for the year		**-23.9**	**-181.7**
Comprehensive income for the year attributable to:			
Parent company shareholders		-23.9	-181.0
Innehav utan bestämmande inflytande		0.0	-0.7
Årets totalresultat		**-23.9**	**-181.7**

Consolidated statement of financial position

		E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	Note	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
ASSETS									
Non-current assets									
Intangible assets	*10*								
Ongoing projects		32.0	25.7	44.4	41.3	-	-	76.4	67.0
Development expenses		51.4	89.9	85.9	44.7	-	-	137.3	134.6
Domains		1.8	2.7	-	-	-	-	1.8	2.7
Trademarks		0.0	54.0	-	-	-	-	0.0	54.0
Customer relationships		0.0	0.0	-	-	-	-	0.0	0.0
Goodwill		63.0	211.5	-	-	-	-	63.0	211.5
Total intangible non-current assets		**148.2**	**383.8**	**130.2**	**86.1**	**-**	**-**	**278.5**	**469.9**
Property, plant and equipment	*11*								
Leasehold improvements		0.6	1.7	-	-	-	-	0.6	1.7
Equipment		10.4	17.1	12.0	9.3	-	-	22.4	26.5
Construction in progress		0.6	0.2	-	-	-	-	0.6	0.2
Total property, plant and equipment		**11.6**	**19.0**	**12.0**	**9.3**	**-**	**-**	**23.6**	**28.3**
Deferred tax asset	9	107.6	120.3	-	1.7	-	-	107.6	122.0
Total non-current assets		**267.4**	**523.2**	**142.2**	**97.0**	**-**	**-**	**409.7**	**620.3**
Current assets									
Inventory	*16*								
Finished goods and merchandise		447.2	540.7	-	-	-	-	447.2	540.7
Advances to suppliers		0.4	7.2	-	-	-	-	0.4	7.2
Total inventory		**447.5**	**547.9**	**0.0**	**0.0**	**-**	**-**	**447.5**	**547.9**
Current receivables									
Accounts receivable	13	59.8	89.9	0.9	0.7	-	-	60.7	90.6
Loans to the public[1)]	14	-	-	1,054.8	754.2	-	-	1,054.8	754.2
Current investments		-	-	65.2	-	-	-	65.2	-
Other current receivables, non-interest-bearing		132.2	28.8	3.4	7.1	6.8	-9.1	142.4	26.7
Prepaid expenses and accrued income	15	67.0	65.2	5.7	5.8	-	-	72.7	71.0
Total current receivables		**259.0**	**183.9**	**1,130.0**	**767.9**	**6.8**	**-9.1**	**1,395.8**	**942.6**
Cash and cash equivalents	*21*								
Cash and bank balances		553.8	435.2	70.9	0.0	-	-	624.7	435.2
Total cash and cash equivalents		**553.8**	**435.2**	**70.9**	**0.0**	**-**	**-**	**624.7**	**435.2**
Total current assets		**1,260.4**	**1,166.9**	**1,200.9**	**767.9**	**6.8**	**-9.1**	**2,468.1**	**1,925.6**
Total assets held for sale		**365.7**	**-**	**-**	**-**	**-**	**-**	**365.7**	**-**
Total assets		**1,893.6**	**1,690.1**	**1,343.1**	**864.9**	**6.8**	**-9.1**	**3,243.5**	**2,545.9**

[1)] Loans to the public are recognized at net value (gross value reported previously).

(SEK million)	Note	E-commerce Dec 31 2017	E-commerce Dec 31 2016	Financial Services Dec 31 2017	Financial Services Dec 31 2016	Eliminations Dec 31 2017	Eliminations Dec 31 2016	Qliro Group Total Dec 31 2017	Qliro Group Total Dec 31 2016
EQUITY AND LIABILITIES									
Equity attributable to parent company shareholders	17								
Share capital		300.9	300.9	-	-	-	-	300.9	300.9
Other capital contributions		-	-	-	-	-	-	0.0	0.0
Reserves		1,221.8	1,221.5	-	-	-	-	1,221.8	1,221.5
Retained earnings including profit/loss for the year		-858.5	-791.5	345.4	295.3	-	-	-513.1	-496.2
Total equity attributable to parent company shareholders		**664.3**	**730.9**	**345.4**	**295.3**	**-**	**-**	**1,009.6**	**1,026.2**
Non-current liabilities	21								
Interest-bearing									
Borrowing facilities		-	-	324.6	-	-	-	324.6	-
Bond loan		250.0	-	-	-	-	-	250.0	-
Finance lease liabilities	22	-	-	2.6	0.8	-	-	2.6	0.8
Total non-current interest-bearing liabilities		**250.0**	**0.0**	**327.2**	**0.8**	**-**	**-**	**577.2**	**0.8**
Non-interest-bearing									
Deferred tax liability	9	0.6	12.4	-	-	-	-	0.6	12.4
Other provisions	18	3.2	4.8	-	-	-	-	3.2	4.8
Total non-current non-interest-bearing liabilities		**3.7**	**17.3**	**-**	**-**	**-**	**-**	**3.7**	**17.3**
Total non-current liabilities		**253.7**	**17.3**	**327.2**	**0.8**	**-**	**-**	**581.0**	**18.0**
Current liabilities	21								
Interest-bearing									
Borrowing facility		-	-	-	511.8	-	-	-	511.8
Public deposits		-	-	611.8	0.0	-	-	611.8	0.0
Finance lease liabilities	22	-	-	2.3	0.6	-	-	2.3	0.6
Total current interest-bearing liabilities		**-**	**-**	**614.1**	**512.5**	**-**	**-**	**614.1**	**512.5**
Non-interest-bearing									
Accounts payable		475.5	524.0	10.0	25.4	-	-	485.6	549.4
Other liabilities		95.4	149.4	22.9	15.0	6.8	-9.1	125.0	155.3
Accrued expenses and prepaid income	19	241.1	268.6	23.5	15.9	-	-	264.6	284.5
Total current non-interest-bearing liabilities		**812.0**	**941.9**	**56.4**	**56.3**	**6.8**	**-9.1**	**875.2**	**989.2**
Total current liabilities		**812.0**	**941.9**	**670.5**	**568.8**	**6.8**	**-9.1**	**1,489.3**	**1,501.6**
Total liabilities		**1,065.7**	**959.2**	**997.7**	**569.6**	**6.8**	**-9.1**	**2,070.2**	**1,519.7**
Liabilities attributable to assets held for sale		**163.6**	**-**	**-**	**-**	**-**	**-**	**163.6**	**-**
Total equity and liabilities		**1,893.6**	**1,690.1**	**1,343.1**	**864.9**	**6.8**	**-9.1**	**3,243.5**	**2,545.9**

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

Consolidated statement of changes in equity

(SEK million)	Note	Equity attributable to parent company shareholders						
		Equity	Other capital contri-butions	Trans-lation reserve	Retained earnings incl. proft/loss for the year	Total	Non-con-trolling interest	Total equity
Opening balance, January 1, 2016		**300.9**	**1,077.4**	**-8.1**	**-165.5**	**1,204.8**	**0.7**	**1,205.4**
Comprehensive income for the year								
Profit/loss for the year					-186.4	-186.4		-186.4
Other comprehensive income for the year				4.7		4.7		4.7
Comprehensive income for the year		**-**	**-**	**4.7**	**-186.4**	**-181.7**	**-**	**-181.7**
Share savings plan					2.5	2.5		2.5
Closing balance, December 31, 2016		**300.9**	**1,077.4**	**-3.3**	**-349.4**	**1,025.5**	**0.7**	**1,026.2**
Opening balance, January 1, 2017		**300.9**	**1,077.4**	**-3.3**	**-349.4**	**1,025.5**	**0.7**	**1,026.2**
Comprehensive income for the year								
Profit/loss for the year					-23.3	-23.3		-23.3
Other comprehensive income for the year				-0.6		-0.6		-0.6
Comprehensive income for the year		**-**	**-**	**-0.6**	**-23.3**	**-23.9**	**-**	**-23.9**
Divestment of minority							-0.7	-0.7
Share savings plan					7.9	7.9		7.9
Closing balance, December 31, 2017		**300.9**	**1,077.4**	**-3.9**	**-364.7**	**1,009.5**	**0.0**	**1,009.6**

Consolidated statement of cash flows

(SEK million)	Note	E-commerce 2017	E-commerce 2016	Financial Services 2017	Financial Services 2016	Eliminations 2017	Eliminations 2016	Qliro Group Total 2017	Qliro Group Total 2016
Operating activities									
Profit/loss before tax		36.0	-63.8	0.1	-0.1	1.6	0.9	37.7	-63.2
Adjustments for items not included in cash flow	26	39.7	59.5	27.3	15.3	-1.6	-0.9	65.3	73.8
Income tax paid		-10.5	2.4	-0.4	-1.3	-	-	-11.0	1.1
Cash flow from operating activities before change in operating profit/loss		**65.1**	**-2.0**	**27.0**	**13.8**	**-**	**-**	**92.1**	**11.7**
Cash flow from changes in working capital									
Increase (-)/decrease (+) in inventories		-99.0	88.9	-	-	-	-	-99.0	88.9
Increase (-) / decrease (+) in lending to the public		-	-	-309.1	-241.4	-	-	-309.1	-241.4
Increase (-)/decrease (+) in other current receivables		-123.5	2.4	-66.3	-2.5	-	-	-189.8	-0.2
Increase (+)/decrease (-) in accounts payable		82.7	-35.7	-15.3	4.3	-	-	67.4	-31.4
Increase (+) / decrease (-) in deposits from the public		-	-	611.8	-	-	-	611.8	0.0
Increase (+)/decrease (-) in other current liabilities		-3.7	-14.8	43.0	5.0	-	-	39.2	-9.8
Increase (+)/decrease (-) in borrowing facility		-	-	-187.2	178.8	-	-	-187.2	178.8
Total cash flow from changes in working capital		**-143.5**	**40.7**	**76.8**	**-55.8**	**-**	**-**	**-66.7**	**-15.1**
Cash flow from operating activities		**-78.4**	**38.7**	**103.7**	**-42.0**	**-**	**-**	**25.4**	**-3.4**
Investing activities									
Sales of operations[1]	5	11.5	250.0	-	-	-	-	11.5	250.0
Investments in intangible non-current assets		-28.5	-28.5	-66.5	-49.0	-	-	-95.0	-77.5
Investments in property, plant and equipment		-4.1	-0.9	-8.0	-7.4	-	-	-12.0	-8.3
Cash flow from investing activities		**-21.0**	**220.6**	**-74.5**	**-56.4**	**-**	**-**	**-95.5**	**164.2**
Financing activities									
New share issue		-	-50.0	-	50.0	-	-	-	-
Shareholder contribution, net change		-44.0	-237.1	44.0	202.1	-	-	-	-35.0
Group contributions, net change		-0.1	-29.9	-2.4	29.9	-	-	-2.5	-
Bond loans issued		246.3	-	-	-	-	-	246.3	-
Other cash flow from/to financing activities[2]		90.0	-33.0	-	-	-	-	90.0	-33.0
Cash flow from financing activities		**292.2**	**-350.0**	**41.6**	**282.0**	**-**	**-**	**333.7**	**-68.0**
Change in cash and cash equivalents from continuing operations		**192.8**	**-90.8**	**70.9**	**183.6**	**0.0**	**0.0**	**263.6**	**92.8**
Cash flow from discontinued operations	5								
Cash flow from operating activities		-35.2	11.0	-	-	-	-	-35.2	11.0
Cash flow from investing activities		-8.2	-11.4	-	-	-	-	-8.2	-11.4
Cash flow from financing activities		2.5	68.0	-	-	-	-	2.5	68.0
Change in cash and cash equivalents from discontinued operations		**-40.9**	**67.6**	**-**	**-**	**-**	**-**	**-40.9**	**67.6**
Change in cash and cash equivalents		**151.9**	**-23.1**	**70.9**	**183.6**	**-**	**-**	**222.7**	**160.5**
Cash and cash equivalents, start of year								**435.2**	**324.2**
Exchange rate difference for cash and cash equivalents								0.0	2.2
Less cash from discontinued operations	5							-33.2	-51.6
Cash and cash equivalents, end of year								**624.7**	**435.2**

[1] Divestment of operations in 2017 concerns consideration related to the sale of Lekmer AB. In 2016 consideration is related to the sale of Tretti AB.

[2] Other cash flow from/to financing activities relates to repayment of internal loan from Lekmer AB in connection with divestment of operations. In 2016 it is related to repayment of internal loan to Tretti AB.

Liabilities from credit institutions and deposits from the public are recognized in working capital as these items are associated with Qliro Financial Services. Financial liabilities consist of a bond loan issued in the amount of SEK 250.0 million.

Income statement – parent company

(SEK million)	Note	2017	2016
Net sales		27.1	17.5
Gross profit/loss		**27.1**	**17.5**
Administrative expenses		-65.6	-65.2
Operating profit/loss	22, 24, 25, 27	**-38.5**	**-47.7**
Profit/loss from shares in subsidiaries		-76.3	-102.9
Interest income and similar items		10.0	6.9
Interest expenses and similar items		-12.5	-9.3
Profit/loss after financial items	8	**-117.3**	**-153.0**
Group contributions received		127.0	-
Group contributions paid		-51.3	-45.6
Profit/loss before tax		**-41.6**	**-198.6**
Tax	9	-7.9	20.9
Profit/loss for the year		**-49.4**	**-177.7**

Statement of comprehensive income – parent company

(SEK million)	2017	2016
Profit/loss for the year	-49.4	-177.7
Other comprehensive income		
Items that have been or can be reclassified to profit or loss	-	-
Other comprehensive income for the year	**-**	**-**
Comprehensive income for the year	**-49.4**	**-177.7**

Balance sheet – parent company

(SEK million)	Note	December 31 2017	December 31 2016
ASSETS			
Non-current assets			
Intangible assets			
Ongoing projects	10	0.1	-
Total intangible non-current assets		**0.1**	**-**
Property, plant and equipment			
Equipment	11	1.5	1.6
Total property, plant and equipment		**1.5**	**1.6**
Financial non-current assets			
Participations in Group companies	12	797.6	808.9
Deferred tax asset	9	106.3	114.2
Total financial non-current assets		**903.9**	**923.1**
Total non-current assets		**905.5**	**924.7**
Current assets			
Current receivables			
Receivables in Group companies		164.4	56.7
Other receivables		27.1	3.4
Prepaid expenses and accrued income	15	4.0	3.1
Total current receivables		**195.4**	**63.1**
Cash and bank balances	21	545.1	422.6
Total cash and cash equivalents		**545.1**	**422.6**
Total current assets		**740.6**	**485.7**
Total assets		**1,646.1**	**1,410.4**

(SEK million)	Note	December 31 2017	December 31 2016
EQUITY AND LIABILITIES			
Equity	**17**		
Restricted equity			
Share capital		300.9	300.9
Statutory reserve		0.8	0.8
Total restricted equity		**301.7**	**301.7**
Non-restricted equity			
Share premium reserve		1,076.5	1,076.5
Profit/loss brought forward		-358.7	-188.9
Profit/loss for the year		-49.4	-177.7
Total non-restricted equity		**668.4**	**709.9**
Total equity		**970.1**	**1,011.6**
Provisions			
Other provisions	18	3.2	0.7
Total provisions		**3.2**	**0.7**
Non-current liabilities			
Bond loan	28	250.0	-
Total non-current liabilities		**250.0**	**0.0**
Current liabilities			
Accounts payable		5.1	1.9
Current interest-bearing loans, Group companies		-	57.0
Liabilities to Group companies		375.9	323.7
Other liabilities		1.0	-0.2
Accrued expenses and prepaid income	19	40.9	15.7
Total current liabilities		**422.8**	**398.1**
Total liabilities		**676.0**	**398.8**
Total equity and liabilities		**1,646.1**	**1,410.4**

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

Statement of changes in equity – parent company

(SEK million)	Note	Restricted equity Share capital	Restricted equity Statutory reserve	Non-restricted equity Share premium reserve	Non-restricted equity Profit/loss brought forward	Non-restricted equity Profit/ loss for the year	Total equity
Opening balance, January 1, 2016		**300.9**	**0.8**	**1,076.5**	**-59.6**	**-131.9**	**1,186.9**
Comprehensive income for the year							
Profit/loss for the year						-177.7	-177.7
Comprehensive income for the year		**-**	**-**	**-**	**-**	**-177.7**	**-177.7**
Appropriation of profits					-131.9	131.9	-
Share savings plan					2.5		2.5
Closing balance, December 31, 2016		**300.9**	**0.8**	**1,076.5**	**-188.9**	**-177.7**	**1,011.6**
Opening balance, January 1, 2017		**300.9**	**0.8**	**1,076.5**	**-188.9**	**-177.7**	**1,011.6**
Comprehensive income for the year							
Profit/loss for the year						-49.4	-49.4
Comprehensive income for the year		**-**	**-**	**-**	**-**	**-49.4**	**-49.4**
Appropriation of profits					-177.7	177.7	-
Share savings plan					7.9		7.9
Closing balance, December 31, 2017		**300.9**	**0.8**	**1,076.5**	**-358.7**	**-49.4**	**970.1**

Cash flow statement
– parent company

(SEK million)	Note	2017	2016
Cash flow from operations			
Profit/loss after financial items		-117.3	-153.0
Adjustments for items not included in cash flow	26	74.2	115.6
Income tax paid		-	-
Cash flow from operating activities before change in working capital		**-43,0**	**-37.3**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		-24.6	256.6
Increase (+)/decrease (-) in accounts payable		3.1	-4.4
Increase (+)/decrease (-) in other current liabilities		-50.1	89.7
Total cash flow from changes in working capital		**-71.6**	**342.0**
Cash flow from operating activities		**-114,7**	**304.6**
Investing activities			
Investment in shares in subsidiaries		-	0.0
Sales of shares in subsidiaries	5	11.5	250.0
Investments in intangible non-current assets		-0.1	0.0
Investments in property, plant and equipment	11	-0.5	-0.1
Cash flow from investing activities		**10.9**	**249.9**
Financing activities			
New share issue	6, 12	-	-50.0
Shareholder contribution paid out	12	-50.0	-247.1
Group contributions paid out		-45.6	-154.1
Group contributions received		75.7	41.9
Bond loan		246.3	0.0
Cash flow from financing activities		**226,3**	**-409.2**
Cash flow for the year		**122.5**	**145.3**
Cash and cash equivalents, start of year		422.6	280.6
Cash and cash equivalents, end of year		**545.1**	**422.6**

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 December 31, 2017, 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 April 16, 2018.

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 2017

The IFRS standards effective as of 2017 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

Through IFRS 9, the IASB has completed 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 primarily affects Qliro Group through Qliro Financial Services' credit loss reserves. According to IFRS 9, reserves for credit losses shall be made directly when a credit is issued, instead of as previously when there is an indication of increased credit risk. This results in earlier and higher recognition of the reserves for credit losses than before, but it will not affect cash flow or underlying credit risk.

In the opening balance of 2018, the reserves increased by SEK 24 million due to the transition to IFRS 9. These provisions affect the balance sheet items Equity and Lending to the public but do not affect the income statement. From January 1, 2018, provisions for projected credit losses will be made directly at the time of lending with the effect recognized in earnings.

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

IFRS 15 Revenue from Contracts with Customers.

The purpose of a new revenue standard is to have a single principle-based standard for all industries. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when the customer takes control of the sold item or service – a principle that replaces the previous principle that revenue is recognized when risks and benefits have passed to the buyer. The standard goes into effect January 1, 2018 and will be applied to the Group. A company can choose between "full retroactivity" or forward-looking application with further disclosures. Qliro Group intends to select forward-looking application.

To estimate the quantitative impact of the new rules on the financial statements, the Group evaluated the effect of the new standard in 2017. The standard is deemed to have no significant impact on the financial statements beyond expanded disclosure requirements.

IFRS 16 Leases

In January 2016, the IASB published a new lease standard, IFRS 16 Leases, which will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, except for leases with a maximum term of 12 months and those of low value, must be recognized as a liability and asset in the balance sheet. In the income statement, amortization is recognized separately from interest expenses related to the lease liability.

Accounting is based on the view that the lessee has a right to use an asset for a specific period and at the same time an obligation to pay for this right. Accounting for the lessor will essentially remain unchanged.

The standard is applicable for financial years commencing January 1, 2019 or later. Early application is allowed. Qliro Group is not planning to apply IFRS 16 early.

At present, it is not possible to quantify the effects of the introduction of IFRS 16, but the new lease standard will have a significant effect on Qliro Group's financial statements, as the Group has operating leases mainly for offices and warehouses. For the extent of the Group's leasing commitments, see Note 22 Operating leases in the 2017 Annual Report. The detailed evaluation of the effects of IFRS 16 will continue in 2018.

Note 2, continuing

Other publicized 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

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 CDON Marketplace, Nelly and the Group's central operations. Financial Services consists of the Qliro Financial Services segment. 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 recognized at historical cost, except for financial assets and financial liabilities, which are recognized at amortized 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 considered.

Acquisitions

Subsidiaries are recognized 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 recognized 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 recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized 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 recognized in profit/loss.

Contingent considerations are recognized 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 recognized 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 recognizing non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognize non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognizing 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 recognized 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 recognized in profit/loss for the year.

Acquisition of non-controlling interest

Acquisitions of non-controlling interest are recognized 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 unrealized gains or losses that arise from intra-group transactions between Group companies are eliminated in preparation of the consolidated accounts.

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

Note 2, continuing

the functional currency at the exchange rate applicable at the end of the reporting period. Exchange differences arising from the translations are recognized 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 approximates the exchange rates on the respective transaction date. Translation differences that arise from currency translation of foreign operations are otherwise recognized in comprehensive income and are accumulated in a separate component of equity called the translation reserve. If 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 realized 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 recognized in accordance with the terms of sale, that is, when the goods are submitted to the transport agent, net of returns. Since most 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. There are seasonal variations in the Group's revenues. Fourth-quarter revenue significantly exceeds the other quarters due to Christmas shopping.

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

2.6.2 Bartering

Bartering refers to the exchange of gift vouchers for other goods or services. Bartering is recognized 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 recognized 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 recognized under consolidated net sales.

2.7 Leases

2.7.1 Operating leases

Expenses pertaining to operating leases are recognized in profit/loss for the year on a straight-line basis over the lease term. Incentives received in conjunction with signing a lease are recognized 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 recognized 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 recognized as a current or non-current liability. The leased assets are written off over the asset's useful life, while lease payments are recognized as interest and amortization of debt.

Minimum lease payments are apportioned between interest expense and amortization 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 recognized in profit/loss using the effective interest method. Interest expenses that are attributable to liabilities that finance the activities of Qliro Financial Services are recognized under consolidated financial expenses.

Exchange gains and exchange losses are recognized 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 recognized 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.

2.9 Taxes

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

Note 2, continuing

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 recognized nor taxable earnings.

Temporary differences that are attributable to interests in subsidiaries that are not expected to be reversed within the foreseeable future are not considered. Measurement of deferred tax is based on how underlying assets or liabilities are expected to be realized 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 recognized 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 recognized as a liability when the dividend is recognized.

2.10 Financial instruments

Financial instruments recognized 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 recognized 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 realized, 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 transferred to the external party. The sold receivables are then derecognized 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 recognized in the income statement.

Financial assets and financial liabilities are offset and recognized 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) realize the asset and settle the liability simultaneously.

Acquisition and divestment of financial assets are recognized 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 recognized 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 recognized 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 amortized cost, which is determined based on the effective rate as calculated at acquisition. Accounts receivable are recognized 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 amortized 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.

2.11 Property, plant and equipment

Property, plant and equipment are recognized 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 derecognized from the statement of financial position upon retirement or sale or when no future economic benefits are

Note 2, continuing

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 recognized 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	3-5 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 recognized 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 recognized in the income statement as expenses when they arise. In the statement of financial position, capitalized development expenses are carried at cost, less accumulated amortization and any impairment losses. Capitalized expenses refer mainly to software and software platforms.

2.12.2.2 Domains

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

2.12.2.3 Customer relationships

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

2.12.3 Amortization method for intangible assets

Amortizations are recognized 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 amortized 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 realizable value. Net realizable 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 recognized in the consolidated income statement under cost of sales.

2.15 Impairment losses

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

An impairment charge is recognized when the carrying amount of an asset or CGU (group of units) exceeds the recoverable amount. Impairment loss is recognized 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.

Note 2, continuing

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 recognize 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. Impaired accounts receivables are recognized at the value of expected future cash flows. Under normal circumstances, accounts receivables are impaired by 100% after 90 days.

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 consider 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 scoring changes for customers in the credit portfolio. Collective impairment testing is done quarterly. The test is conducted both individually and collectively to ensure that all incurred credit losses up to the end of the reporting period are recognized.

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 recognized (less depreciation or amortization, where applicable), had no impairment loss been recognized.

Impairment losses on loans and accounts receivables recognized at amortized 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 recognized as a liability after approval at the AGM.

2.16.2 Acquisition of own shares
Acquisition of own shares is recognized as a deductible item from equity. Payment from divestment of such equity instruments is recognized as an increase in equity. Any transaction expenses are recognized 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 program. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2017 or 2016.

2.18 Employee benefits
2.18.1 Short-term employee benefits
Short-term employee benefits are calculated without discounting and are recognized as a cost when the related services are rendered.

A provision is recognized 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 recognized 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 recognized 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 recognized 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 programs directed to certain employees that consist of shareholder rights and employee options. The fair value of the programs is measured as of the grant date. The fair value includes social security contributions and is distributed 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 secu-

Note 2, continuing

rity 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 program directed at employees of the subsidiary Qliro Financial Services. The program 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 program is aimed at employees and the payment is made with shares in the parent company, it is recognized as an equity compensation benefit. Payment from the employees is recognized 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 recognized 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 recognized on a separate line in the income statement. When a business is classified as discontinued, the formation of the income statement is changed so that it is recognized 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 recognized 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 recognized 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 regarding 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 2017 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 recognized 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 recognized 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 recognized at fair value with changes in value via earnings.

Note 2, continuing

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 recognized directly in the equity of the recipient and are capitalized 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 recognized 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 recognized 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 recognized 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 determine the fair value of cash-generating units based on 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 utilization 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 recognized 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 recognized as a reduction in net sales, with the equivalent adjustment being made to cost of sales.

Impairment testing of loans to the public

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 consider 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 scoring changes for customers in the credit portfolio. Collective impairment testing is done quarterly. The test is conducted both individually and collectively to ensure that all incurred credit losses up to the end of the reporting period are recognized.

Disputes

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 unfavorable impact on operating income and liquidity.

Note 4 Segment reporting

Group operations are divided into three segments.

- CDON Marketplace is the leading online marketplace in the Nordics with a wide range of products covering everything from home electronics to sports & leisure, furniture and toys.
- Nelly is a digital fashion house offering clothes and accessories for women through Nelly.com and for men via NLY MAN.
- Qliro Financial Services provides financial services to merchants to drive digital sales and to consumers as partial payments and installment payments, personal loans and savings accounts.

Group-wide

In 2017 the parent company provided the Group segments with specific services at cost. Qliro Group Services AB provided some Group segments with staffing services. Pricing of these services was based on market terms.

	2017									
Group (SEK million)	CDON	Nelly[1]	Group-wide	Elim.	**E-commerce**	QFS	**Financial services**	Elim.	Consolidation adjustment	**Group total**
External net sales	1,862.1	1,309.7	8.1		**3,179.8**	215.2	**215.2**		1.6	**3,396.7**
Internal net sales	1.1	0.0	0.2	-1.4	**0.0**	4.9	**4.9**	-4.9		**0.0**
Cost of sales					-2,566.5		-72.4	4.9		-2,634.0
Sales and administrative expenses, excluding depreciation and impairment					-563.6		-140.2	5.8		-698.0
Other operating income					13.4		22.3	-5.8		29.9
Other operating expenses					-0.8		-3.7	0.0		-4.5
EBITDA	-21.4	121.3	-37.5		62.3	26.1	26.1	1.6		90.0
Depreciation, amortization and impairment	-18.9	-22.1	-0.7		-41.7	-27.6	-27.6			-69.3
Operating profit/loss	-40.3	99.2	-38.2		20.6	-1.5	-1.5	1.6		20.7
Financial income					5.0		0.0	0.0		5.0
Financial expenses					-12.2		-0.3	0.0		-12.5
Profit/loss before tax and group contributions					**13.5**		**-1.9**	**1.6**		**13.2**

Note 4, continuing

Group (SEK million)	CDON	Nelly[1]	Group-wide	Elim.	**E-commerce**	QFS	**Financial services**	Elim.	Consolidation adjustment[2]	**Group total**
	2016									
External net sales	1,746.5	1,244.0	25.8		**3,016.3**	142.2	**142.2**			**3,158.5**
Internal net sales	4.5	0.0	6.9	-11.4	**0.0**	4.9	**4.9**	-4.9		**0.0**
Cost of sales					-2,544.4	-54.3	-54.3	5.8		-2,592.8
Sales and administrative expenses, excluding depreciation and impairment					-475.9		-95.3	2.9		-568.3
Other operating income					3.1		22.5	-2.9		22.7
Other operating expenses					-3.4		-3.3	0.0		-6.7
EBITDA	-10.1	59.9	-54.1		-4.3	16.7	16.7	0.9		13.3
Depreciation, amortization and impairment	-27.2	-29.8	-2.5		-59.4	-14.4	-14.4			-73.8
Operating profit/loss	-37.3	30.1	-56.6		-63.7	2.3	2.3	0.9		-60.5
Financial income					7.2		0.0	0.0		7.2
Financial expenses					-7.2		0.0	0.0		-7.2
Profit/loss before tax and group contributions					**-63.7**		**2.3**	**0.9**		**-60.5**

The tables above show continuing operations.

[1] CDON Group Logistics (CGL) is included in Nelly from Q1 2016, since CGL only manages warehouse operations for Nelly (after CDON and Lekmer's move from the warehouse in Falkenberg in 2015).
[2] Consolidated adjustment between Qliro Financial Services and internal clients, attributable to differences in when expense/income is recognized.

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 recognized by country of sale, that is, the country in which the recipient is located.

Geographical distribution (SEK million)	Net sales 2017	Net sales 2016	Non-current assets 2017	Non-current assets 2016
Sweden	1,924.9	1,695.1	386.4	597.2
Norway	719.9	489.6	-	-
Finland	373.5	512.6	23.3	23.0
Denmark	285.3	362.1	-	0.1
Rest of world	93.1	99.1	-	-
Total	**3,396.7**	**3,158.5**	**409.7**	**620.3**

Sales per type of income (SEK million)	2017	2016
Products	2,996.7	2,877.9
Services	400.0	280.6
Total revenue	**3,396.7**	**3,158.5**

Note 5 Discontinued operations

Discontinued operations 2017:

On April 25, 2017, Qliro Group AB (publ) announced that it had entered an agreement to sell subsidiary Lekmer AB to Babyshop Sthlm Holding AB. The sale of Lekmer AB was completed on June 30, 2017, following approval from the Swedish Competition Authority. Lekmer AB was an independent subsidiary within the Qliro Group.

The consideration amounted to SEK 35.2 million, of which SEK 10.2 million (excluding interest) was received at the end of the reporting period. The remaining SEK 25 million (excluding interest) will be received on April 30, 2018. This loan has an annual interest rate of 7 percent.

Note 5, continuing

Group (SEK million)	2017	2016
Income	934.9	1,755.6
Expenses	-978.4	-1,794.1
Profit/loss before tax	**-43.5**	**-38.5**
Tax	9.2	6.3
Profit/loss after tax but before capital gain from discontinued operations	**-34.3**	**-32.3**
Profit/loss after sale of shares incl. divestment costs	-17.8	-103.9
Tax attributable to capital gain	-	-
Profit/loss from discontinued operations after tax	**-52.1**	**-136.2**
Earnings per share from discontinued operations		
Basic and diluted, SEK	-0.35	-0.91

Net cash flow from discontinued operations

Group (SEK million)	2017	2016
Cash flow to/from operating activities	-35.2	11.0
Cash flow to/from investing activities	-8.2	-11.4
Cash flow to/from financing activities	2.5	68.0
Net cash flow from discontinued operations	**-40.9**	**67.6**

Effect of divestment on individual Group assets and liabilities

Group (SEK million)	2017	2016
Intangible assets	-16.2	-198.0
Property, plant and equipment	-0.9	-4.4
Financial non-current assets	-15.4	-
Inventory	-82.2	-78.7
Accounts receivable and other receivables	-6.6	-35.6
Cash and cash equivalents	-26.2	-51.7
Deferred tax liability	1.1	10.7
Accounts payable and other liabilities	135.0	107.8
Net divested assets and liabilities	**-11.3**	**-250.0**
Consideration received[1)]	11.5	250.0
Accrued consideration[1)]	37.4	-
Less: Cash and cash equivalents in divested operations	-26.8	-51.7
Effect on cash and cash equivalents	**-15.3**	**198.3**

[1)] Received and accrued consideration is included in the table above, including 7 percent annual interest.

Deferred consideration

The consideration amounted to SEK 35.2 million excluding interest. SEK 10.2 million was paid on December 29, and the remaining SEK 25 million will be paid on April 30, 2018.

Note 6 Assets held for sale

Assets held for sale

Qliro Group AB (publ) announced on November 21, 2017 that it had entered an agreement to sell the subsidiary Health and Sports Nutrition Group (HSNG) AB to Orkla ASA. HSNG AB was an independent subsidiary of Qliro Group. As of December 31, 2017, HSNG AB is recognized as held for sale.

HSNG AB's value at the time of sale was SEK 368 million on a debt-free basis with normalized working capital. On January 30, 2018, it was announced that the sale of HSNG AB had been completed.

Group (SEK million)	2017
Intangible assets	-212.5
Property, plant and equipment	-3.1
Inventory	-102.9
Accounts receivable and other receivables	-40.8
Cash and cash equivalents	-6.4
Assets classified as held for sale	**-365.7**

Group (SEK million)	2017
Deferred tax liability	10.8
Accounts payable and other liabilities	152.8
Liabilities classified as held for sale	**163.6**

At December 31, 2017, the divestment segment HSNG AB had assets of SEK 365.7 million less liabilities totaling SEK 163.6 million.

Note 7 Other operating income and expenses

	Group							
	E-commerce		Financial Services		Eliminations		Qliro Group	
(SEK million)	2017	2016	2017	2016	2017	2016	2017	2016
Other operating income								
Gain from sale of operations	5.8	-	-	-	-	-	5.8	-
Exchange gains on operating receivables/liabilities	1.6	-	-	-	-	-	1.6	-
Other operating income	6.0	3.1	22.3	22.5	-5.8	-2.9	22.5	22.7
Total	**13.4**	**3.1**	**22.3**	**22.5**	**-5.8**	**-2.9**	**29.9**	**22.7**
Other operating expenses								
Exchange losses on operating receivables/liabilities	-0.8	-3.4	-0.6	-	-	-	-1.5	-3.4
Other operating expenses	-	-	-3.1	-3.3	-	-	-3.1	-3.3
Total	**-0.8**	**-3.4**	**-3.7**	**-3.3**	**-**	**-**	**-4.5**	**-6.7**

	Parent company	
(SEK million)	2017	2016
Other operating income		
Other operating income	0.0	0.1
Total	**0.0**	**0.1**
Other operating expenses		
Exchange losses on operating receivables/liabilities	-	0.0
Total	**-**	**0.0**

Note 8 Financial items

	Group							
	E-commerce		Financial Services		Eliminations		Qliro Group	
(SEK million)	2017	2016	2017	2016	2017	2016	2017	2016
Interest income:								
- Interest income, other	0.0	0.1	0.0	0.0	-	-	0.0	0.1
Net exchange differences	3.1	6.2	-	-	-	-	3.1	6.2
Other	1.9	0.9	-	-	-	-	1.9	0.9
Financial income	**5.0**	**7.2**	**0.0**	**0.0**	**-**	**-**	**5.0**	**7.2**
Interest expenses:								
- Interest expense, bond loan	-11.2	-	-	-	-	-	-11.2	-
- Interest expenses, other	-1.3	-1.2	-0.1	0.0	-	-	-1.3	-1.3
Net exchange differences	-1.4	-7.9	-	-	-	-	-1.4	-7.9
Other	1.7	2.0	-0.3	-	-	-	1.4	2.0
Financial expenses	**-12.2**	**-7.2**	**-0.3**	**0.0**	**-**	**-**	**-12.5**	**-7.2**
Net financial items	**-7.2**	**0.0**	**-0.3**	**0.0**	**-**	**-**	**-7.5**	**0.0**

Note 8, continuing

(SEK million)	Parent company 2017	Parent company 2016
Profit on sale of shares in subsidiaries	0.6	-
Loss on sale of shares in subsidiaries	-76.8	-102.9
Impairment of shares in subsidiaries	-0.1	-
Profit/loss from shares in subsidiaries	**-76.3**	**-102.9**
Interest income:		
- Subsidiary, Qliro Group	5.5	6.9
- Interest income, other	0.1	0.0
Net exchange differences	3.1	-
Other	1.4	-
Financial income	**-66.2**	**-96.0**
Interest expenses:		
- Subsidiary, Qliro Group	-0.2	-0.2
- Interest expenses, other	-1.2	-0.3
Net exchange differences	-	-7.9
Other	-11.2	-0.8
Financial expenses	**-12.5**	**-9.3**
Net financial items	**-78.7**	**-105.2**

Note 9 Taxes

Distribution of tax expenses (SEK million)	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Current tax expense				
Tax expense for the year	-0.5	-7.5	-	-
Adjustment of tax attributable to prior years	0.0	-0.4	-	-
Total	**-0.5**	**-7.9**	**-**	**-**
Deferred tax				
Deferred tax on temporary differences	-	20.9	-	20.9
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	-7.9	-	-7.9	-
Deferred tax expense in loss carry-forwards used during the year	-0.5	0.0	-	-
Total	**-8.4**	**20.8**	**-7.9**	**20.9**
Total recognized consolidated tax expense	**-8.9**	**12.9**	**-7.9**	**20.9**

Reconciliation of tax expense (SEK million)	Group 2017	%	Group 2016	%	Parent company 2017	%	Parent company 2016	%
Profit/loss before tax	37.7		-63.1		-41.6		-198.6	
Tax as per applicable tax rate for parent company	-8.3	-22.0	13.9	-22.0	9.1	-22.0	43.7	-22.0
Effect of other tax rates for foreign subsidiaries	-0.2	-0.4	-0.6	1.0	-	-	-	-
Non-taxable income	24.1	63.8	22.9	-36.3	0.1	-0.3	0.0	0.0
Non-deductible expenses	-25.1	-66.4	-23.4	37.1	-17.1	41.2	-22.8	11.5
Other permanent effects	0.8	2.1	0.7	-1.2	-	-	-	-
Effects of changes in tax rate	-0.2	-0.6	0.0	0.0	-	-	-	-
Tax attributable to prior years	0.0	-0.1	-0.6	0.9	-	-	-	-
Effective tax/tax rate	**-8.9**	**-23.7**	**12.9**	**-20.5**	**-7.9**	**18.9**	**20.9**	**-10.5**

Note 9, continuing

Recognized deferred tax assets and liabilities (SEK million)	Group 31 December 2017	Group 31 December 2016	Parent company 31 December 2017	Parent company 31 December 2016
Deferred tax asset				
Loss carry-forwards	106.3	120.3	106.3	114.2
Temporary differences	1.3	1.7	-	-
Total	**107.6**	**122.0**	**106.3**	**114.2**
Deferred tax liability				
Intellectual property rights	-	11.9	-	-
Temporary differences	0.6	0.6	-	-
Total	**0.6**	**12.4**	**-**	**-**
Net deferred tax	**107.0**	**109.6**	**106.3**	**114.2**

Change in net temporary differences

Group (SEK million)	2017 Opening balance, January 1	Deferred tax income	Deferred tax expense	Divestment of subsidiaries	Recognized in equity	Other	Closing balance, December 31
Temporary differences							
Loss carry-forwards	120.3	-7.9		-6.2			106.3
Intellectual property rights	-11.9			11.9			0.0
Temporary differences	1.1	-0,5				0,1	0.7
Total	**109.6**	**-8,4**	**-**	**5.7**	**-**	**0,1**	**107.0**

Group (SEK million)	2016 Opening balance, January 1	Deferred tax income	Deferred tax expense	Divestment of subsidiaries	Recognized in equity	Other	Closing balance, December 31
Temporary differences							
Loss carry-forwards	93.3	20.9		6.2			120.3
Intellectual property rights	-22.6			10.7			-11.9
Temporary differences	1.1						1.1
Total	**71.8**	**20.9**	**-**	**16.9**	**-**	**-**	**109.6**

Parent company (SEK million)	2017 Opening balance, January 1	Deferred tax income	Recog-nized in equity	Closing balance, December 31
Temporary differences				
Loss carry-forwards	114.2	-7.9	-	106.3
Total	**114.2**	**-7.9**	**-**	**106.3**

Parent company (SEK million)	2016 Opening balance, January 1	Deferred tax income	Recog-nized in equity	Closing balance, December 31
Temporary differences				
Loss carry-forwards	93.3	20.9	-	114.2
Total	**93.3**	**20.9**	**-**	**114.2**

At December 31, 2017, recognized consolidated loss carry-forwards without an expiration date amounted to SEK 486.4 (498.2) million. The 2017 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

Capitalized expenditures for development and similar work (SEK million)	Group					
	E-commerce		Financial Services		Qliro Group Total	
	2017	2016	2017	2016	2017	2016
Opening accumulated cost	**217.2**	**213.4**	**104.4**	**55.3**	**321.6**	**268.7**
Investments	28.5	36.1	66.5	49.0	95.0	85.1
Impairment losses	-	-6.3	-	-	-	-6.3
Divestments	-19.1	-13.8	-	-	-19.1	-13.8
Sales/disposals	0.0	-12.2	-	-	0.0	-12.2
Translation difference	-	-	-	0.2	-	0.2
Less: Assets held for sale	-21.9	-	-	-	-21.9	-
Closing accumulated cost	**204.7**	**217.2**	**170.9**	**104.4**	**375.6**	**321.6**
Opening accumulated amortization	**-101.6**	**-73.8**	**-18.3**	**-6.8**	**-120.0**	**-80.6**
Amortization	-34.7	-45.9	-22.3	-11.5	-57.0	-57.5
Impairment losses	-0.4	-6.8	-	-	-0.4	-6.8
Divestments	8.7	12.7	-	-	8.7	12.7
Sales/disposals	-	12.2	-	-	-	12.2
Translation difference	-	-	-	0.0	-	0.0
Less: Assets held for sale	6.8	-	-	-	6.8	-
Closing accumulated amortization	**-121.2**	**-101.6**	**-40.7**	**-18.3**	**-161.8**	**-120.0**
Carrying amounts	**83.5**	**115.6**	**130.2**	**86.1**	**213.7**	**201.6**

Capitalized expenditures for development and similar work (SEK million)	Parent company	
	2017	2016
Opening accumulated cost	**0.0**	**1.6**
Investments	0.1	-
Impairment losses	-	-1.6
Closing accumulated cost	**0.1**	**0.0**
Carrying amounts	**0.1**	**0.0**

The capitalized 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.

Amortization costs attributable to completed intangible assets of SEK 60.5 (57.7) million are included in consolidated sales and administrative expenses.

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

Projects in progress are not amortized.

Note 10, continuing

Domains (SEK million)	Group E-commerce 2017	2016	Financial Services 2017	2016	Qliro Group Total 2017	2016
Opening accumulated cost	**7.0**	**7.0**	**-**	**-**	**7.0**	**7.0**
Investments	-	0.0	-	-	-	0.0
Divestments	-1.2	-	-	-	-1.2	-
Less: Assets held for sale	-0.9	-	-	-	-0.9	-
Closing accumulated cost	**5.0**	**7.0**	**-**	**-**	**5.0**	**7.0**
Opening accumulated amortization	**-4.3**	**-3.7**	**-**	**-**	**-4.3**	**-3.7**
Amortization for the year	-0.5	-0.6	-	-	-0.5	-0.6
Divestments	0.9	-	-	-	0.9	-
Less: Assets held for sale	0.6	-	-	-	0.6	-
Closing accumulated amortization	**-3.2**	**-4.3**	**-**	**-**	**-3.2**	**-4.3**
Carrying amounts	**1.8**	**2.7**	**-**	**-**	**1.8**	**2.7**

This item relates to expenses for registering and maintaining the company's internet domains. Amortization costs of SEK 0.5 (0.6) million are included in consolidated sales and administrative expenses.

Trademarks (SEK million)	Group E-commerce 2017	2016	Financial Services 2017	2016	Qliro Group Total 2017	2016
Opening accumulated cost	**54.0**	**102.4**	**-**	**-**	**54.0**	**102.4**
Divestments	-5.1	-48.4	-	-	-5.1	-48.4
Less: Assets held for sale	-48.9	-	-	-	-48.9	-
Closing accumulated cost	**0.0**	**54.0**	**-**	**-**	**0.0**	**54.0**
Carrying amounts	**0.0**	**54.0**	**-**	**-**	**0.0**	**54.0**

Divestment of acquired intangible assets is included in the selling and administrative expenses line item in the income statement. This item relates to the HSNG AB and Lekmer AB trademarks. The entire book amount for the trademarks attributable to Lekmer AB was divested during the year. The assets held for sale item is attributable to HSNG AB. No impairment losses were taken in 2017.

The entire book amount for the trademarks attributable to Tretti AB were divested in 2016. No impairment losses were taken in 2016.

Customer relationships (SEK million)	Group E-commerce 2017	2016	Financial Services 2017	2016	Qliro Group Total 2017	2016
Opening accumulated cost	1.2	6.2	-	-	1.2	6.2
Divestments	-1.2	-5.0	-	-	-1.2	-5.0
Closing accumulated cost	**0.0**	**1.2**	**-**	**-**	**0.0**	**1.2**
Opening accumulated amortization	-1.2	-5.8	-	-	-1.2	-5.8
Divestments	1.2	4.6	-	-	1.2	4.6
Closing accumulated amortization	**0.0**	**-1.2**	**-**	**-**	**0.0**	**-1.2**
Carrying amounts	**0.0**	**0.0**	**-**	**-**	**0.0**	**0.0**

Note 10, continuing

Impairment 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 Lekmer AB and Tretti AB. The entire book amount for identified customer relationships attributable to Lekmer AB was divested during the year. No impairment losses were taken in 2017.

The entire book amount for identified customer relationships attributable to Tretti AB was divested in 2016. No impairment losses were taken in 2016.

Amortization costs of SEK 0.0 million (0.0) are included in consolidated sales and administrative expenses.

	Group					
	E-commerce		Financial Services		Qliro Group Total	
Goodwill (SEK million)	2017	2016	2017	2016	2017	2016
Opening accumulated cost	211.5	460.1	-	-	211.5	460.1
Divestments during the year	-3.7	-249.6	-	-	-3.7	-249.6
Exchange differences	0.7	1.0	-	-	0.7	1.0
Less: Assets held for sale	-145.5	-	-	-	-145.5	-
Closing accumulated cost	**63.0**	**211.5**	**-**	**-**	**63.0**	**211.5**
Carrying amounts	**63.0**	**211.5**	**-**	**-**	**63.0**	**211.5**

The item refers to goodwill on the acquisition of CDON AB, NLY Scandinavia AB, Lekmer AB, HSNG AB and CDON Group Logistics AB. Due to divestments during the year, the entire book amount for goodwill attributable to Lekmer AB was written off. Assets held for sale refers to the book value of goodwill attributable to HSNG AB.

Due to divestments in 2016, the entire book amount for goodwill attributable to Tretti AB was written off.

Impairment testing for cash-generating units containing goodwill

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

(SEK million)	2017	2016
CDON Group	23.3	22.6
NLY Group	24.1	24.1
HSNG Group	145.5	145.5
Less: Assets held for sale	-145.5	-
CDON Group Logistics AB	15.7	15.7
Lekmer Group	-	3.7
Total	**63.0**	**206.7**

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 percent (2.0).

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 9.3 (9.3) percent 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 11.3 percent. Besides this there is also goodwill associated with the HSNG Group amounting to SEK 145.5 million. This goodwill item is recognized as assets held for sale. The value of the HSNG Group was ensured through the transaction that occurred in the first quarter of 2018.

The impairment tests do not indicate any impairment requirement. The impairment tests generally have a margin such that reasonable changes in individual parameters would not cause the recoverable amount to fall 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 forecast five-year period had been 1 percent lower, there would be no need to recognize a goodwill impairment loss. Even if the estimated discount rate before tax applied to the discounted cash flows had been 1 percent higher, there would be no need to recognize 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.

Note 10, continuing

Impairment testing for cash-generating units containing trademarks

(SEK million)	2017	2016
HSNG Group	48.9	48.9
Less: Assets held for sale	-48.9	-
Lekmer Group	-	5.1
Total	**-**	**54.0**

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

Recognized 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

	Group					
	E-commerce		Financial Services		Qliro Group Total	
Leasehold improvements (SEK million)	2017	2016	2017	2016	2017	2016
Opening accumulated cost	**3.8**	**3.6**	**-**	**-**	**3.8**	**3.6**
Reclassifications	0.1	0.3	-	-	0.1	0.3
Closing accumulated cost	**3.9**	**3.8**	**-**	**-**	**3.9**	**3.8**
Opening accumulated depreciation	**-2.1**	**-0.9**	**-**	**-**	**-2.1**	**-0.9**
Depreciation for the year	-1.3	-1.2	-	-	-1.3	-1.2
Closing accumulated depreciation	**-3.4**	**-2.1**	**-**	**-**	**-3.4**	**-2.1**
Carrying amounts	**0.6**	**1.7**	**-**	**-**	**0.6**	**1.7**

The item refers to capital investments in expansion of the storage space in Falkenberg. Both internal and external expenditures were capitalized. No borrowing costs were capitalized. Depreciation costs of SEK 1.3 (1.2) million are included in consolidated sales and administrative expenses.

	Group					
	E-commerce		Financial Services		Qliro Group Total	
Equipment (SEK million)	2017	2016	2017	2016	2017	2016
Opening accumulated cost	**49.7**	**56.1**	**12.9**	**5.4**	**62.6**	**61.6**
Investments	3.4	1.6	8.0	7.4	11.4	9.0
Reclassifications	0.2	-	-	-	0.2	-
Sales/disposals	-2.9	0.0	-	-	-2.9	0.0
Divestments	-	-7.7	-	-	-	-7.7
Impairment losses	-	-0.3	-	-	-	-0.3
Translation difference	-	-	-	0.0	-	0.0
Assets held for sale	-11.2	-	-	-	-11.2	-
Closing accumulated cost	**39.3**	**49.7**	**20.8**	**12.9**	**60.1**	**62.6**
Opening accumulated depreciation	**-32.6**	**-29.6**	**-3.5**	**-0.7**	**-36.1**	**-30.3**
Depreciation for the year	-6.5	-9.0	-5.3	-2.8	-11.7	-11.9
Sales/disposals	-	0.0	-	-	-	0.0
Divestments	1.9	6.0	-	-	1.9	6.0
Assets held for sale	8.2	-	-	-	8.2	-
Closing accumulated depreciation	**-28.9**	**-32.6**	**-8.8**	**-3.5**	**-37.7**	**-36.1**
Carrying amounts	**10.4**	**17.1**	**12.0**	**9.3**	**22.4**	**26.5**

Note 11, continuing

Depreciation costs of SEK 11.7 (11.9) million are included in consolidated sales and administrative expenses. Assets held for sale is attributable to HSNG AB.

	Parent company	
Equipment (SEK million)	2017	2016
Opening accumulated cost	**3.9**	**3.8**
Investments	0.5	0.1
Closing accumulated cost	**4.4**	**3.9**
Opening accumulated depreciation	**-2.2**	**-1.3**
Depreciation for the year	-0.7	-0.9
Closing accumulated depreciation	**-2.9**	**-2.2**
Carrying amounts	**1.5**	**1.6**

Depreciation costs of SEK 0.7 (0.9) million are included in sales and administrative expenses for the parent company.

	Group					
	E-commerce		Financial Services		Qliro Group Total	
Construction in progress, SEK million	2017	2016	2017	2016	2017	2016
Opening accumulated cost	**0.2**	**0.0**	**-**	**-**	**0.2**	**0.0**
Investments	0.6	0.2	-	-	0.6	0.2
Reclassifications	-0.2	-	-	-	-0.2	-
Closing accumulated cost	**0.6**	**0.2**	**-**	**-**	**0.6**	**0.2**
Carrying amounts	**0.6**	**0.2**	**-**	**-**	**0.6**	**0.2**

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

Note 12 Participations in Group companies

Shares in subsidiaries, parent company (SEK million)	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)	Carrying amount Dec 31, 2017	Carrying amount Dec 31, 2016
CDON AB	556406-1702	Malmö	1,000	100.0	100.0	52.8	37.8
NLY Scandinavia AB	556653-8822	Borås	172,100	100.0	100.0	196.9	196.9
Health and Sports Nutrition Group HSNG AB	556564-4258	Stockholm	1,000	100.0	100.0	202.1	202.1
Lekmer AB	556698-8035	Stockholm	901	90.1	90.1	0.0	70.3
Qliro AB	556962-2441	Stockholm	50,050,000	100.0	100.0	345.7	301.7
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	0.1
Qliro Group Shared Services AB	556774-1300	Stockholm	1,000	100.0	100.0	-	-
Total						**797.6**	**808.9**

Note 12, continuing

Shares in subsidiaries, Group	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)
CDON AB	556406-1702	Malmö	1,000	100.0	100.0
CDON Alandia AB	2143083-5	Finland	100	100.0	100.0
NLY Scandinavia AB	556653-8822	Borås	172,100	100.0	100.0
NLY Norge AS	896 508 202	Norway	100	100.0	100.0
Health and Sports Nutrition Group HSNG AB	556564-4258	Stockholm	1,000	100.0	100.0
Fitness Market Nordic AB	556761-9282	Stockholm	1,000	100.0	100.0
Qliro AB	559018-1185	Stockholm	50,050,000	100.0	100.0
CDON Group Logistics AB	556904-0834	Malmö	50 000	100.0	100.0
Qliro Group Services AB	559018-1185	Stockholm	50 000	100.0	100.0

Shares and participations in subsidiaries (SEK million)	Parent company	
	2017	2016
Opening accumulated cost	**850.6**	**904.8**
New share issue[1]	-	50.0
Shareholder contribution	59.1	247.1
Divestments[2]	-70.3	-351.2
Closing balance, December 31	**839.4**	**850.6**
Opening accumulated impairment	**-41.8**	**-41.8**
Impairment losses for the year	-	-
Closing balance, December 31	**-41.8**	**-41.8**
Carrying amount, December 31	**797.6**	**808.9**

[1] There was no change in shareholdings in subsidiaries in 2017. However, the Group increased its shareholding by 50,000,000 shares in Qliro AB in 2016. The issue price of the shares was SEK 1 (quotient value = SEK 1).

[2] The consideration associated with the sale of subsidiary Lekmer AB to Babyshop Sthlm Holding AB was SEK 35.2 million. The consideration associated with the sale of subsidiary Tretti AB to White Away Group AB in 2016 amounted to SEK 250.0 million.

Note 13 Accounts receivable

Credit exposure

Accounts receivable are recognized after considering consolidated credit losses of SEK 3.7 (2.2) million during the year. Credit losses incurred that exceed the amount reserved comprise SEK -2.5 million. The credit losses relate to losses on several smaller customers. See Note 21.

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	**2017**	2016	**2017**	2016	**2017**	2016
Accounts receivable not overdue or impaired	40.4	45.5	0.5	0.7	40.9	46.3
Accounts receivable overdue but not impaired	19.4	44.4	0.4	0.0	19.8	44.4
Accounts receivable impaired	2.3	6.0	-	-	2.3	6.0
Provision for bad debts	-2.3	-6.0	-	-	-2.3	-6.0
Total accounts receivable	**59.8**	**89.9**	**0.9**	**0.7**	**60.7**	**90.6**

Lending to the public is not included in the table above. For additional information on loans to the public, see Note 14.

Qliro Group's accounts receivables are mainly in SEK. Thus, no significant currency exposure has arisen in the consolidated accounts receivables. Credit risk in non-accrued or written-down accounts receivables is considered insignificant.

Note 13, continuing

No individual customer represents more than 10 percent of consolidated accounts receivables. See Note 21 for further details regarding credit risk.

Receivables past due without provision for bad debts (SEK million)	December 31 2017	December 31 2016
<30 days	18.9	35.8
30–90 days	0.6	5.6
>90 days	0.2	3.0
Total	**19.8**	**44.4**

Receivables past due with provision for bad debts (SEK million)	December 31 2017	December 31 2016
<30 days	0.9	0.9
30–90 days	-	-
>90 days	1.4	5.1
Total	**2.3**	**6.0**

Provision for bad debts, SEK million	December 31 2017	December 31 2016
Opening balance, January 1	-6.0	-5.8
Provision for potential losses	-1.2	-3.0
Unutilized amount reversed during the period	2.1	5.0
Actual losses	-1.2	-2.3
Less assets held for sale	8.5	-
Closing balance, December 31	**2.3**	**-6.0**

Note 14 Loans to the public

Loans to the public

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	2017	2016	2017	2016	2017	2016
Outstanding loans receivable, gross						
-Swedish currency	-	-	830.9	613.3	830.9	613.3
-Foreign currency	-	-	255.1	170.7	255.1	170.7
Carrying amount, gross	**-**	**-**	**1,086.1**	**784.1**	**1,086.1**	**784.1**
Of which bad debts						
-Collective impairment of collectively assessed loans	-	-	-31.2	-29.9	-31.2	-29.9
Carrying amount, net	**-**	**-**	**1,054.8**	**754.2**	**1,054.8**	**754.2**

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	2017	2016	2017	2016	2017	2016
Loans not overdue or impaired	-	-	749.3	436.1	749.3	436.1
Loans overdue but not impaired	-	-	336.7	348.0	336.7	348.0
Provision for bad debts	-	-	-31.2	-29.9	-31.2	-29.9
Total loans receivable	**-**	**-**	**1,054.8**	**754.2**	**1,054.8**	**754.2**

Overdue loans receivable, SEK	Dec 31 2017	Dec 31 2016
<30 days	185.0	215.0
30–90 days	55.1	62.6
>90 days	96.6	70.4
Total	**336.7**	**348.0**

Provision for bad debts, SEK million	Dec 31 2017	Dec 31 2016
Opening balance, January 1	-29.9	-21.2
Provision for/dissolution of reserve for credit losses	-27.9	-20.7
Actual losses	26.6	12.0
Closing balance, December 31	**-31.2**	**-29.9**

Note 14, continuing

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 recognized.

Lending to the public consists mainly of two credit portfolios
Personal loans, which were launched in the fall of 2017, consist of unsecured credit to individuals in Sweden for amounts up to SEK 350,000 with maturities from 2 to 15 years.

Receivables attributable to payment solutions, which are the cornerstone of Qliro's business, concern the credit that arises through Qliro's collaboration with various e-merchants for financing solutions. The financing solutions that Qliro offers consist of invoices, partial payments and open credit. The credit stock consists of unsecured credit and is targeted to individuals and companies in Sweden, Finland, Denmark and Norway.

Note 15 Prepaid expenses and accrued income

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	**Dec 31 2017**	Dec 31 2016	**Dec 31 2017**	Dec 31 2016	**Dec 31 2017**	Dec 31 2016
Prepaid rent	5.8	8.6	-	-	5.8	8.6
Prepaid insurance expenses	0.4	0.5	-	-	0.4	0.5
Prepaid licensing costs	2.6	3.0	0.9	1.0	3.5	4.0
Accrued income	42.1	39.2	0.1	0.7	42.2	40.0
Other prepaid expenses and accrued income	16.1	13.9	4.7	4.1	20.8	18.0
Total	**67.0**	**65.2**	**5.7**	**5.8**	**72.7**	**71.0**

	Parent company	
(SEK million)	**Dec 31 2017**	Dec 31 2016
Prepaid rent	0.1	0.1
Prepaid insurance expenses	0.3	0.4
Prepaid licensing costs	2.2	1.6
Other prepaid expenses and accrued income	1.3	1.0
Total	**4.0**	**3.1**

Note 16 Inventories

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	**2017**	2016	**2017**	2016	**2017**	2016
Finished goods and merchandise	447.2	540.7	-	-	447.2	540.7
Advances to suppliers	0.4	7.2	-	-	0.4	7.2
Total	**447.5**	**547.9**	**-**	**-**	**447.5**	**547.9**

Consolidated cost of sales includes SEK 6.7 (-5.2) million in impairment of inventories. Impairment of intangible assets and property, plant and equipment is discussed in Notes 10 and 11.

Note 17 Equity

At December 31, 2017, share capital comprised 150,444,779 (150,444,779) shares. 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
Total number of shares issued/total quotient value at December 31, 2017	**150,444,779**	**300.9**

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
Number of issued shares/share capital on December 31, 2017		**300,889,558**	**150,444,779**	**300,889,558**	**150,444,779**

On November 17, 2014, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision of October 21, 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 May 14, 2013, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision of April 16, 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 program. See Note 24 for further details regarding the incentive program. 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.

	Group	
(SEK million)	**2017**	2016
Opening balance, January 1	-3.3	-8.1
Translation difference for the year, net of tax	-0.6	4.7
Total accumulated translation differences	**-3.9**	**-3.3**

Retained earnings including profit/loss for the year

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

Proposed dividend

The Board of Directors will propose to the 2018 Annual General Meeting that no dividend be paid to shareholders for the financial year ending December 31, 2017, and that retained earnings for the year be carried forward into the 2018 accounts.

	Parent company	
Proposed appropriation of profits (SEK million)	**2017**	2016
Share premium reserve	1,076.5	1,076.5
Retained earnings	-358.7	-188.9
Profit/loss for the year	-49.4	-177.7
Total	**668.4**	**709.9**

The Board proposes that the retained earnings, share premium reserve and profit for the year for a total of SEK 668.4 (709.9) million be carried forward. The share premium reserve amounts to SEK 1,076.5 (1,076.5) million.

Note 18 Other provisions

Other provisions (SEK million)	Group					
	E-commerce		Financial Services		Qliro Group Total	
	2017	2016	2017	2016	2017	2016
Provisions for social security contributions on share-based remuneration	3.2	0.7	-	-	3.2	0.7
Other provisions	-	4.1	-	-	-	4.1
Total	**3.2**	**4.8**	**-**	**-**	**3.2**	**4.8**

Other provisions (SEK million)	Parent company	
	2017	2016
Provisions for social security contributions on share-based remuneration	3.2	0.7
Total	**3.2**	**0.7**

Provisions for share-based remuneration (SEK million)	Group		Parent company	
	2017	2016	2017	2016
Carrying amount at start of period	**0.7**	**0.9**	**0,7**	**0,9**
Change of provision during the period	1.7	-0.2	1,7	-0,2
Less assets held for sale	0.7	-	0,7	-
Carrying amount at end of period	**3.2**	**0.7**	**3,2**	**0,7**

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

Total provisions (SEK million)	Group					
	E-commerce		Financial Services		Qliro Group Total	
	2017	2016	2017	2016	2017	2016
Total carrying amount at start of period	**4.8**	**3.3**	**-**	**-**	**4.8**	**3.3**
Increase in provision during period	2,5	1,5	-	-	2,5	1,5
Dissolution of provision during the period	-0,7	-	-	-	-0,7	-
Less assets held for sale	-3,4	-	-	-	-3,4	-
Total carrying amount at end of period	**3.2**	**4.8**	**-**	**-**	**3.2**	**4.8**
Of which total non-current portion of provisions	3.2	4.1	-	-	3.2	4.1
Of which total current portion of provisions	-	0.7	-	-	-	0.7

Total provisions (SEK million)	Parent company	
	2017	2016
Total carrying amount at start of period	**0.7**	**0.9**
Increase in provision during period	2,5	-
Dissolution of provision during the period	-	-0,2
Total carrying amount at end of period	**3.2**	**0.7**
Of which total non-current portion of provisions	3.2	0.7
Of which total current portion of provisions	-	-

Payments, SEK million	Group		Parent company	
	2017	2016	2017	2016
Amount for which payment is expected to be made after 12 months	3.2	4.1	3.2	0.7

Note 19 Accrued expenses and deferred income

(SEK million)	Group					
	E-commerce		Financial Services		Qliro Group Total	
	Dec 31 2017	Dec 31 2016	**Dec 31 2017**	Dec 31 2016	**Dec 31 2017**	Dec 31 2016
Accrued personnel expenses	53.1	62.6	12.8	9.4	65.9	72.0
Accrued expenses for cost of sales	61.2	64.4	-	0.0	61.2	64.4
Accrued distribution costs	25.1	47.8	0.3	0.8	25.4	48.5
Accrued merchandise handling costs	9.4	12.9	-	-	9.4	12.9
Accrued marketing costs	11.3	33.6	0.1	0.4	11.4	34.0
Accrued provisions for returns	16.7	23.5	-	-	16.7	23.5
Accrued interest expenses	1.3	0.0	0.7	0.0	1.9	0.0
Deferred income	5.1	2.2	-	-	5.1	2.2
Other	57.9	21.6	9.7	5.4	67.6	27.0
Total	**241.1**	**268.6**	**23.5**	**15.9**	**264.6**	**284.5**

(SEK million)	Parent company	
	Dec 31 2017	Dec 31 2016
Accrued personnel expenses	11.4	11.1
Accrued interest expenses	1.3	-
Other	29.5	4.6
Total	**42.1**	**15.7**

Note 20 Pledged assets and contingent liabilities

Contingent liabilities (SEK million)	Group		Parent company	
	Dec 31 2017	Dec 31 2016	**Dec 31 2017**	Dec 31 2016
Bank guarantees and sureties to external parties	27.8	51.2	27.8	51.2
Parent company guarantees to external parties	142.0	143.9	142.0	143.9
Surety for Qliro Financial Services' utilized credit facility	-	-	324.6	511.8
Total	**169.8**	**195.1**	**494.4**	**707.0**

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 loans 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	
	Dec 31 2017	Dec 31 2016	**Dec 31 2017**	Dec 31 2016
Pledged loans receivable	993.6	754.2	-	-
Total	**993.6**	**754.2**	**-**	**-**

Pledged loans receivable relate entirely to Qliro Financial Services, which uses its loan receivable as collateral for borrowing. Lending to the public consists of loans receivable (invoices) and personal loans.

Pledged loans receivable are recognized net of credit losses, i.e. at the value of the loan receivable recognized 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 and generating long-term investor returns. However, there are no explicit quantitative objectives for the debt/equity ratio. Equity in relation to total assets must never be less than 25 percent.

Capital is defined as total equity.

	Group	
Capital (SEK million)	Dec 31, 2017	Dec 31, 2016
Total equity	1,009.6	1,026.2

On May 18, Qliro Group announced that the it had issued a three-year unsecured bond loan of SEK 250 million. The loan has a floating rate and falls due in May 2020. The sum of the bond loan is SEK 500 million, and the company may issue the remaining sum later.

In the first quarter of 2017, Qliro Financial Services received authorization from the Swedish Financial Supervisory Authority (FI) to operate as a credit market company. The authorization means that Qliro Financial Services is subject to external capital adequacy requirements. Qliro AB introduced savings accounts in the spring and personal loans to consumers in Sweden were introduced in the fall.Savings accounts are offered at fixed or floating rates and are subject to the government deposit guarantee.

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 centralized within the parent company to capitalize on economies of scale and synergies, as well as to minimize 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 fulfill 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 600 (950) million 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 utilized with outstanding loans of SEK 324.6 (511.8) million. At December 31, 2017, consolidated cash and cash equivalents stood at SEK 624.7 (435.2) million.

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 1,191.3 (513.2) million and were totally attributable to Qliro Financial Services.

If the variable interest rate on the Group's loans in 2017 would have increased or decreased by 1 percent, it would have affected the Group's net financial items by SEK 7.2 (3.9) million. Qliro Financial Services is mainly exposed to interest rate risk through mismatched interest rate horizons on assets and liabilities. Qliro Financial Services minimizes 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 if one party to a financial instrument fails to fulfill its obligations. The exposure is based on the carrying amount of the financial assets, of which the majority comprises Qliro Financial Services and lending to the public. 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. Investments in securities refers to investments in treasury bills, which are valued at level 1. For other items, except for lending at level 2, the carrying amount is an approximation of fair value, so these items are not divided into levels according to the valuation hierarchy. As both outstanding bond loans and loans from credit institutions (credit facilities) have floating interest rates, their carrying amounts are, in all material aspects, judged to correspond to fair value.

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 organization, 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. See Note 13 for further details regarding accounts receivable.

Note 21, continuing

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:

	Group	
Flow of foreign funds (SEK million)	2017	2016
DKK	181.5	279.1
NOK	709.1	760.7
EUR	-275.6	-293.5
USD	-159.0	-250.2
GBP	-112.2	-124.6
PLN	0.0	2.4

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

	Group	
Sensitivity analysis (SEK million)	2017	2016
DKK	±9.1	±14.0
NOK	±35.5	±38.0
EUR	±13.8	±14.7
USD	±7.9	±12.5
GBP	±5.6	±6.2
PLN	±0	±0.1

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:

	Group			
Currency (SEK million)	2017	%	2016	%
DKK	1.7	1.9	-0.4	-0.9
NOK	27.4	30.3	23.8	58.3
EUR	61.2	67.8	17.4	42.6
Total	**90.3**	**100.0**	**40.8**	**100.0**

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

	Group	
Sensitivity analysis (SEK million)	2017	2016
DKK	±0.1	±0.0
NOK	±1.4	±1.2
EUR	±3.1	±0.9

Classification and categorization 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: Disclosures.

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.

Investments in securities refers to investments in treasury bills, which are valued at level 1. For other items, except for lending at level 2, the carrying amount is an approximation of fair value, so these items are not divided into levels according to the valuation hierarchy. As both outstanding bond loans and loans from credit institutions (credit facilities) have floating interest rates, their carrying amounts are, in all material aspects, judged to correspond to fair value.

Note 21, continuing

2017 Group (SEK million)	Carrying amount Fair value through profit or loss	Loans receivable and accounts receivable	Other liabilities	Total	Fair value Total
Financial assets not measured at fair value					
Accounts receivable		60.7		60.7	60.7
Loans to the public, net		1,054.8		1,054.8	1,054.8
Current investments	65.2			65.2	65.2
Other receivables		142.4		142.4	142.4
Accrued income		42.2		42.2	42.2
Cash and cash equivalents		624.7		624.7	624.7
Total financial assets	**65.2**	**2,032.5**	**-**	**2,097.7**	**2,097.7**
Financial liabilities not measured at fair value					
Accounts payable			485.6	485.6	485.6
Bond loan			250.0	250.0	250.0
Credit facilities			324.6	324.6	324.6
Deposits from the public			611.8	611.8	611.8
Other current interest-bearing liabilities			4.9	4.9	4.9
Other liabilities			125.0	125.0	125.0
Accrued expenses			259.5	259.5	259.5
Total financial liabilities	**-**	**-**	**2,186.5**	**2,186.5**	**2,186.5**

2017 Parent company (SEK million)	Carrying amount Held for trading	Loans receivable and accounts receivable	Other liabilities	Total	Fair value Total
Financial assets not measured at fair value					
Receivables from Group companies		164.4		164.4	164.4
Other receivables		27.1		27.1	27.1
Cash and cash equivalents		545.1		545.1	545.1
Total financial assets	**-**	**736.6**	**-**	**736.6**	**736.6**
Financial liabilities not measured at fair value					
Accounts payable			5.1	5.1	5.1
Bond loan			250.0	250.0	250.0
Liabilities to Group companies			375.9	375.9	375.9
Other liabilities			1.0	1.0	1.0
Accrued expenses			40.9	40.9	40.9
Total financial liabilities	**-**	**-**	**672.8**	**672.8**	**672.8**

Note 21, continuing

2016 Group (SEK million)	Carrying amount Held for trading	 Loans receivable and accounts receivable	 Other liabilities	 Total	Fair value Total
Financial assets not measured at fair value					
Accounts receivable		90.6		90.6	90.6
Loans to the public, net		754.2		754.2	754.2
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
Total financial assets	-	**1,346.7**	-	**1,346.7**	**1,346.7**
Financial liabilities not measured at fair value					
Accounts payable			549.4	549.4	549.4
Credit facilities			511.8	511.8	511.8
Other interest-bearing liabilities			1.4	1.4	1.4
Other liabilities			155.3	155.3	155.3
Accrued expenses			282.3	282.3	282.3
Total financial liabilities	-	-	**1,500.2**	**1,500.2**	**1,500.2**

2016 Parent company (SEK million)	Carrying amount Held for trading	 Loans receivable and accounts receivable	 Other liabilities	 Total	Fair value Total
Financial assets not measured at fair value					
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
Total financial assets	-	**482.6**	-	**482.6**	**482.6**
Financial liabilities not measured at fair value					
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
Total financial liabilities	-	-	**398.1**	**398.1**	**398.1**

Maturity structure of financial liabilities – undiscounted cash flows

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

Group (SEK million)	2017 Total	 0-3 mo.	 3 mo.–1 year	 1–5 years	 >5 years
Accounts payable	485.6	485.6			
Bond loan	280.0	3.0	9.0	268.0	
Other liabilities	125.0	125.0			
Utilized credit facilities[1]	324.6	324.6			
Deposits from the public[2]	611.8	611.8			
Accrued expenses	259.5	259.5			
Financial leases	4.9	0.5	1.8	2.6	
Total	**2,091.4**	**1,810.0**	**10.8**	**270.6**	-

Parent company (SEK million)	2017 Total	 0-3 mo.	 3 mo.–1 year	 1–5 years	 >5 years
Accounts payable	5.1	5.1			
Bond loan	280.0	3.0	9.0	268.0	
Liabilities to Group companies	375.9	375.9			
Other liabilities	1.0	1.0			
Accrued expenses	40.9	40.9			
Total	**702.8**	**425.8**	**9.0**	**268.0**	-

Note 21, continuing

Group (SEK million)	2016 Total	0–3 mo.	3 mo.– 1 year	1–5 years	>5 years
Accounts payable	549.4	549.4			
Other liabilities	155.3	155.3			
Utilized credit facilities[1]	511.8	511.8			
Accrued expenses	282.3	240.9	41.4		
Financial leasing	1.4	0,1	0.4	0.9	
Total	**1,500.2**	**1,457.5**	**41.8**	**0.9**	**-**

Parent company (SEK million)	2016 Total	0–3 mo.	3 mo.– 1 year	1–5 years	>5 years
Accounts payable	1.9	1.9			
Liabilities to Group companies	380.7	380.7			
Other liabilities	-0.2	-0.2			
Accrued expenses	15.7	15.7			
Total	**398.1**	**398.1**	**0.0**	**-**	**-**

[1] Utilized credit facility is attributable to Qliro Financial Services. Loans under the facility do not have a stipulated maturity. Loans under the facility are amortized continuously through customer payments and may be repaid in full within 0-3 months if Qliro Financial Services so wishes. Qliro Financial Services has a five-day notice of termination period for the contracted credit facility. The creditor has a 366-day notice of termination period.

[2] Deposits from the public have floating or fixed interest rates (12 months). The lenders are entitled to withdraw their money at any time.

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 December 31, 2017 (SEK million)	Group E-commerce	Financial services	Qliro Group Total
2018	28.8	-	28.8
2019	23.0	-	23.0
2020	8.8	-	8.8
2021	8.3	-	8.3
2022	6.1	-	6.1
2023 and beyond	14.7	-	14.7
Total leases and other commitments	**89.6**	**-**	**89.6**
Lease expenses for the year	**24.4**	**-**	**24.4**

Leases and other future payment commitments at December 31, 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
Total leases and other commitments	**116.9**	**0.0**	**116.9**
Lease expenses for the year	**39.5**	**0.0**	**39.6**

Parent company

The parent company rents mainly office premises through operating leases.

Leases and other future payment commitments at December 31, 2017 (SEK million)	Parent company 2017
2018	8.9
2019	3.4
2020	0.4
2021	-
2022	-
2023 and beyond	-
Total leases and other commitments	**12.8**
Lease expenses for the year[1]	**0.8**

Leases and other future payment commitments at December 31, 2016 (SEK million)	Parent company 2016
2017	10.1
2018	9.7
2019	8.9
2020	0.2
2021	0.0
2022 and beyond	-
Total leases and other commitments	**28.9**
Lease expenses for the year[1]	**1.0**

[1] 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, continuing

Financial leases

Financial leasing liabilities fall due for payment as follows:

2017 (SEK million)	Group: E-commerce – Minimum lease charges	Interest	Principal	Financial services – Minimum lease charges	Interest	Principal	Qliro Group Total – Minimum lease charges	Interest	Principal
Within a year	-	-	-	2.3	0.0	2.3	2.3	0.0	2.3
Between one and five years	-	-	-	2.5	0.0	2.5	2.5	0.0	2.5
More than five years	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**4.8**	**0.0**	**4.8**	**4.8**	**0.0**	**4.8**

Total payments for the year in the Group related to financially leased assets amounted to SEK 1.8 (0.07) million. During the year, SEK 0.01 (0.0) million was recognized as interest expense and SEK 1.8 (0.0) million as amortization of debt. Total amount expensed related to financially leased equipment was SEK 1 (0.0) million.

2016 (SEK million)	Group: E-commerce – Minimum lease charges	Interest	Principal	Financial services – Minimum lease charges	Interest	Principal	Qliro Group Total – 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	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**1.4**	**0.0**	**1.4**	**1.4**	**0.0**	**1.4**

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

Note 23 Average number of employees

Average number of employees

	Group: E-commerce 2017 Men	Women	2016 Men	Women	Financial services 2017 Men	Women	2016 Men	Women	Qliro Group Total 2017 Men	Women	2016 Men	Women
Sweden	251	267	357	423	110	66	88	42	361	333	445	465
Total	**251**	**267**	**357**	**423**	**110**	**66**	**88**	**42**	**361**	**333**	**445**	**465**
Total average no. of employees		**518**		**780**		**176**		**130**		**694**		**910**

	Moderbolaget 2017 Men	Women	2016 Men	Women
Sweden	13	7	14	6
Total	**13**	**7**	**14**	**6**
Total average no. of employees		**20**		**20**

Note 23, continuing

Distribution of men and women in executive management

	Group											
	E-commerce				Financial services				Qliro Group Total			
	2017		2016		2017		2016		2017		2016	
	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %	Men %	Women %
Board of Directors	84	16	91	9	83	17	60	40	84	16	86	14
CEO and other executives	70	30	81	19	67	33	100	0	69	31	84	16
Total	**77**	**23**	**86**	**14**	**75**	**25**	**80**	**20**	**77**	**24**	**85**	**15**

	Parent company			
	2017		2016	
	Men %	Women %	Men %	Women %
Board of Directors	50	50	86	14
CEO and other executives	75	25	100	0
Total	**63**	**38**	**93**	**7**

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 May 8, 2017 as follows.

Remuneration guidelines

The Qliro Group should endeavor to offer total remuneration that will enable the Group to attract, develop and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating in e-commerce and retail with consumer brands and products, as well as Nordic credit market companies dealing with 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 cash variable remuneration
- Opportunities to participate in long-term incentive programs
- 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’ short-term 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 percent 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.

Long-term incentive plans should include a personal investment and be linked to certain predetermined value-creating 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/or its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders by paying the participants in shares.

For senior executives who are covered by the remuneration rules that apply to credit market companies, the payment of a portion of the variable remuneration is deferred and can total a maximum 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.

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, for example company car, occupational health services and medical expense insurance.

Note 24, continuing

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.

Compensation to 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

Under special circumstances, the Board may deviate from the guidelines if it is deemed necessary. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-based remuneration

At the 2017 AGM, it was resolved to adopt a new long-term share-related incentive program (LTIP 2017). LTIP 2017 comprises:

(a) A long-term performance share program (PSP 2017) for senior executives and other key persons in the parent company and Qliro Group's subsidiaries/segments with a similar structure as the long-term incentive programs resolved at the 2011-2016 AGMs;

(b) A synthetic call option program (QOP 2017) for management and other key persons in Qliro Group's subsidiary/segment offering financial services, Qliro Financial Services, which will be based on the underlying value growth of Qliro Financial Services.

The PSP is intended for about 30 senior executives and other key employees in the Qliro Group. To participate in the PSP, 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 free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2017 – March 31, 2020 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to be awarded shares is also dependent 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 2020.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention- and performance-based rights can be exercised after publication of the interim report for the first quarter of 2020."

The QOP comprises management and other key persons working at Qliro Financial Services, a total of about 15 persons. To take part in QOP 2017, 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 institute in connection with the notification (Start Date) and at the end of the program (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 2017 (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 investment category.Participants can acquire synthetic call options in an amount equivalent to between 2 and 16 percent of the total investment in QOP 2017 (depending on which so-called investment category the QOP 2017 participant is in). Employees can invest a maximum of SEK 2.2 million in QOP 2017. 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 2018 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 152 percent 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 publication of Qliro Group's first interim report after the Start Date).

Note 24, continuing

- The synthetic call options that can be issued during QOP 2017 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.
- QOP 2017 will not cause the number of shares in Qliro Financial Services to change.

The 2016 long-term incentive program

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

(a) A long-term performance share program (PSP 2016) for senior executives and other key persons in the parent company and Qliro Group's subsidiaries/segments with a similar structure as the long-term incentive programs resolved at the 2011-2015 AGMs, with the exception that no participants will be issued employee options in the year's PSP;

(b) A synthetic call option program (QOP 2016) for the CEO and other key persons in Qliro Group's subsidiary/segment offering financial services, Qliro Financial Services, which will be based on the underlying value growth of Qliro Financial Services.

PSP 2016 is intended for about 60 senior executives and other key employees in the Qliro Group. To participate in the PSP, 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 free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2016 – March 31, 2019 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to be awarded shares is also dependent 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 2019.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention- and performance-based rights can be exercised after publication of the interim report for the first quarter of 2019.

QOP 2016 comprises the CEO and other key persons working at Qliro Financial Services, a total of about 15 persons. To take part in QOP 2016, 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 institute in connection with the notification (Start Date) and at the end of the program (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 percent 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 QOP 2016. 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 percent 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 publication of Qliro Group's first interim report after the Start Date).
- 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.

Note 24, continuing

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

(a) a long-term performance share program (PSP 2015) with a similar structure to the long-term incentive programs resolved on at the 2011-2014 AGMs

(b) a synthetic call option program based on underlying value growth in Qliro Group's subsidiaries/segments (Synthetic Call Option Program).

PSP 2015 is intended for about 51 senior executives and other key employees in the Qliro Group. To participate in PSP 2015, 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 Savings Share, Qliro Group will allot free retention- and performance-based share rights to the participants and performance-based employee options to the CEO and senior executives.The share rights and employee stock options are divided into Class A (retention rights) and Class B (performance rights and employee stock options). Subject to fulfillment of certain retention- and performance-based conditions during the period April 1, 2015 – March 31, 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 percent of the market value of the share at the time of the employee stock option's granting. The right to be awarded shares is also dependent 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 number of shares that the participant can be awarded based on the share rights and acquire with employee options depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) of the Qliro Group ordinary share during the Measurement Period shall exceed 0 percent to achieve the entry target. (b) For Class B, the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. 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 Synthetic Call Option Plan for 2015 could not be launched for various reasons.

The 2014 long-term incentive program
Starting in 2011, Qliro Group AB's AGM established an incentive program for management and key employees.

The long-term share-based incentive program adopted at the 2014 AGM (LTIP 2014) was wrapped up in the second quarter of 2017. One of the Board's established performance-based conditions of LTIP 2014 was Qliro Group's gross profit during the measurement period (April 1, 2014 – March 31, 2017), which would amount to at least SEK 2,458 million for the entry target and at least SEK 2,716 million for the stretch target. None of the retention- or performance-based conditions were met in the 2014 long-term incentive program, and all retention-based and performance-based rights have therefore expired.

Cost effects of incentive programs
The PSP programs are equity-regulated programs. The fair value at the allotment date is expensed over the vesting period. The cost of the programs is recognized 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 programs for continued operations in 2017 totaled SEK 5.5 (0.8) million, 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 programs for actual employee turnover during the period. For the retention-based programs, the probability that the targets will be achieved is considered by using adjustment factors for the various targets when the cost is calculated.

Synthetic call options in the QOP programs are transferred to the participants at market prices, 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.

QOP 2017
Future expenses or income for Qliro Group attributable to synthetic call options issued under QOP 2017 depends on value developments in Qliro Financial Services. If the value of Qliro Financial Services at the End Date is less than 152 percent of the value at the Start Date, the synthetic call options are useless and paid premiums will become revenue for Qliro Group. If the value of Qliro Financial Services at the End Date exceeds 152 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 2.0 per cent of the difference between the established value for Qliro Financial Services at the End Date and 152 per cent of the value at the Start Date, however, the total gain (for participants in QOP 2017) is limited to a value of Qliro Financial Services at the End Date that is five times higher than the value at the Start Date.

Note 24, continuing

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 152 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 2020, or when Qliro Group divests Qliro Financial Services. The maximum dilution of outstanding shares and votes in Qliro Group due to QOP 2017 amounts to no more than 1 percent.

QOP 2016

If the value of Qliro Financial Services at the End Date exceeds 171 percent 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 percent of the difference between the established value for Qliro Financial Services at the End Date and 171 percent 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 percent 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 QOP 2016 amounts to no more than 2 percent.

Personnel expenses (SEK million)	Group		Parent company	
	2017	2016	**2017**	2016
Salaries	308.5	271.6	27.9	25.9
Social security contributions	100.3	91.6	9.4	8.8
Pension expenses – defined contribution plans	26.6	23.1	4.1	4.0
Expenses for share-based remuneration	5.5	0.8	5.5	0.8
Social security contributions on share-based remuneration	1.7	-0.2	1.7	-0.2
Total	**442.7**	**386.9**	**48.5**	**39.3**

The cost for share-based remuneration in 2017 totaled SEK 5.5 (0.8) million, excluding social security contributions. In addition to this SEK 5.5 million in employee benefit expenses for the Performance Share Program (PSP), equity is charged with SEK 0.8 million relating to discontinued operations and SEK 1.6 million relating to payment for synthetic call options (QOP).

	Group	
Basic salary and variable remuneration, SEK million	**2017**	2016
CEO and senior executives, 6 (7) persons	18.0	18.5
Of which variable salary	*3.8*	*2.0*

Remuneration and other benefits Group (SEK million)	**2017**					
	Basic salary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Marcus Lindqvist, CEO	3.4	1.6	0.1	1.0	1.1	7.1
Senior executives,5 persons	10.8	2.2	0.1	2.0	1.0	16.1
Total	**14.2**	**3.8**	**0.2**	**3.0**	**2.1**	**23.2**

The amounts recognized for 2017 are for the full year. Variable remuneration for 2017 paid out in 2018 to the CEO: SEK 1.6 (0.8) million. Remuneration for 2017 paid out in 2018 to other senior executives: SEK 2.2 (1.2) million.

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	3.1
Paul Fischbein, former CEO	2.7	0.0	0.0	1.0	0.0	3.7
Senior executives, 6 persons	12.0	1.2	0.0	2.5	0.2	15.9
Total	**16.5**	**2.0**	**0.1**	**3.9**	**0.3**	**22.7**

The amounts recognized for 2016 are for the full year. Variable remuneration for 2016 paid out in 2017 to the CEO: SEK 0.8 (0.3) million. Remuneration for 2016 paid out in 2017 to other senior executives: SEK 1.2 (1.6) million.

Note 24, continuing

Payroll expenses and other remuneration Parent company (SEK million)	Parent company	
	2017	2016
Board and senior executives, 9 (10) persons	15.3	16.3
Of which variable salary	*2.7*	*1.2*
Other employees	18.1	10.3
Total salaries and other remuneration	**33.4**	**26.7**

	2017						
Remuneration and other benefits Group and parent company (SEK million)	Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Lars-Johan Jarnheimer, Chairman of the Board	0.7						0.7
Erika Söderberg Johnson	0.5						0.5
Daniel Mytnik	0.5						0.5
Peter Sjunnesson	0.4	0.3					0.7
Christoffer Häggblom	0.4						0.4
Jessica Pedroni Thorell	0.4						0.4
Caren Genthner-Kappesz	0.3						0.3
Remuneration from parent company							
Marcus Lindqvist, CEO	3.4		1.6	0.1	1.0	1.1	7.1
Other senior executives, 7 persons							
Remuneration from parent company (1)	2.4		1.1	0.1	0.6	0.7	4.8
Remuneration from subsidiaries (6)	8.4		1.1	0.0	1.4	0.4	11.3
Total	**17.3**	**0.3**	**3.8**	**0.2**	**3.0**	**2.1**	**26.5**

The amounts recognized for 2017 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 1.6 (0.8) million for the CEO and SEK 2.2 (1.2) million 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.

	2016						
Remuneration and other benefits Group and parent company (SEK million)	Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
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	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	3.1
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	6.4
Remuneration from subsidiaries	7.1		0.7	0.0	1.6	0.0	9.4
Total	**19.6**	**0.3**	**2.0**	**0.1**	**3.9**	**0.3**	**26.1**

The amounts recognized for 2016 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.8 (0.3) million for the CEO and SEK 1.2 (1.6) million 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.

Note 24, continuing

Share-based remuneration

Granted rights and options	President and CEO	Senior executives	Key employees	Total
Long-term incentive program, 2013	0	0	0	0
Long-term incentive program, 2014	0	0	0	0
Long-term incentive program, 2015	0	0	164,322	164,322
Long-term incentive program, 2016	529,412	632,150	834,197	1,995,759
Long-term incentive program, 2017	390,000	565,264	884,780	1,840,044
Total outstanding as at December 31, 2016	**919,412**	**1,197,414**	**1,883,299**	**4,000,125**

In addition to the above, there are 1,649,700 synthetic options issued. Their value is based on the change in value of Qliro Financial Services and will be settled with ordinary shares in the parent company. Against this background, there is potential dilution related to the number of shares required to settle the liability to the employees.

	2017		2016	
	Number of rights and options	Weighted redemption price	Number of rights and options	Weighted redemption price
Outstanding rights and options as at January 1	3,068,279	-	1,238,838	-
Rights and options issued during the year	1,872,544	-	2,614,931	-
Rights and options forfeited during the year[1]	-940,698	-	-785,490	-
Total outstanding as at December 31	**4,000,125**	**-**	**3,068,279**	**-**

[1] The sale of the Group's subsidiary Lekmer AB to Babyshop Sthlm Holding AB on June 30, 2017 led to an accelerated vesting process attributable to LTIP/PSP 2016. The 119,738 share rights owned by two Lekmer employees resulted in accelerated allocation that was settled in cash.

Specification of long-term incentive program	Number of rights and options	Number of participants	Maximum redemption price	Redemption period	No. of rights and options at January 1	Forfeited during the year	Redeemed during the year	Outstanding rights and options at December 31
Total allocation 2014								
2014	639,026	42	109.0	2017	138,426	-138,426	-	-
Total allocation 2015[1]								
2015	1,009,612	37	50.0-82.0[2]	2018	314,922	-150,600	-	164,322
Total allocation 2016[1]								
2016	2,614,931	33	29.5-41.0[2]	2019	2,614,931	-619,172	-	1,995,759
Total allocation 2017[1]								
2017	1,872,544	23	45.0[3]	2020	1,872,544	-32,500	-	1,840,044
Total	**6,136,113**				**4,940,823**	**-940,698**	**-**	**4,000,125**

[1] Refers only to the performance share program (PSP)
[2] Maximum redemption price is governed by participant category
[3] Except for three participants with a maximum redemption price of SEK 17.8.

Personnel expenses (SEK million)	Group 2017	Group 2016	Parent company 2017	Parent company 2018
Granted rights and options 2013	-	0.1	-	0.1
Granted rights and options 2014	0.5	0.0	0.5	0.0
Granted rights and options 2015	0.0	0.3	0.0	0.3
Granted rights and options 2016	3.3	0.4	3.3	0.4
Granted rights and options 2017	1.8	0.0	1.8	-
Total expense recognized as personnel expenses	**5.5**	**0.8**	**5.5**	**0.8**

Note 24, continuing

The cost of the programs in 2017 totaled SEK 5.5 (0.8) million, excluding social security contributions. In addition to this SEK 5.5 million in employee benefit expenses for the Performance Share Program (PSP), equity is charged with SEK 0.8 million relating to discontinued operations and SEK 1.6 million relating to payment for synthetic call options (QOP). 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 long-term incentive program adopted at the 2014 AGM was wrapped up in the second quarter of 2017. None of the retention- or performance-based conditions were met in the 2014 long-term incentive program, and all retention-based and performance-based rights have therefore expired.

Note 25 Fees and compensation to auditors

	Group					
	E-commerce		Financial Services		Qliro Group Total	
(SEK million)	2017	2016	2017	2016	2017	2016
KPMG						
Audit engagements	1.6	2.0	0.8	0.5	2.5	2.5
Audit-related services	0.2	0.0	0.1	-	0.2	0.0
Tax consulting	0.1	0.0	-	-	0.1	0.0
Other services	0.5	0.1	-	-	0.5	0.1
Total	**2.3**	**2.2**	**0.9**	**0.5**	**3.2**	**2.7**

	Parent company	
(SEK million)	2017	2016
KPMG		
Audit engagements	0.7	0.7
Audit-related services	0.0	-
Other services	0.3	0.1
Total	**1.0**	**0.8**

"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:

	Group							
	E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	2017	2016	2017	2016	2017	2016	2017	2016
Gain/loss on divestment of operations	-15.6	-0.2	-	-	-	-	-15.6	-0.2
Gain from sale of non-current assets	3.2	-	-	-	-	-	3.2	0.0
Depreciation, amortization and impairment of non-current assets	41.7	63.6	27.6	14.4	-	-	69.3	77.9
Change in other provisions	2.5	-0.2	-	-	-	-	2.5	-0.2
Incentive program	6.3	2.5	-	-	-	-	6.3	2.5
Interest expenses and income	1.3	-	0.7	-	-	-	1.9	0.0
Unrealized exchange differences	-1.6	2.6	-	0.0	-	-	-1.6	2.6
Other items	2.0	-8.8	-1.0	0.9	-1.6	-0.9	-0.6	-8.8
Total	**39.7**	**59.5**	**27.3**	**15.3**	**-1.6**	**-0.9**	**65.3**	**73.8**
Other supplementary disclosures								
Interest received during the financial year	0.1	0.1	0.0	0.0	-	-	0.0	0.1
Interest paid during the financial year	-1.3	-1.2	-0.1	-7.2	-	-	-1.3	-8.5
Total	**-1.2**	**-1.2**	**-0.1**	**-7.2**	**0.0**	**0.0**	**-1.3**	**-8.4**

Note 26, continuing

	Parent company	
(SEK million)	2017	2016
Gain/loss on divestment of operations	61.2	102.9
Gain/loss on sale of non-current assets	0.0	1.6
Depreciation, amortization and impairment of non-current assets	0.7	0.9
Change in other provisions	2.5	-0.2
Incentive program	7.9	2.5
Interest expenses and income	1.3	0.0
Unrealized exchange differences	-3.1	7.9
Other items	3.8	-
Total	**74.2**	**115.6**
Other supplementary disclosures		
Interest received during the financial year	0.1	0.0
Interest paid during the financial year	-1.2	-0.3
Total	**-1.1**	**-0.3**

Note 27 Transactions with related parties

Group

Related parties	
Kinnevik AB (Kinnevik)	Kinnevik holds shares in Qliro Group AB.
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.

Transactions with related parties

The Group purchases telecom and data communication services from Tele2 and marketing services from Kinnevik. In 2017, purchases totaled SEK 4.8 (3.5) million.

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 December 31	Liability to related parties at December 31
Subsidiaries	2017	22.5		55.7	138.2	375.9
Subsidiaries	2016	17.1		-38.9	56.7	380.7

Note 28 Significant events after the end of the financial year

Sale of Health and Sports Nutrition Group HSNG AB

On January 30, 2018, it was announced that that the sale of Health and Sports Nutrition Group HSNG AB had been completed.

Changed accounting policies for Qliro Financial Services

New rules for the reporting of financial instruments, IFRS 9, were introduced on January 1, 2018. They primarily affect Qliro Group through Qliro Financial Services' credit loss reserves. According to IFRS 9, reserves for credit losses shall be made directly when a credit is issued, instead of as previously when there is an indication of increased credit risk. This results in earlier and higher recognition of the reserves for credit losses than before, but it will not affect cash flow or underlying credit risk. In the opening balance of 2018, the reserves increased by SEK 24 million due to the transition to IFRS 9. These provisions affect the balance sheet items Equity and Lending to the public but do not affect the income statement. From January 1, 2018, provisions for projected credit losses will be made directly at the time of lending with the effect recognized in earnings.

Qliro Group commented on Nelly and CDON Marketplace

On April 5, 2018, Qliro Group announced that Nelly's order intake increased during the first quarter, but the sales increase was limited because of delayed deliveries and increased returns and that the result was affected by investments in marketing and organization. It was also announced that CDON Marketplace adjusted its organization as part of the transformation to a marketplace.

Note 29 Operating expenses by cost type

	Group	
(SEK million)	2017	2016
Cost of sales	-2,132.7	-2,061.1
Distribution and warehousing costs	-328.4	-360.7
Personnel expenses	-410.8	-366.7
Amortization	-69.3	-73.8
Other expenses	-453.5	-352.5
Total expenses	**-3,394.7**	**-3,214.8**

Note 30 Earnings per share

	Group	
(SEK)	2017	2016
Basic and diluted earnings per share (excluding discontinued operations)	0.19	-0.34
Basic and diluted earnings per share (including discontinued operations)	-0.16	-1.24

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

Basic and diluted earnings per share (excluding discontinued operations)	2017	2016
Profit/loss for the year attributable to parent company shareholders, SEK million	28.8	-50.1
Average number of shares	149,269,779	149,269,779
Basic and diluted earnings per share (including discontinued operations), SEK	**0.19**	**-0.34**

Basic and diluted earnings per share (including discontinued operations)	2017	2016
Profit/loss for the year attributable to parent company shareholders, SEK million	-23.3	-185.7
Average number of shares	149,269,779	149,269,779
Basic and diluted earnings per share (including discontinued operations), SEK	**-0.16**	**-1.24**

The parent company's custodial Class C shares attributable to the Group incentive program (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 2017 or 2016.

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 16 April 2018

Lars-Johan Jarnheimer
Chairman

Marcus Lindqvist
CEO

Caren Genthner-Kappesz
Board member

Daniel Mytnik
Board member

Peter Sjunnesson
Board member

Christoffer Häggblom
Board member

Erika Söderberg Johnson
Board member

Jessica Pedroni Thorell
Board member

Our audit report was submitted on 16 April 2018

KPMG AB

Mårten Asplund
Authorized Public Accountant

The annual accounts and consolidated financial statements were, as stated above, approved for publication by the Board and CEO on 17 April 2018.

Auditor's report

To the general meeting of the shareholders of Qliro Group AB (publ), corp. id 556035-6940

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Qliro Group AB (publ) for the year 2017, except for the corporate governance statement on pages 34–39. The Company's annual accounts and the consolidated accounts are included in this document on pages 24–96.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 34–39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Deferred tax assets related to tax losses carried-forward

See disclosure 9 and accounting principles on pages 57–58 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At December 31, 2017, the group accounted for a deferred tax asset of SEK 106 million related to tax losses carried-forward. The same amount for the parent company equaled SEK 106 million. The measurement of such assets is based on estimates regarding the size and timing of future taxable profits.

The forecasts of future profits require assessment of future market conditions as well as interpretation of tax regulations. The carrying value of deferred tax assets may differ significantly if other assumptions are used in the forecast of future profits and the possibility to offset taxable profits to the tax losses carried-forward.

Response in the audit

We have tested and assessed the applied principles and the integrity of the group's model for forecasting future profits.

We have also evaluated the reasonableness of the group's assessment of future profits and compared key assumptions used in the calculation to business plans as well as considered the group's historic ability to prepare accurate forecasts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–23 and 101–103. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.
We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Qliro Group AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 34–39 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Qliro Group AB (publ) by the general meeting of the shareholders on the 8 May 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 16 April 2018

KPMG AB

Mårten Asplund
Authorized Public Accountant

GRI index

GRI standard	Disclosure	Description	Page reference/comment
GRI 102: General Disclosures	**ORGANIZATIONAL PROFILE**		
	102-1	Name of the organization	12
	102-2	Activities, brands, products, and services	1–2, 4–11
	102-3	Location of headquarters	24
	102-4	Location of operations	4–6, 8, 10, 73–74
	102-5	Ownership and legal form	33–34
	102-6	Markets served	4-6, 8, 10
	102-7	Scale of the organization	4–6, 8, 10, 18–20, 44–47
	102-8	Information on employees and other workers	18–20
	102-9	Supply chain	6–9, 16–17
	102-10	Significant changes to the organization and its supply chain	4–12, 16–17, 24–27
	102-11	Precautionary Principle or approach	The Precautionary Principle affects decisions within Qliro Group, primarily in decisions related to own production.
	102-12	External initiatives	12–13, 15
	102-13	Membership of associations	12–13
	STRATEGY		
	102-14	Statement from senior decision-maker	1–2
	ETHICS AND INTEGRITY		
	102-16	Values, principles, standards and norms of behavior	12–14, 16–18, 21–22
	GOVERNANCE		
	102-18	Governance structure	12, 34–39
	STAKEHOLDER ENGAGEMENT		
	102-40	List of stakeholder groups	13
	102-41	Collective bargaining agreements	18
	102-42	Identifying and selecting stakeholders	13–14
	102-43	Approach to stakeholder engagement	13–14
	102-44	Key topics and concerns raised	13–14
	REPORTING PRACTICE		
	102-45	Entities included in the consolidated financial statements	12, 24–25, 73–74
	102-46	Defining report content and topic Boundaries	13–14
	102-47	List of material topics	14
	102-48	Restatements of information	12
	102-49	Changes in reporting	12
	102-50	Reporting period	Financial year 2017.
	102-51	Date of most recent report	This year's report is Qliro Group's first.
	102-52	Reporting cycle	Annual reporting.
	102-53	Contact point for questions regarding the report	Head of Communications, Erik Löfgren.
	102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards, Core option.
	102-55	GRI content index	This index.
	102-56	External assurance	The sustainability report has not been externally assured by a third party. The auditors opinion regarding the statutory sustainability report can be found on page 22.

GRI standard	Disclosure	Description	Page reference/comment
GRI 200 Economic Standard Series	**ANTI-CORRUPTION**		
	205-3	Confirmed incidents of corruption and actions taken	22
GRI 300 Environmental Standard Series	**EMISSIONS**		
	305-3	Other indirect (Scope 3) GHG emissions	15
	EFFLUENTS AND WASTE		
	306-2	Waste by type and disposal method	16
GRI 400 Social Standard Series	**HUMAN RIGHTS ASSESSMENT**		
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	17
	CUSTOMER HEALTH AND SAFETY		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	17
	EMPLOYMENT		
	401-1	New employee hires and employee turnover	18–19
	DIVERSITY AND EQUAL OPPORTUNITY		
	405-1	Diversity of governance bodies and employees	19–20
	CUSTOMER PRIVACY		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	22

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.

NARVA

Qliro Group

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