Qliro Group

Annual Report 2018

Qliro Group AB (publ)
Nasdaq Stockholm: QLRO

Contents

Three independent subsidiaries

Qliro Group entered 2018 with full focus on CDON Marketplace, Nelly and Qliro Financial Services. During the year, we took several steps to enhance the subsidiaries' positions and make them more independent. This is expected to create the best prospects for the companies' growth and generate increased shareholder value.

We create value in CDON Marketplace by accelerating its transition to a marketplace for external merchants, in Nelly by focusing on our own brands and in Qliro Financial Services by expanding the offering of financial services to consumers and merchants.

In the second half of 2018, we renewed the leadership in all companies and enhanced corporate governance in Nelly and CDON so that all three companies have separate boards. We also worked on separating the companies' finance, IT and accounting systems. All three companies are expected to be operationally independent during the first half of 2019 and ready for listing in the second half of the year. We are also evaluating potential transactions.

Qliro Financial Services has achieved scale

Qliro Financial Services offers financial services that facilitate digital commerce and the everyday lives of consumers. We ensure that merchants provide effective payment methods with excellent conversion and the possibility to delay payments. In addition, we offer savings accounts and personal loans.

Total operating income rose by 34 percent to SEK 298 million, and operating income before depreciation, amortization and impairment was SEK 23 million for the year. At the end of the year, lending to the public exceeded SEK 1.5 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 scalable offering and are positioned for significant growth in our loan book.

CDON Marketplace benefits from the transition

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

In 2018, external merchant's sales on CDON.COM rose by 18 percent to SEK 589 million. We have accelerated the transition to a marketplace with many external merchants and supplement this with sales of goods from our own inventory. This model is more scalable, which we demonstrated over the year by growing quickly while reducing personnel costs. We continue to benefit from investments in technology, logistics and the brand to enhance efficiency.

Nelly positioned for accelerated growth

Nelly is one of the Nordic countries' strongest online fashion brands for young consumers. At its core is its own brand, NLYbyNelly, complemented by a curated portfolio of fashion from around 200 external brands. Growth and profitability are driven by a high proportion of own brands and loyal customers.

Sales for the year rose by 6 percent to SEK 1,391 million, and operating income before depreciation, amortization and impairment was SEK 57 million. This shows that investments in our own brands, assortment and logistics have laid the right foundation. We are now continuing the work to drive profitable growth.

Sustainability initiatives

In Qliro Group, we have an opportunity and a duty to act as sustainably as possible. The transition to e-commerce opens many opportunities for efficient, modern commerce, while there are also challenges in the industry. We take responsibility for our environment, employees, customers and other stakeholders who place increasingly strict demands on how we operate. The aim is to take greater responsibility and continue to develop our sustainability initiatives.

Financial flexibility

We have a strong financial position that permits us to continue to invest in our companies. At year-end, cash in hand was SEK 692 million, and net cash in hand was SEK 420 million in our e-commerce operations. Since then, we have repaid the bond loan of SEK 250 million.

The transition to e-commerce is happening faster than ever before. Our subsidiaries have strong positions in the Nordic countries, and we are now working to broaden the marketplace, strengthen the NLYbyNelly brand and scale our financial services.

Finally, I would like to thank all the employees of Qliro Group for their enthusiasm and efforts in 2018. I would also like to say thank you for the confidence shown in us by our customers and shareholders.

Stockholm, April 2019

Marcus Lindqvist
President and CEO, Qliro Group AB

Five-year summary

Continuing operations

SEK million	2018	2017	2016	2015	2014
Operating income and earnings					
Net sales	3,226	3,397	3,159	3,061	3,031
Gross profit	751	763	566	455	395
Operating profit before depreciation, amortization and impairment	19	90	13	-55	-17
Operating profit	-52	21	-61	-88	-35
Profit before tax and group contributions	-85	13	-61	-91	-63
Profit before tax	-85	38	-63	-132	7
Profit for the period	-136	29	-50	-103	4
Profitability and related key ratios					
Gross margin	23.3%	22.5%	17.9%	14.9%	13.0%
Operating margin	1.6%	0.6%	-1.9%	-2.9%	-1.2%
Operating margin before depreciation, amortization and impairment	0.6%	2.7%	0.4%	-1.8%	-0.6%
Return on capital employed	neg	1.6%	neg	neg	neg
Return on equity	neg	2.9%	neg	neg	0.5%
Qliro Financial Services net loans to the public	1,530	1,055	754	509	174
Qliro Financial Services external financing	1,427	937	512	328	0
Gross debt Group, excluding Qliro Financial Services	250	250	0	0	0
Capital structure and related key ratios					
Equity/assets ratio	28.9%	31.1%	40.5%	45.5%	55.7%
Operating ratios					
No. of visits, thousand	211,871	200,671	192,767	220,150	217,939
No. of orders, thousand	6,405	6,248	6,109	6,266	6,329
Number of customers, thousand	3,129	2,989	2,869	2,972	2,962
Average shopping basket, SEK	653	665	624	595	549

Qliro Group

Qliro Group owns and develops CDON Marketplace, Nelly and Qliro Financial Services. CDON Marketplace is the biggest Nordic online marketplace. 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 Nordic e-commerce pioneer. The success of CDON.COM laid the foundation for Qliro Group today. A portfolio of companies was built up by acquiring merchants.

Nelly was launched in 2004 and acquired in 2007. NLY Man was introduced in 2014 as a dedicated store for men's fashion. Qliro Financial Services was started up in the Group in 2014 to offer efficient payments and benefit from the Group's e-commerce volume. Qliro Financial Services now offers financial services to e-merchants and consumers throughout the Nordic region. Since 2017, Qliro Group has focused on Qliro Financial Services, CDON Marketplace and Nelly.

Focus on three independent companies in 2018

Qliro Group decided in June 2018 to operate Qliro Financial Services, CDON Marketplace and Nelly as three entirely independent companies. The Group began a process to evaluate a stock exchange listing or divestment of Nelly and potential structural transactions for CDON Marketplace to enhance its position as the leading Nordic marketplace. The sustainability work also continued during the year to enhance future competitiveness.

Qliro Group's net sales were SEK 3,226 million, gross profit was SEK 751 million and operating income before depreciation and amortization was SEK 19 million for the year. In the previous year, the Group's structure was simplified by completing the sale of Health and Sports Nutrition Group.

Business model

CDON Marketplace, Qliro Financial Services and Nelly have strong positions in dynamic segments of Nordic e-commerce and financial services. The three subsidiaries have different business models to benefit from the growth of e-commerce.

From a group of e-merchants to three independent subsidiaries

Qliro Financial Services offers e-merchants payment methods with delayed payment options. The e-commerce volumes give Qliro Financial Services low customer acquisition costs and makes it cost-effective to scale new consumer services such as savings accounts and personal loans.

CDON Marketplace offers e-merchants the opportunity to sell via its platform and supplements this with its own sales of products. External merchants pay commission to sell via CDON.COM. Nelly offers fashion to trend-conscious young women and men in the Nordic region.

Growth is expected to be strong in these Nordic e-commerce segments in the next few years. Financial services are an opportunity to gain additional leverage on this growth.

Next steps

Qliro Group will develop Qliro Financial Services, CDON Marketplace and Nelly as three independent companies. The Group is in the process of evaluating stock exchange listing, divestment and potential structural transactions to generate shareholder value.

The aim is for Qliro Financial Services, CDON Marketplace and Nelly to be leaders in digital commerce for merchants and consumers in the Nordic region. They will all offer the best online buying and selling experience on the market.

Qliro Group

SEK million	2018	2017
Net sales	3 226.0	3 396.7
Gross profit	750.9	762.7
Gross margin, %	23.3	22.5
Operating income before depreciation and amortization	19.0	90.0
Operating margin before depreciation and amortization, %	0.6	2.7
Operating income	-52.2	20.7
Operating margin, %	-1.6	0.6

[1] Lekmer and HSNG, divested in 2017 and 2018, are recognized as discontinued operations in the consolidated accounts.

3.2 SEK billion in net sales

3.1 million customers

212 million visits

6.4 million orders

Strategy

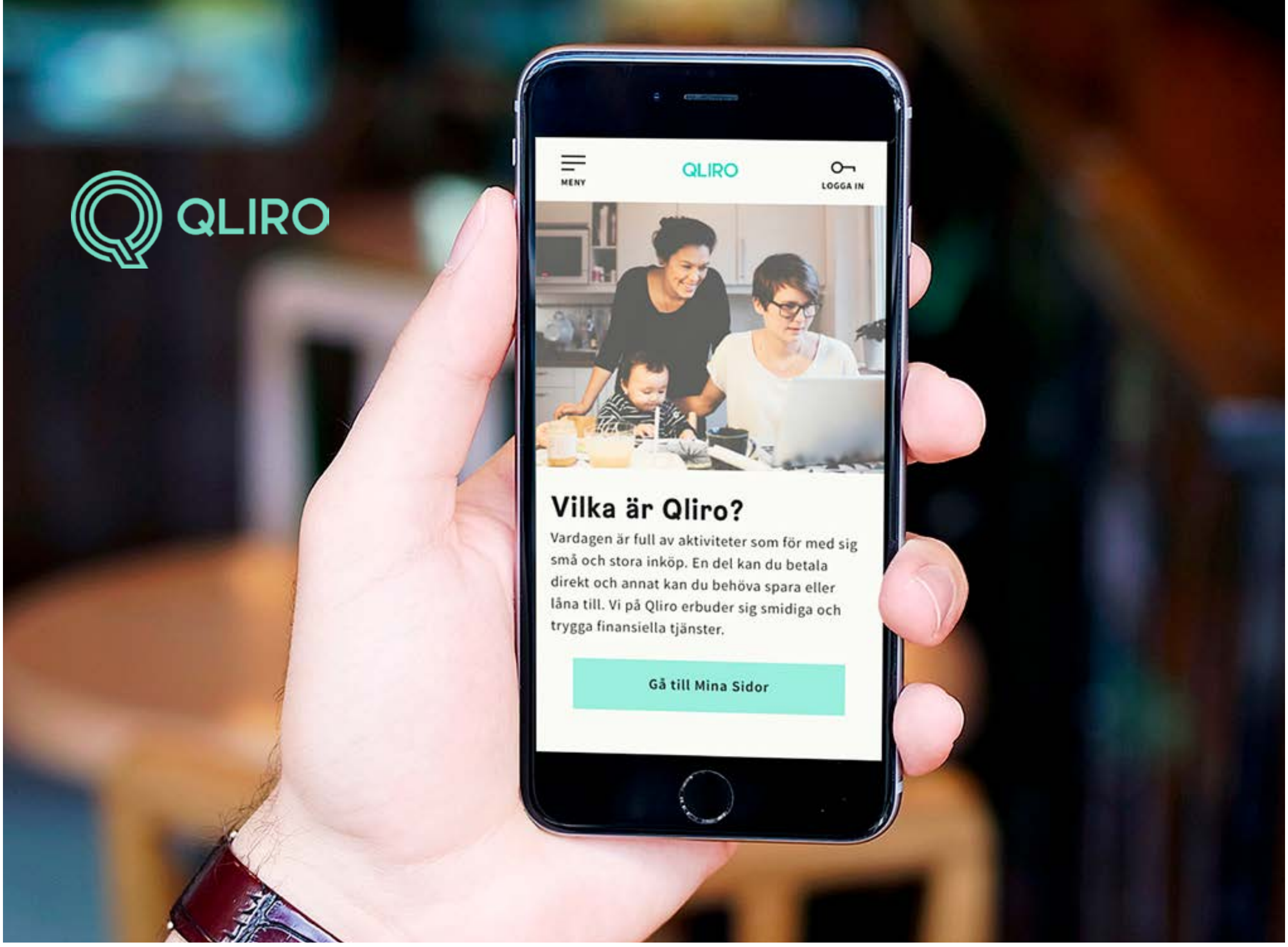
- CDON.COM will be the leading Nordic online marketplace
- Nelly will strengthen its leading position in its online fashion niche
- Qliro Financial Services will develop its offering of financial services

Achieved 2018

- Strengthened positions for CDON Marketplace, Nelly and Qliro Financial Services
- Strengthened independence of the companies and divestment of HSNG
- Strengthened the Group's financial position

Focus 2019

- Develop the companies' strong positions in Nordic e-commerce
- Take advantage of e-commerce to expand the offering of financial services
- Make the companies independent and ready for listing



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 checkout solution with the most popular payment methods such as invoice, partial payment, card and direct bank payments in the Nordic region. Consumers are offered several different services to make their lives easier, primarily by paying securely at their chosen pace, but also for saving and borrowing.

The business area consists of the subsidiary Qliro AB, a credit market company subject to the supervision of the Swedish Financial Supervisory Authority, which entails extensive regulations for services, lending and financing.

History

Qliro Financial Services was launched in 2014 to simplify online payments. In 2015, the rollout of the payment solution continued in Sweden and was also introduced in Finland and Denmark. In 2017 we launched a secure, mobile-friendly savings account for consumers, personal loans in Sweden, an app for consumers and the full payment service in Norway. Qliro AB became a credit market company in March 2017.

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

Growth in the loan book in 2018

Growth was strong in 2018 with total operating income increasing by 34 percent to SEK 298 million and operating income before depreciation, amortization and impairment totaling SEK 23 million.

During the year, net lending to the public increased by 45 percent to SEK 1,530 million, of which SEK 1,213 million was for invoices, partial payments and installments, and SEK 317 million was for personal loans. Lending was financed with SEK 458 million via a credit facility, SEK 969 million via savings accounts, and the remainder with own funds.

Business volume increased by 25 percent to SEK 4.9 billion and the number of transactions by 21 percent to SEK 5.1 million.

Business model

The business model is based on offering a payment solution to merchants and benefiting from the transactions generated by e-commerce. Some of these lead to installment payments and partial payments, which build up a loan book that generates interest income.

The loan book's development and composition are the main drivers of revenue and earnings. Credit through installment payments and partial payments generates revenue for up to three years. These revenues are shared with the e-merchants. This

From e-merchant payment solution to simplifying the financial lives of consumers

is supplemented by personal loans with longer terms and savings accounts for consumers, which contribute to effective financing of the loan book.

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 is growing slower.

Financial target

Qliro Financial Services' financial target is to achieve an operating profit before depreciation, amortization and impairment of SEK 100-125 million in 2019.

Next steps

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

To strengthen its position as an independent company, Qliro Financial Services has increased its commercial investments and strengthened the organization that is working to attract and integrate new merchants.

Strategy

- Boost e-commerce and extend consumer relationships
- Develop the offering of financial services
- Simplify consumers' everyday lives with financial services

Achieved 2018

- Increased loan book by 45 percent to SEK 1.5 billion
- Increased personal loans by 417 percent to SEK 317 million
- Developed offering and recruited to the commercial teams

Focus 2019

- Attract more external merchants
- Grow the loan book, especially in personal loans
- Demonstrate the scalability of the business

Qliro Financial Services

SEK million	2018	2017	Δ
Interest income	280.5	220.1	27%
Interest expense	-16.2	-16.5	-1%
Net interest income	264.3	203.6	30%
Net fee and commission income	12.2	7.6	62%
Other operating income	21.3	11.7	83%
Total operating income	**297.8**	**222.8**	**34%**
Other operating expenses	-217.8	-169.1	29%
Depreciation, amortization and impairment	-38.1	-27.6	38%
Total operating expenses	**-255.9**	**-196.7**	**30%**
Expected credit losses per IFRS 9, net	-57.3		
Credit losses per IAS 39, net		-27.6	
Operating income	**-15.4**	**-1.5**	
Operating income before depreciation, amortization and impairment	22.7	26.1	-13%
Net loans to the public	**1,530**	**1,055**	**45%**
of which sales financing	1,213	994	22%
of which personal loans	317	61	417%
External financing	**1,427**	**937**	**52%**
of which deposits from the public[1]	969	612	58%
of which secured credit facility	458	325	41%
Sales financing			
Business volume	4,940	3,962	25%
No. of purchases, thousands	5,085	4,209	21%
Average shopping basket, SEK	972	941	3%
Personal loans			
Average personal loans, SEK thousands	71	63	12%

1) Of which accrued interest was SEK 2.7 (0.7) million

298
SEK million in revenues

1.5
billion in loan book

4.9
billion in business volume

5.1
million purchases

Nelly

Nelly offers fashion and beauty products for young women via Nelly.com and for men via NLY Man. At its core is its own brand, NLYbyNelly, complemented by a curated range of fashion from over 200 brands. Its own brand is highly fashionable and fosters strong customer loyalty.

Nelly's success is based on the ability to inspire its target group with fashion and generate a high level of enthusiasm in the target group via social media. Nelly has one of the strongest online fashion brands for young women in the Nordic region. The company has offices in Borås, Falkenberg and Stockholm.

History

Nelly.com was launched in 2004 and acquired in 2007. Since then, Nelly.com has expanded and the assortment has been broadened from lingerie and swimwear for women to clothing, accessories, beauty products and sportswear. From the very start, success was achieved by inspiring customers with local fashion trends.

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.

Growth in own brands in 2018

Sales last year rose by 6 percent to SEK 1,391 million, and operating income before depreciation, amortization and impairment was SEK 57 million. The range of own brands is united under the name NLYbyNelly and grew to 45 percent of sales. The own brand range is being expanded into clothing, shoes, accessories, lingerie and swimwear.

Investments in 2018 was mainly in developing its own brand, the assortment and marketing. The company continued to break new ground in digital marketing to inspire its customers. Nelly prepared to reach its target group through other channels as well, such as Zalando.

The number of visits during the year increased by 5 percent to 116 million, the number of customers by 11 percent to 1.4 million and the number of purchases by 8 percent to 3.1 million. Nelly had an increase in returns during the year, partly due to changed online customer behavior.

Business model

Nelly's business model is based on a core of its own designs and brands and a supplementary range of curated fashion and beauty products from 200 other brands. The clothing and accessories are purchased from manufacturers in countries such as the UK, Turkey and China. Relationships with manufacturers are gov-

Greater focus on the NLY brand

erned in part by the updated code of conduct for business partners. The clothing is transported to the logistics center in Falkenberg, marketed digitally and sold on Nelly.com and NLYMan.com. Fashion is one of the fastest growing categories of e-commerce.

Financial target

Nelly's financial target is to achieve organic growth in net sales of over 10 percent per annum and an operating margin before depreciation, amortization and impairment of over 6 percent per annum.

Next steps

Nelly will continue to strengthen its own brands and remain at the forefront of digital marketing and sales. Nelly will continue to inspire its target group with selected trends and fashion.

Investments in brands, assortment and logistics have created the right conditions for profitable growth.

Nelly's strong own brand is attractive in an increasing number of contexts. To meet this demand, Nelly has made its brand available via other channels such as Zalando.

Strategy

- Strengthen Nelly's leading position in its niche in online fashion
- Inspire customers with NLYbyNelly and supplementary brands
- Drive innovative digital marketing and sales

Achieved 2018

- Increased sales by 6 percent to SEK 1,391 million
- Increased proportion of own brands from 43 percent to 45 percent
- Increased number of customers by 11 percent to 1.4 million

Focus 2019

- Inspire customers with NLYbyNelly in our own and other channels
- Leverage investments for accelerated growth
- Improve the customer experience in areas such as returns

Nelly

SEK million	2018	2017	Δ
Net sales	1,391.0	1,309.7	6%
Gross profit	370.5	401.8	-8%
Gross margin, %	26.6%	30.7%	
Operating income before depreciation, amortization and impairment	**56.8**	**121.3**	**-53%**
Operating margin before depreciation, amortization and impairment, %	4.1%	9.3%	
Operating income	**36.2**	**99.2**	**-64%**
Operating margin, %	2.6%	7.6%	
Investments	-7.5	-7.2	
Opening inventory balance	193.0	159.8	21%
Closing inventory balance	241.6	193.0	25%
Active customers, past twelve months, thousands	1,354	1,217	11%
Visits, thousands	116,230	110,237	5%
Orders before returns, thousands	3,072	2,832	8%
Average shopping basket, SEK	693	667	4%
Percentage of own brand sales	45%	43%	2
Return ratio, past twelve months	39%	35%	4
Product margin	49%	51%	-2
Fulfilment and distribution costs	19%	18%	2

1.4 billion net sales

1.4 million customers

116 million visits

3.1 million orders

CDON Marketplace

CDON Marketplace is the leading Nordic online marketplace, offering a wide range of consumer electronics, mobile phones, books, games, films, sports and leisure goods, clothing, shoes, furnishings and toys.

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

CDON.COM focuses on offering external merchants the opportunity to sell their products via the site, supplemented by sales of products from its own inventories. The marketplace is appreciated by consumers and is an effective sales channel for external merchants. CDON Marketplace is the leading Nordic online marketplace with many affiliated merchants.

History

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

Expansion of the marketplace in 2018

CDON Marketplace has successfully implemented its transition to a marketplace for external merchants, supplemented by sales from its own inventories. During the year, external merchants' sales rose by 18 percent to SEK 589 million. The external merchants and drop shipment (delivery directly to the customer from the supplier) accounted for 42 percent of total sales in the marketplace. This means that the marketplace has now achieved significant scale. The number of visits increased by 6 percent to 96 million.

A driving force for investments in the marketplace and drop shipment is to generate growth with lower inventory levels over time. At year-end, inventory levels were 31 percent lower than last year.

Over several years CDON has invested heavily in automation of the marketplace and to make it easier for new merchants to drive sales. The company is now benefiting from these investments and enhancing efficiency. This scalability is the key to building a profitable, independent company. The aim is to continue increasing commission revenues while reducing employee costs on an annual basis.

Business model

Since its launch in 1999, CDON.COM has bought products for its own inventories for resale, primarily to consumers. These products are mainly purchased from well-known brands and suppliers.

From only own sales to a marketplace with external merchants

External merchants are also welcome to drive sales on CDON.COM on payment of commission. The marketplace model offers the opportunity to grow without building a warehouse, which reduces capital requirements. The range is also being expanded, producing a better customer offering at competitive prices.

Marketplaces have a very strong position in e-commerce worldwide. In the Nordic region, 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 on the same site. At the same time, e-merchants benefit from the traffic and services generated by other merchants. E-commerce in the Nordic region is expected to grow dramatically in the next few years. The marketplace has an opportunity to benefit from this growth.

Financial target

CDON Marketplace's financial target is to achieve growth in external merchants' gross merchandise value of over 20 percent per annum and an operating margin before depreciation, amortization and impairment of over 3 percent of net sales per annum.

It is estimated that operating income before depreciation, amortization and impairment will be positive for full year 2019.

Next steps

CDON Marketplace will continue the transition from own sales to driving the sales of external merchants.

The aim is to connect e-merchants that have strong positions in their respective categories and small niche e-merchants for breadth. 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 in which investments in technology will improve efficiency.

18% growth for external merchants

1.8 million customers

96 million visits

3.3 million orders

CDON Marketplace

SEK million	2018	2017	Δ
Gross merchandise value, external merchants	589.2	499.9	18%
Total gross merchandise value[1)]	2,082.0	2,313.3	-10%
Net sales	**1,560.2**	**1,863.2**	**-16%**
Gross profit	206.6	204.8	1%
Gross margin, %	13.2%	11.0%	
Operating income before depreciation, amortization and impairment	-18.7	-21.4	
Operating margin before depreciation, amortization and impairment, %	-1.2%	-1.1%	
Operating income	**-30.4**	**-40.3**	
Operating margin, %	-2.0%	-2.2%	
Investments	-22.7	-24.7	
Opening inventory balance	254.5	186.1	37%
Closing inventory balance	176.7	254.5	-31%
Active customers, past twelve months, thousands	1,775	1,772	0%
Visits, thousands	95,640	90,434	6%
No. of orders, thousands	3,333	3,416	-2%
Average shopping basket, SEK	616	664	-7%

[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
- Increase scalability with the marketplace model
- Strengthen and develop the brand, the range and the technology

Achieved 2018

- External merchant sales reached SEK 589 million
- Easier for external merchants to sell via CDON.COM
- Expanded the brand in new categories

Focus 2019

- Drive the transition to a marketplace forward
- Attract new e-merchants with strong positions in their categories
- Leverage investments in technology to improve efficiency

Sustainability report

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

In 2018, Qliro Group's sustainability initiatives focused on the four areas defined in 2017. Through these initiatives the company aims to take even more responsibility for sustainable development.

The 2018 sustainability report covers Qliro Group AB (publ) and its subsidiaries. This is Qliro Group's second sustainability report prepared in pursuance of Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core level.

The auditor's opinion on the statutory sustainability report is on page 22.

Business model

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

Values

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

Collaboration

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

Innovation

- We strive to be at the forefront by being innovative, nimble 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 subsidiaries operate and develop their own businesses, including their sustainability work. Management is responsible for sustainability work, but involving all employees is a success factor.

Qliro Group's management team consists of the CEO, the CFO and the CEOs of the subsidiaries. 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, please see page 34.

Guidelines

Qliro Group takes a financial, environmental and social approach to corporate sustainability. The Group strives to take responsibility in relation to direct and indirect stakeholders and future generations. To maintain this approach, there are several policies.

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

The environmental policy stipulates that operations must comply with the law and includes taking travel, waste management, use of renewable materials, reduction of paper documents and more into account. How suppliers approach the environment is an important part. For the most part, suppliers that pursue long-term, strategic environmental initiatives are used for transportation to customers.

The code of conduct for business partners 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 own 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 confident about raising suspicions of impropriety. Whistleblowing is expected of employees when necessary. Suspicions can be reported anonymously, and the information will be investigated.

Sustainability initiatives aim to boost competitiveness

Qliro Group and its subsidiaries are also members of several trade associations that place demands on its operations.

Qliro Financial Services is a member of Compliance Forum (www.complianceforum.se). Nelly is a member of Amfori BSCI, Textilimportörerna (www.textileimporters.se), CSR-Scandinavian Shoe Industry and Scandinavian Shoe Environmental Initiative (www.ssei.se), and has signed two initiatives, Pälsfri Handel Djurens Rätt (fur-free trade, Swedish Animal Rights Association) (www.djurensratt.se/palsfri-handel) and the Swedish Fashion Ethical Charter (www.swedishfashioncouncil.se/swedish-fashionethical-charter-1). CDON Marketplace is a member of the trade association Lek och Baby, which works in part to ensure that only safe toys are on the market.

Four focus areas for our sustainability initiatives

Qliro Group carried out a materiality analysis in 2017 to identify the sustainability aspects that are most important to the Group. The analysis was based on risks and opportunities in the areas of the environment, social conditions, personnel, respect for human rights, anti-corruption and governance.

In the first stage, representatives from management and the subsidiaries 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.

At 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, shareholders, board members, trade associations, partners, financial analysts and suppliers.

This materiality analysis led to the Group defining four focus areas: eco efficiency, responsible value chain, attractive employer and trusted business partner. A level of ambition was set in each of these areas.

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 four focus areas also describe how the initiatives promote the goals of the UN's 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 safety and quality 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. Some of Nelly's clothing production for its own brands is done through contract manufacturers. Nelly requires the manufacturers to comply with current environmental and chemical legislation.

Qliro Financial Services has data centers that consume energy for power, cooling and heating. All data centers indicate that 100 percent of server room energy comes from renewable sources. Half of the data centers are cooled with district cooling. The warm air from the server rooms is then reused by being pumped out into the district heating network.

The building in which Qliro Group and Qliro Financial Services have their premises has BREEAM In-Use environmental certification.

CDON Marketplace offers customers an opportunity to make more sustainable purchases by donating SEK 20 to Save the Rain Forest Sweden, which generated SEK 1.9 million for the organization during the year.

Risk management in eco efficiency

Qliro Group's eco efficiency risks include:

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

Minimizing climate impact helps achieve global sustainability goals.

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. 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 materials 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. Greenhouse gas emissions declined during the period, mainly due to improved fuel mix and transport efficiency measures. Nelly has started to measure CO2 emissions from transportation from suppliers to its own warehouse and introduced a more restrictive policy on flights for incoming transportation during the year. Nelly has also started to use climate compensation for its air travel in partnership with ClimateHero (climathero.me).

Environmental initiatives to reduce impact

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 operations depend on travel to collaborate with others in several cities, drive sales in many countries, manage the purchase of goods, secure the value chain, be inspired and market our goods. Employees are encouraged to choose train travel when possible to reduce environmental impact.

Greenhouse gas emissions, tonnes Co_2

	2018	2017
Business travel		
Train travel	2	2
Car travel	8	13
Air travel	232	260
Shipment from warehouse to customer	1,506	1,822
Totalt	**1,748**	**2,097**

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.

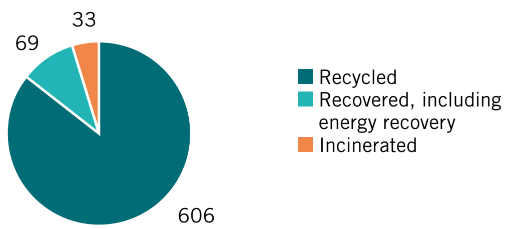
The volume of hazardous waste decreased dramatically in 2018. This is primarily electronic waste, toner cartridges and fluorescent tubes, etc. that are recycled and 1.0 (5.9) tonnes were recycled in 2018.

Non-hazardous waste is primarily wood, cardboard and plastic packaging. In 2018, 707 (538) tonnes were handled, mainly sent to recycling and recovery.

During the year, Nelly upped its ambitions for handling garments that were unsold, returned or defective, and entered agreements with purchasers for reuse. During the year, 18,000 kg of clothes were donated to Human Bridge, which distributed them for charitable purposes or sold them and used the profits for charitable purposes. Nelly was also involved in an EU project with Recuprenda for recycling textiles in a circular economy. See http://recuprenda.es/en.

CDON Marketplace increased reuse in 2018 by starting a partnership with GIAB. GIAB mainly received clothing and electronics and was able to reuse 99 percent of the products it handled during the first period of the partnership. Products that could not be reused were sent for recycling or donated for charitable purposes. The partnership mainly concerns defective returns, plus lower value products that would otherwise have been sent for recycling.

Non-hazardous waste 2018, tonnes



Ambition in 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 2019:

- Expand mapping of environmental impact in terms of emissions
- Increase focus on circular economy
- Prepare for reporting energy consumption within the organization
- Clarify goals and follow-up of sustainability aspects

Responsible value chain

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.

Qliro Group's code of conduct was adopted by the Board in 2017 and is part of the Group's purchasing agreement. 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 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. The contract manufacturing process is controlled to ensure that suppliers comply with quality and chemical requirements through on-site visits, external lab tests, and in-house tests. During the year, more resources were put into assuring quality and chemical content with more chemical tests and greater quality control in production and checks on arrival at the warehouse. During the year, the Swedish Chemicals Agency inspected Nelly's operations, without any criticism. Nelly became a member of Amfori BSCI (The Business Social Compliance Initiative) in 2018 and thus adopted its code of conduct and began implementing it in its organization.

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

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

Qliro Financial Services conducts data-driven credit testing based on reliable information to lend money to consumers with good potential to repay. Qliro Financial Services' operations are governed by extensive regulations on the range of services offered, 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 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 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 value chain risks 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 on-site visits, internal controls and procedural descriptions. The Business Partners Code of Conduct describes expectations and requirements for compliance with human rights and work-

Human rights in the value chain

ing 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.

Trends and demand for responsible and sustainable products are monitored through customer surveys and stakeholder dialogs.

Results in responsible value chain

Every year, Qliro Group and its subsidiaries enter many supplier and partnership contracts that are deemed material and/or of strategic importance. In 2017 and 2018, over 90 percent of these contracts contained clauses about human rights or had been examined in respect of human rights. The objective is to continue to increase this percentage.

Qliro Group adheres to health and safety regulations for products and services. In 2014, the Swedish Chemicals Agency carried out an inspection of handbags, which revealed that Nelly had sold two handbags with excessive amounts of certain chemicals. Nelly handled this according to procedure, recalling the products and terminating its relationship with the supplier. Nelly was fined SEK 20,000 in October 2017 for the incident. There were no incidents for which the Group was fined in 2018. A breach of the code of conduct was discovered in 2018 when one of Nelly's subcontractors breached certain health and safety regulations. The partnership with this supplier was terminated.

Qliro Financial Services works actively to promote a well-functioning consumer credit market. Excessive consumer debt is counteracted in part by means of responsible lending. Qliro Financial Services' lending is also in line with the Swedish Bankers' Association's code for responsible lending on the consumer credit market, which was produced in January 2018. Qliro Financial Services' net credit losses increased by just over 100 percent to SEK 57 million, which can be compared with the growth in the loan book of 45 percent. This increase is largely due to the transition to the new IFRS 9 accounting standard, in which an expected credit loss is booked when a loan is paid out.

Ambition in 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 offering. 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 2019:

- Employee training in code of conduct and whistleblower function
- Efforts to increase the proportion of agreements with human rights clauses
- Clarify goals and follow-up of sustainability aspects

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 happy 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.

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

Employee Code of Conduct

The Employee Code of Conduct clarifies the obligations of employee 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

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 in 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

Being an attractive employer is of great importance to Qliro Group. The Group works with initiatives for personnel development and succession planning 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.

A workplace in which employees perform well, thrive and develop

Employee data

New employees 2018

Total	319
Women	196
Men	123

Women Men

New employees 2017

Total	285
Women	162
Men	123

	2018			2017		
New employees	No.	Of which women	Women %	No.	Of which women	Women %
Total	319	196	61%	285	162	57%
Under 30	229	150		186	120	
30-50	89	46		96	42	
Over 50	1	0		3	0	

Terminated employment 2018

Total	282
Women	151
Men	131

Women Men

Terminated employment 2017

Total	219
Women	117
Men	102

	2018			2017		
Terminated employment	No.	Of which women	Women %	No.	Of which women	Women %
Total	282	151	54%	219	117	53%
Under 30	174	108		132	80	
30-50	104	42		82	35	
Over 50	6	2		5	2	

Qliro Group strives for even gender and age distribution. In 2018, the proportion of women on the Board of Directors, in Group management and in subsidiary management increased. Two of the three subsidiaries are managed by women. One woman left the Group's Board of Directors, with the result that the proportion of women fell from 43 percent to 33 percent. Gender distribution is even in the Group, but the proportion 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 2018

Total	886
Women	484
Men	402

Women Men

Gender distribution 2017

Total	849
Women	439
Men	410

	2018			2017		
Diversity, employees	No.	Of which women	Women %	No.	Of which women	Women %
Total	886	484	55%	849	439	52%
Under 30	487	300		432	258	
30-50	364	166		379	162	
Over 50	33	17		38	19	

Diversity cont.

Diversity, Board	2018 No.	2018 Of which women	2018 %	2017 No.	2017 Of which women	2017 %
Total	6	2	33%	7	3	43%
Under 30	0	0		0	0	
30-50	5	2		5	3	
Over 50	1	0		2	0	
Diversity, Group management						
Total	5	2	40%	7	2	29%
Under 30	0	0		0	0	
30-50	5	2		6	1	
Over 50	0	0		1	1	
Diversity, business area management teams						
Total	22	9	41%	18	6	33%
Under 30	0	0		0	0	
30-50	22	9		18	6	
Over 50	0	0		0	0	

Qliro Group primarily has full-time, permanent employees. Less than 15 percent of employees were temporary in 2017 and 2018, and the number of consultants was not significant.

Results in 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 approximately 22 percent in both 2017 and 2018 (excluding hourly, fixed-term and temporary employees). Employee turnover in 2018 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 2018 that figure was 61 percent. The figures above include all employees, including full-time, fixed-term and part-time employees.

Qliro Group took several steps to develop the work environment during the year. These included developing onboarding using digital tools, clarifying internal career paths, strengthening the framework for skills-based recruitment to promote gender equality and diversity, and health and safety training for managers.

Ambition in 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 2019:

- Implement health and safety initiatives
- Drive work on values and culture along with leadership development
- Train leaders and managers in gender equality and diversity issues
- Measure and analyze commitment and well-being using pulse surveys

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 for 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 to fulfill its obligations pertaining to billing, customer surveys, marketing and more. Qliro Financial Services uses personal data fulfill its obligations to customers but also for credit checks, marketing and compliance with regulatory requirements.

Qliro Group works actively to raise awareness of data security and management of personal data, both internally and externally. Customer confidence in the management of personal data is crucial to the Group. During the year, systematic efforts were made to ensure that personal data is handled responsibly in accordance with the EU's General Data Protection Regulation (GDPR), which entered into force in May 2018. Implementation of the new regulations is deemed to have been positive for consumer confidence and had no negative effects, for example on marketing.

Ethical conduct is supported by management leading by example. It is important to understand customer needs and employee expectations. The Group is highly focused 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 in trusted business partner

Qliro Group's trusted business partner risks 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 for bribery and corruption. The risk of corrupt behavior occurs mainly in connection with purchasing and sales but is considered 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 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 safe handling of personal data.

Security routines and controls have been established and are developed continuously. All subsidiaries have IT departments with experts that continuously develop IT functions. Action plans regarding information loss and incident reporting have been developed in connection with the introduction of the GDPR. The Group appointed a Data Protection Officer.

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 regularly undergoes controls to conduct its business. The company has independent control functions for compliance, risk con-

Trust is key

trol and internal auditing. The functions for compliance and risk control set the limits and principles for risk management and compliance, carry out independent follow-ups and train employees in 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.

Results in trusted business partner

Qliro Group follows up on any incidents regarding customer privacy or loss of customer data. No such incidents occurred in 2017. Since the introduction of the GDPR, Qliro Group has reported three incidents to the Swedish Data Protection Authority. All incidents were handled in accordance with the guidelines and no negative impact was ascertained in any of the cases. No cases of confirmed or suspected corruption have occurred in 2017 or 2018.

Ambition in 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 relationships.

The following activities are planned for 2019:

- 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

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

The board of directors is responsible for the sustainability report for 2018 on pages 12-22 and for preparing it 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 a sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 2 April 2019

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 net sales were SEK 3,226 million and operating profit before depreciation, amortization and impairment amounted to SEK 19 million. Qliro Group had 691 full-time employees on average during the year.

Three independent subsidiaries

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.

Qliro Financial Services

Qliro Financial Services offers merchant services that facilitate digital commerce and consumer financial services to simplify everyday living. In 2018, 2 million customers completed 5.1 million purchases. Total operating income increased by 34 percent to SEK 298 million, representing 9 (6) percent of consolidated sales.

Business volume increased by 19 percent to SEK 1,593 million and net lending to the public increased by 45 percent to SEK 1,530 (1,055) million at year-end. Lending was financed by a secured credit facility in the amount of SEK 458 (325) million, SEK 969 (612) million in savings accounts and the balance with own resources. Operating income before depreciation, amortization and impairment was SEK 22.7 (26.1) million. Qliro AB is a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI).

Qliro Financial Services had 195 full-time employees on average during the year.

Nelly

Nelly offers fashion to trend conscious young consumers through Nelly.com and NLYMan. In 2018, 1.4 million customers completed 3.1 million purchases. Net sales increased by 6 percent to SEK 1,391 (1,310) million, representing 43 (39) percent of consolidated sales.

The sale of own brands increased by 2 percentage points to 45 (43) percent. The return rate increased to 39 (35) percent. Operating income before depreciation, amortization and impairment was SEK 56.8 (121.3) million.

Nelly had 307 full-time employees at year-end.

CDON Marketplace

CDON.COM is the leading Nordic online department store. In 2018, 1.8 million customers completed 3.3 million purchases. Net sales amounted to SEK 1,560 (1,863) million, representing 48 (55) percent of consolidated sales.

External merchant sales on CDON Marketplace increased by 18 percent to SEK 589 (500) million for the year, while sales from the company's own inventories were phased out to accelerate the transition to a marketplace. The external merchants and drop shipment accounted for 42 percent of the marketplace's sales during the year. Operating loss before depreciation, amortization and impairment was SEK -18.7 (-21.4) million for the year. This was affected by investments in the platform and the brand.

CDON Marketplace had 161 full-time employees on average during the year.

Discontinued operations

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.

On January 30, 2018, Health and Sports Nutrition Group HSNG AB (which runs Gymgrossisten, Bodystore and Fitness Market Nordic) was sold to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital. Profit from the divestment of shares excluding transaction-related costs was SEK 140.6 million in the first quarter of 2018.

Profit after tax for discontinued operations amounted to SEK 138.6 (-52.1) million for the year. This consisted mainly of the earnings effect on divestment of the shares in HSNG, HSNG's current earnings and transaction costs.

Sustainability report 2018

For the 2018 financial year, Qliro Group prepared its second sustainability report separately from the annual report in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core option. The sustainability report is found on pages 12-22.

Qliro Group's sustainability efforts focus on four selected areas in which we wish to continuously take increased responsibility for sustainable development.

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. They primarily affect Qliro Group through Qliro Financial Services' credit loss reserves. The credit loss reserves are recognized earlier as the new principles mean that future credit risks must be taken into account. This does not affect cash flow and underlying credit risk.

Sale of Health and Sports Nutrition Group HSNG AB

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

CDON Marketplace launched a corporate offering

On March 20, CDON.COM launched a new B2B site targeted to small and medium-sized companies in Sweden. The ambition is to offer an attractive range of products to corporate customers in the Nordic region.

Qliro Group commented on Q1 2018

On April 5, Qliro Group announced that Nelly's order intake increased during the first quarter, but that sales growth was limited due to delayed deliveries and increased returns, and that earnings were affected by increased investments. It was also announced that the CDON Marketplace adjusted its organization.

Qliro Group issued and bought back C shares

On April 27, Qliro Group completed an issue and immediate buy-back of 4,550,000 C shares for distribution to participants in the company's long-term incentive programs. The C shares are held by Qliro Group.

Helsinki Administrative Court largely rejected CDON Alandia's claims in Finnish taxation case

In January 2016, Qliro Group announced that the tax administration in Finland decided to place an additional tax on CDON Alandia (a Qliro Group company in the Åland Islands) for the 2012 fiscal year. CDON Alandia appealed against the decision to the Helsinki Administrative Court, which announced on May 18, 2018, that it largely rejected CDON Alandis's claims. Consequently, a tax expense of SEK 57 million and an interest expense of SEK 13 million were recognized in the second quarter of 2018. The amount was paid in advance. CDON Alandia has submitted an appeal to the Finnish Supreme Administrative Court.

2018 Annual General Meeting

On May 22, the Annual General Meeting was held in Stockholm, where all proposals from the Board and the Nomination Committee were approved.

Qliro Group dismantled CEO and CFO participation in 2016 and 2017 incentive programs

On May 31, Qliro Group announced that CEO and CFO participation in the equity-based incentive programs launched in 2016 and 2017 (PSP 2016 and 2017) had been dismantled and that the company granted ordinary shares vested under PSP 2016 and 2017 to the CEO and CFO. An assessment had been made that CEO and CFO participation in PSP 2016 and 2017 would not comply with the special remuneration rules for credit institutions that would apply to Qliro Group in a consolidated situation (see below). To dismantle these incentive programs, the CEO was granted 264,479 shares and the CFO was granted 155,987 shares.

Consolidated situation

A consolidated situation arose when the subsidiary Qliro AB (credit market company under FI's supervision), based on the Capital Requirements Regulation, was considered the main business of the Group, which occurred at the end of Q2 when Qliro AB accounted for more than half of the Group's total assets. The consolidated situation consists of the parent company Qliro Group AB and Qliro AB and has been assigned a special institution number. Certain rules for the credit market company therefore also apply to the parent company, such as the capital adequacy regulations.

New strategic focus on three independent companies to increase shareholder value

On June 7, it was announced that Qliro Group had decided to focus on running Qliro Financial Services, CDON Marketplace and Nelly as three independent companies. Work began on evaluating a listing or sale of Nelly and potential structural transactions for CDON Marketplace. The process is expected to be completed within 24 months.

Kristoffer Väliharju CEO of CDON Marketplace

On September 13, it was announced that Kristoffer Väliharju had been appointed CEO of CDON Marketplace. Kristoffer had been Chief Operating Officer of CDON Marketplace since June 2017 and has previous experience from Dustin and Dell.

Anna Ullman Sersé CEO of Nelly

On October 9, it was announced that Anna Ullman Sersé had been appointed permanent CEO of Nelly. Prior to that, she had been Interim Head of Nelly since April 2018 and Head of Business Development at Qliro Group since 2016. Anna was formerly a management consultant at Accenture Interactive.

New financial targets

On October 18, the new financial targets for the subsidiaries were announced. For more information, see page 27.

Nelly's board is strengthened

On November 13, it was announced that Maj-La Pizzeli and Louise Nylén, who have extensive experience in fashion and digital marketing, would be joining Nelly's board.

Carolina Brandtman CEO of Qliro Financial Services

In December, Carolina Brandtman took over as CEO of Qliro Financial Services. Carolina has extensive experience from GE Money Bank (now Santander Consumer Bank) where she began her career in risk management in 1999.

Significant events in 2019

Early redemption of outstanding bond loans

On February 4, Qliro Group announced that all outstanding 2017/2020 bonds will be redeemed early in accordance with the terms of the bonds. This reduces the Group's loans by SEK 250 million, which lowers interest expenses by approximately SEK 12 million annually.

Financial position and results

(SEK million)	2018	2017
Net sales	3,226.0	3,396.7
Gross profit	750.9	762.7
Gross margin	23.3%	22.5%
Operating profit before depreciation, amortization and impairment	19.0	90.0
Operating margin before depreciation, amortization and impairment, %	0.6%	2.7%
Operating profit	-52.2	20.7
Operating margin	-1.6%	0.6%
Net financial items	-32.3	-7.5
Profit before tax and group contributions	-84.5	13.2
Net income after tax for continuing operations	-136.0	28.8
Net income after tax for continuing and discontinued operations	2.6	-23.3
Basic and diluted earnings per share excluding divested operations	0.02	-0.16
Basic and diluted earnings per share excluding divested operations	0.02	-0.16
Total assets	3,440.2	3,243.5

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 sales in the consolidated financial statements.

Sales

Net sales decreased by 14 percent to SEK 3,226.0 (3,396.7) million in 2018. Adjusted for exchange rate fluctuations, the decrease was 16 percent for the year. E-commerce operations had a total of 212 (201) million visits and 3.1 (3.0) million customers made 6.4 (6.2) million purchases.

Operating expenses

Cost of sales totaled SEK 2,475.0 (2,634.0) million. The gross margin was 23.3 (22.5) percent. The improvement in gross margin was mainly due to Qliro Financial Services and CDON Marketplace.

Sales and administrative expenses amounted to SEK 835.4 (767.3) million. Operating income was SEK -52.2 (20.7) million with an operating margin of -1.6 (0.6) percent.

Net financial items

Net financial items totaled SEK -32.3 (-7.5) million This included interest for bond loans taken in the second quarter of 2017. Profit before tax and Group contributions amounted to SEK -84.5 (13.2) million.

Tax

Tax totaled SEK 51.5 (8.9) million. See Note 9 for more information.

Net profit and earnings per share

Profit after tax amounted to SEK -136.0 (28.8) million for continuing operations.

The impact on earnings from the divestment and operating earnings of HSNG are recognized as earnings from discontinued operations. The corresponding earnings impact totaled SEK 138.6 (-52.1) million. Consolidated earnings after tax for continuing and discontinued operations thereby amounted to SEK 2.6 (-23.3) 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 0.02 (-0.16), based on the weighted average number of shares during the year.

Financial position

Total assets at year-end amounted to SEK 3,440.2 (3,243.5) 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 994.5 (1,009.6) million at the end of the year.

Cash and cash equivalents including consolidated translation differences amounted to SEK 691.8 (624.7) million at year-end. Cash and cash equivalents from e-commerce operations amounted to SEK 670.0 (553.8) million. Adjusted for the outstanding bond of SEK 250.0 (250.0) million, net cash from e-commerce operations amounted to SEK 420.0 (310.2) million.

Cash flow from operating activities before changes in working capital amounted to SEK -28.0 (92.1) million for the year, of which e-commerce operations accounted for SEK -25.5 (65.1) million and Qliro Financial Services accounted for SEK -2.5 (27.0) million.

Cash flow from changes in working capital in the e-commerce business amounted to SEK -117.2 (143.5) million for the year. CDON Marketplace ended the year with lower inventory levels than last year, while Nelly had higher levels than last year.

Cash flow from changes in working capital in Qliro Financial Services amounted to SEK -88.9 (76.8) million for the year. This was made up of a combination of increased loans to the public (invoices, payments, partial payments 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 -234.0 (25.4) million. Investments in non-current assets totaled SEK 90.9 (107.0) million. Investments were made mainly in Qliro Financial Services and CDON Marketplace.

Cash flow from divestment of operations amounted to SEK 387.2 (11.5) million, consisting mainly of cash from HSNG in the first quarter and final payment for Lekmer in the second quarter. Cash flow from financing activities totaled SEK 0.0 (333.7) million.

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.

Profit after tax for discontinued operations amounted to SEK 138.6 (-52.1) million for the year. For further information on acquisitions and divestments, see Note 5.

Financial targets

In October 2018, Qliro Group set new financial targets for the subsidiaries. The new financial targets are:

Qliro Financial Services

- Achieve an operating income before depreciation, amortization and impairment of SEK 100-125 million in 2019

Achievement of the financial target is largely dependent on e-commerce volume and recruitment of new merchants.

CDON Marketplace

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

The board estimates that operating income before depreciation, amortization and impairment will be positive for full year 2019.

Nelly

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

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, see page 29-30.

Industry and market risks
The market

The market for e-commerce is undergoing change with continuous growth in recent years. 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 would 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 2018, 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 making sure that there is enough cash and cash equivalents and the ability to increase available financing.

Qliro Financial Services' total credit facilities in external banks amounted to SEK 800 million at year-end. SEK 342 (352) million of this amount was utilized. The e-commerce business' cash totaled SEK 670.0 (560.2) million and net cash amounted to SEK 420 (310) million, less the SEK 250 million bond, that has been repaid in 2019.

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.

Disputes, claims and litigations
Companies within the Qliro Group may be involved in disputes in the normal course of business. Disputes, claims, investigations and legal proceedings can be time-consuming, disrupt normal operations, entail liability for damages and involve significant costs. In addition, it can be difficult to predict the outcome of complex disputes and litigations.

Qliro Financial Services
The Qliro Financial Services segment consists of the subsidiary Qliro AB, which 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 futures.

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, controlled and reported regularly to the CEO and Board. Good credit risk management can optimize the profitability of lending activities.

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 enough 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.

It could damage Qliro Financial Services' reputation if its 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's sustainability efforts focus on four selected areas. 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 691 during the year, excluding HSNG.

The sustainability report contains more information (see page 18). Information on average number of employees and payroll expenses is available in Notes 23 and 24.

Proposal for guidelines for remuneration of 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 and outstanding long-term incentive programs, see Note 24.

The Board of Directors proposes that the 2019 Annual General Meeting resolve 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

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 specializing in e-commerce payments, digital consumer financing, personal loans and savings accounts.

Remuneration of senior executives in the Qliro Group should reflect in both the short and long terms the individual's performance and responsibilities and the earnings of the Qliro Group and its subsidiaries and should also align the interests and rewards of senior executives with those of the shareholders. Remuneration of senior executives should therefore be based on the "pay-for-performance" principle and encourage them to build up a significant private ownership of Qliro Group shares in relation to their personal financial situation.

Remuneration of senior executives shall consist of:
- Fixed salary
- Short-term variable remuneration paid in cash
- Opportunities to participate in long-term 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 per cent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Long-term incentive programs 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.

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 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.

Remuneration of senior executives who are subject to remuneration rules for credit market companies
For senior executives who are subject to the remuneration rules for credit market companies, special remuneration rules apply pursuant to laws and regulations issued by the Swedish Financial Supervisory Authority. The boards of Qliro Group AB (publ) and Qliro AB have established a remuneration policy that covers all employees in each company (including CEO and CFO for the Group) and that is compatible with and promotes sound and efficient risk management and counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied to remuneration of senior executives who are subject to 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 several different criteria.
- The performance assessment shall, in the case of variable remuneration, be set in a multi-year framework to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are considered when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance as well as the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be considered when assessing 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 if justifiable by the company's financial situation and motivated by the performance of the company, the business unit and the employee. The variable portion of the remuneration may be omitted for these reasons.

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 AGMs in 2016, 2017 and 2018. See Note 24 for more information.

The total cost of the share-based incentive program proposed to the 2019 AGM is estimated to be approximately SEK 5.2 million excluding social security contributions in accordance with IFRS 2. The cost will be distributed over the years 2019–2022. The estimated expenses for social security contributions will also be expensed as employee benefit expenses through regular provisions. The maximum cost for the incentive program is estimated at approximately SEK 7.1 million (excluding social security contributions).

Parent company

The parent company of the Qliro Group – Qliro Group AB (publ) – owns and manages financial assets in the form of shares in the Group's subsidiaries. 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 18.0 (27.1) million. Administrative expenses totaled SEK -55.7 (-65.6) 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 237.7 (-76.3) million and consisted primarily of capital gains, including transaction-related costs from the divestment of Health and Sports Nutrition HSNG AB. Other net financial items totaled SEK -14.8 (-2.4) million. The parent company received Group contributions of SEK 34.1 million and paid Group contributions to subsidiaries of SEK -2.3 million. Profit before tax amounted to SEK 217.0 (-41.6) million. Cash and cash equivalents in the parent company amounted to SEK 431.0 (545.1) million at year-end.

Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at 31 December 2018 (SEK):

Share premium reserve	1,076,535,317
Retained earnings	-419,701,461
Profit for the year	220,287,280
Totalt	**877,121,136**

The Board proposes that the retained earnings, share premium reserve and profit/loss for the year for a total of SEK 877,121,136 be carried forward. The share premium reserve amounts to SEK 1,076,535,317. As regards the company's earnings and position in general, please refer to the following financial statements with accompanying notes and comments.

Share data

Qliro Group's share is listed on the Nasdaq Stockholm Mid Cap under the ticker symbol QLRO. Qliro Group's market capitalization at the close of trading on Nasdaq Stockholm on the last trading day of 2018 was SEK 1.4 billion.

Shareholders at December 31, 2018

	Capital	Votes	Shares
Kinnevik	27.5%	28.5%	42,613,642
Rite Ventures	6.7%	6.9%	10,321,494
Avanza Pension	5.1%	5.3%	7,964,048
Qliro Group	3.4%	0.0%	5,300,000
Nordnet	3.0%	3.2%	4,721,477
Humle Fonder	2.8%	2.9%	4,392,185
Lancelot Fonder	2.3%	2.3%	3,500,000
Wellington	2.2%	2.3%	3,422,947
Origo Fonder	1.9%	2.0%	2,981,158
Thomas Krishan	1.3%	1.3%	1,951,742
Dimensional Fund	1.1%	1.1%	1,695,575
Öhmans Fonder	1.1%	1.1%	1,694,291
Ulf Ragnarsson	0.9%	0.9%	1,335,000
Länsförsäkringar	0.8%	0.8%	1,229,284
SEB Trygg Liv	0.7%	0.7%	1,011,995
Total 15 largest owners	**60.7%**	**59.3%**	**94,134,798**
Others	39.3%	40.7%	60,859,981
Total issued shares[1)]	**100.0%**	**100.0%**	**154,994,779**

[1)] Includes 5,300,000 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. In practice this means that shareholders' share of ownership as a percentage of votes is slightly higher than their share of ownership as a percent of capital.

Source: Modular Finance

Share capital

As of December 31, 2018, the number of issued shares was 154,994,779, of which 149,269,779 were ordinary shares and 5,300,000 were C shares. Ordinary shares and C 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. The C shares were issued and bought back by the company as part of the performance-based incentive programs. The C shares are held in full by Qliro Group AB. Qliro Group AB acquired the C shares for SEK 10,600,000.

Share capital in the Group amounted to SEK 1009.6 million at year-end. For changes in the share capital between 2017 and 2018, see page 79.

At December 31, 2018, there were 1,714,549 outstanding share rights attributable to the company's share-based incentive programs. In addition, there were 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 18.10. On the last trading day of the year, the share price closed at SEK 9.18.

Corporate Governance Report

This report describes Qliro Group AB's principles of 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 Code of Corporate Governance (the Code).

Qliro Group is governed by several bodies. At the Annual General Meeting, the shareholders exercise their voting rights by electing the Board of Directors and external auditors. Some of the Board's duties are prepared by the President and CEO of Qliro Group. The CEO 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 17,912 shareholders at the end of 2018. Shareholdings by its 15 largest shareholders correspond to some 60.7 percent of the share capital and a somewhat lower percentage of votes. Swedish institutions and mutual funds own approximately 47 percent of the share capital, international investors hold about 7 percent and Swedish private investors own around 32 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 33.

On May 8, 2017, Qliro Group's AGM authorized the Board to issue (and buy back) 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 was exercised in April 2018, when the Qliro Group issued new shares and immediately bought back 4,550,000 C shares. Nordea Bank AB (publ) subscribed for all issued C shares at a subscription price of SEK 2.00. All issued C shares were subsequently bought back by Qliro Group for SEK 2.00. The issue of the C shares increased Qliro Group's share capital by SEK 9,100,000.

On May 22, 2018, Qliro Group's AGM authorized the Board to issue (and buy back) up to 1,807,000 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 2018. The authorization had not been exercised by the end of 2018.

Furthermore, the AGM held in 2018 authorized the Board to decide on buying back 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. The authorization had not been exercised by the end of 2018.

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 2018 will be held on May 7, 2019, 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 2018 AGM, a representative for the largest shareholder, Kinnevik, convened a nomination committee to prepare proposals for Qliro Group's 2019 AGM.

The Nomination Committee for the 2019 AGM consists of Samuel Sjöström (chairman), appointed by Kinnevik, Christoffer Häggblom appointed by Rite Ventures and Thomas Krishan, representing his own holdings. 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 2019 AGM.

In its work, the Nomination Committee applies Rule 4.1 of the Swedish Corporate Governance Code and the company's policy regarding the diversity and suitability of board members. 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 nine 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, the duties of the Chairman and instructions regarding division of duties between Qliro Group's Board, the CEO and the boards of the subsidiaries.

The work of the Board is also governed by rules and regulations, including the Swedish Companies Act, Articles of Association and Swedish Code of Corporate Governance.

In order to carry out its work more effectively, the Board has appointed a Remuneration Committee and an Audit Committee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not. In 2018, the boards of Qliro Group and its subsidiary Qliro AB also set up a new joint committee dealing with matters related to the consolidated situation. This committee consists of board members from both Qliro Group and Qliro AB.

The Board has also issued instructions to be followed by the CEO. The instructions 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 entities within 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 as of December 31, 2018

Namn	Position	Date of birth	Citizenship	Appointed	Independent of major shareholders	Independent of company and management	Remuneration Committee	Audit Committee
Christoffer Häggblom	Chairman	1981	Finnish	2017	Yes	Yes	Member	
Daniel Mytnik	Member	1971	Swedish	2014	Yes	Yes	Chairman	Member
Jessica Pedroni Thorell	Member	1983	Swedish	2017	No	Yes	Member	Member
Erika Söderberg Johnson	Member	1970	Swedish	2017	Yes	Yes		Chairman
Andreas Bernström	Member	1974	Swedish	2018	No	Yes		
Lennart Jacobsen	Member	1966	Swedish	2018	Yes	Yes		

Composition of the Board

The Board of Qliro Group AB comprises six board members. They are Christoffer Häggblom (Chairman since May 2018), Daniel Mytnik, Jessica Pedroni Thorell, Andreas Bernström, Lennart Jacobsen and Erika Söderberg Johnson. For more information, see page 42.

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.

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 main tasks of the Remuneration Committee are to: (i) prepare decisions for the Board on matters regarding remuneration principles, remuneration and other employment terms for the CEO and senior executives; (ii) monitor and evaluate ongoing 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 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 Jessica Pedroni Thorell.

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.

The Consolidated Situation Committee

The new joint Consolidated Situation Committee was established by the boards of directors of Qliro Group AB and its subsidiary Qliro AB during the summer 2018 in order to improve the governance and reporting capabilities in relation to the consolidated situation (comprising Qliro Group AB and Qliro AB). The Committee consists of two members appointed by the board of Qliro Group AB (Lennart Jacobsen and Erika Söderberg Johnson) and two members appointed by the board of Qliro AB (Lennart Francke and Helena Nelson). Lennart Francke has been appointed as the chairman of the Committee and Lennart Jacobsen has been appointed as the vice chairman of the Committee. During the year 2018 the Committee had four meetings.

The Consolidated Situation Committee reports directly to the boards of Qliro Group and Qliro, respectively, on matters handled in the Committee. The role of the Committee is to ensure co-ordination between the two boards and to enable a more effective and relevant flow of information from and to the respective board. The responsibility for directing the governance of the consolidated situation and for ensuring compliance with the regulatory requirements rests with the board of Qliro Group and the board of Qliro (as applicable). The Committee acts as a preparatory function to these boards and assists them with review of policies and framework for the consolidated situation, as well as with follow-up on compliance with regulatory requirements on a consolidated basis. The Committee is the primary forum for coordination between the boards in matters relating to the consolidated situation.

Compensation to Board members

The fixed remuneration for the Board for the period until the close of the 2019 AGM totals SEK 2,746,000, of which SEK 670,000 is allocated to the Chairman of the Board, SEK 325,000 to each of the five Board members, 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 2018

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 sale of Health and Sports Nutrition Group) and continued streamlining of internal procedures and control processes. An annual structured evaluation of the Board's work is 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 2018, including four ordinary meetings, one constituent meeting and eight extraordinary meetings.

Presence at board and committee meetings in 2018

Namn	Board meetings	Audit Committee	Remuneration Committee
Number of meetings until 5/22/2018	4	2	4
Number of meetings from 5/22/2018	9	3	3
Total meetings in 2018	**13**	**5**	**7**
Christoffer Häggblom	13/13		7/7
Daniel Mytnik	12/13	5/5	7/7
Jessica Pedroni Thorell[1)]	13/13	3/3	7/7
Erika Söderberg Johnson	12/13	5/5	
Andreas Bernström (from 5/22/2018)	8/9		
Lennart Jacobsen (from 5/22/2018)	9/9		
Lars-Johan Jarnheimer (until 5/22/2018)	4/4		
Peter Sjunnesson (until 5/22/2018)	3/4	2/2	
Caren Genthner-Kappesz (until 5/22/2018)	4/4		

1) Jessica Pedroni Thorell is a member of the Audit Committee as of May 22, 2018

External auditors

KPMG AB was elected as Qliro Group AB's auditor at the 2018 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 2019 AGM.

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

KPMG also provided certain additional services in 2017 and 2018. 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 regarding audit fees.

CEO and executive management

The Group's executive management includes the Chief Executive Officer, the Chief Financial Officer and managing directors of Qliro Group's operating subsidiaries. Information on Group management can be found on page 44.

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.

Subsidiary boards

As a part of Qliro Group's revised strategic direction to run Qliro Financial Services, CDON Marketplace and Nelly as three completely independent companies, corporate governance was strengthened in Qliro Group's subsidiaries. From the second half of 2018, Nelly and CDON Marketplace have held regular board meetings. The board of Qliro Financial Services has held regular board meetings since 2014. All subsidiaries have separate boards with representatives from the parent company's board and management as well as external board members for Qliro Financial Services and Nelly. This means that the subsidiaries are run independently of each other and that Group management focuses on making the companies independent and ready for listing and evaluating potential strategic transactions.

As of December 31, 2018, the subsidiary boards had the following composition:

- Qliro Financial Services (Qliro AB) – Lennart Jacobsen (chairman, also board member of Qliro Group), Andreas Bernström (also a board member of Qliro Group), Marcus Lindqvist (also CEO of Qliro Group), Robert Burén (external member), Lennart Francke (external member), Helena Nelson (external member) and Johan Wigh (external member).
- Nelly (NLY Scandinavia AB, renamed Nelly NLY AB (publ) in February 2019) – Marcus Lindqvist (chairman, also CEO of Qliro Group), Christoffer Häggblom (also board chairman of Qliro Group), Jessica Pedroni Thorell (also board member of Qliro Group), Mathias Pedersen (also CFO of Qliro Group), Louise Nylén (external member) and Maj-La Pizzelli (external member).
- CDON Marketplace (CDON AB) – Marcus Lindqvist (chairman, also CEO of Qliro Group), Christoffer Häggblom (also board chairman of Qliro Group), Andreas Bernström (also board member of Qliro Group) and Mathias Pedersen (also CFO of Qliro Group).

Each of the subsidiaries' boards 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, the duties of the Chairman and instructions regarding division of duties between the boards of the subsidiaries and their CEOs and Qliro Group's Board and CEO. Instructions to be followed by the CEOs of the subsidiaries have also been adopted.

Applicable guidelines for remuneration of senior executives

At the Annual General Meeting held on May 22, 2018, it was resolved to adopt 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

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 specializing in e-commerce payments, digital consumer financing, personal loans and savings accounts. Remuneration of senior executives in the Qliro Group should reflect in both the short and long terms the individual's performance and responsibilities and the earnings of the Qliro Group and its subsidiaries and should also align the interests and rewards of senior executives with those of the shareholders. Remuneration of senior executives should therefore be based on the "pay-for-performance" principle and encourage them to build up a significant private ownership of Qliro Group shares in relation to their personal financial situation.

Remuneration of senior executives shall consist of:

- Fixed salary
- Short-term variable remuneration paid in cash
- Opportunities to participate in long-term 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 per cent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group. Long-term incentive programs 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. Qliro Group has three outstanding long-term equity-related incentive programs (performance share plans) for senior executives and other key employees of 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 may be followed by other equity-related programs, warrants and synthetic options.

Synthetic call options

Qliro Group has two outstanding synthetic call option programs (QOP 2016 and QOP 2017) for management and other key employees in Qliro Group's subsidiaries/segments that offer financial services.

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 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.

Remuneration of senior executives who are subject to remuneration rules for credit market companies

For senior executives who are subject to 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 were applied to the parent company Qliro Group AB (publ) when Qliro Group AB (publ) formed a so-called consolidated situation with its subsidiary Qliro AB in 2018. The boards of Qliro Group AB (publ) and Qliro AB have established a remuneration policy that covers all employees in each company and that is compatible with and promotes sound and efficient risk management and counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied to remuneration of senior executives who are subject to 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 several different criteria.
- The performance assessment shall, in the case of variable remuneration, be set in a multi-year framework to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are considered when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance as well as the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be considered when assessing 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 if justifiable by the company's financial situation and motivated by the performance of the company, the business unit and the employee. The variable portion of the remuneration may be omitted for these reasons.

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 2016, 2017 and 2018, 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 2018 were adhered to. The Remuneration Committee's evaluation and the auditor's review have concluded that in 2018 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, Board committees and the boards of the subsidiaries, 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. The boards of the subsidiaries and managers at different levels in the Group have this responsibility within 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.

During the year, Qliro Financial Services 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. In 2019, an independent internal audit function will be responsible for monitoring and evaluating risk management and internal control activities for Nelly and CDON Marketplace, as well.

Board of Directors

Christoffer Häggblom
Chairman of the Board
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 the SaaS company Lemonsoft and Acervo, an investment company focused on listed stocks and bonds. Christoffer also sits on the boards of Qliro Group's subsidiaries Nelly and CDON Marketplace.

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

Member of the Remuneration Committee.

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

Shareholdings (including related parties): Rite Ventures owns, directly and indirectly, 10,321,494 shares.

Daniel Mytnik
Board member
Swedish, born 1971

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

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

Chairman of the Remuneration Committee and member of the Audit Committee.

Independent of the company, executive management and major shareholders.

Shareholdings (including related parties): 131,513 shares.

Erika Söderberg Johnson
Board member
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 sits on the board 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. Member of the Consolidated Situation Committee.

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

Shareholdings (including related parties): 1,300 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 also sits on the board of Qliro Group's subsidiary Nelly.

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 and Audit Committee.

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

Shareholdings (including related parties): 0 shares.

The Board was elected at the AGM on May 22, 2018 for the period until the end of the next AGM to be held on May 7, 2019.

Andreas Bernström
Board member
Swedish, born 1974

Andreas Bernström has been a member of the Board of Qliro Group since May 2018. Andreas is Investment Director at Kinnevik with a focus on the Nordic market. Andreas has been chairman of Trustly, one of Europe's fastest growing fintech companies, between 2016-2018 and has also been an industrial advisor to EQT in matters of digitization and TMT in the past seven years. In 2014, Andreas founded and launched the company Sinch, a communication platform for IOS and Android developers, which was later sold to CLX Communications. He was also CEO of Rebtel and worked for eight years at TradeDoubler, first as Managing Director for the United Kingdom and later as Chief Operating Officer. Andreas also sits on the boards of Qliro Group's subsidiaries Qliro Financial Services and CDON Marketplace.

Andreas holds a BA in Economics and French from Manchester University and an MA in Finance from Webster University.

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

Shareholdings (including related parties): 0 shares.

Lennart Jacobsen
Board member
Swedish, born 1966

Lennart Jacobsen has been a member of the Board of Qliro Group since May 2018. Lennart is active as a senior advisor and is currently chairman of the board of Qliro Financial Services. From 2013 to 2016, Lennart was EVP Head of Retail Banking at Nordea, a business that provided services to more than 10 million Nordic customers. Before entering his position at Nordea, Lennart worked for 15 years at GE Capital, finally as CEO of GE Money Bank Nordics.

Lennart has an MSc in electrical engineering and telecommunications from the Swedish Royal Institute of Technology.

Member of the Consolidated Situation Committee.

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

Shareholdings (including related parties): 40,000 shares.

Executive Management

Marcus Lindqvist
President and CEO
Born 1970

Marcus Lindqvist took over as President and CEO of Qliro Group in August 2016. His most recent position was as Head of B2B Sweden & Products at Dustin. He has previously served as Sweden Manager of Hewlett Packard's PC division and was responsible for Dell's channel business in the Nordic region. Marcus has a degree in business administration from FEI in Stockholm. Marcus is also board chairman of Qliro Group's subsidiaries Nelly and CDON Marketplace and a board member of Qliro Financial Services.

Shareholdings (including related parties): 466,979 shares.

Mathias Pedersen
Chief Financial Officer
Born 1971

Mathias Pedersen was appointed as CFO for Qliro Group in August 2016. His most recent position before that was at Kinnevik AB where he was Investment Director. Prior to this he has, among other things, been CFO for East Capital Group, East Capital Explorer and ETAC. Mathias holds a master's degree from the Stockholm School of Economics and has completed the Program for Management Development at Harvard Business School. Mathias also sits on the boards of Qliro Group's subsidiaries Nelly and CDON Marketplace.

Shareholdings (including related parties): 240,000 shares (held through pension insurance, endowment insurance or the like).

Kristoffer Väliharju
CEO of CDON Marketplace
Born 1975

Kristoffer was appointed CEO of CDON in September 2018. He joined CDON as Chief Operating Officer and member of CDON's management team in June 2017. Kristoffer has extensive experience in retail, the last three years at Dustin, including sales manager for small and medium-sized companies in the Nordic region and before that, ten years at Dell as head of distribution in the Nordics.

Shareholdings (including related parties): 12,240 shares.

Anna Ullman Sersé
CEO of Nelly
Born 1973

Anna Ullman Sersé joined as Head of Business Development for Qliro Group in December 2016. She was named Interim Head of Nelly in April 2018 and CEO of Nelly in October 2018. Anna most recently comes from the management consultancy firm Accenture Interactive where she was Nordic lead for Retail and Marketing & Content and has worked with most of the largest retailers in Sweden. Anna holds a MSc in Law and Business Administration from Stockholm University.

Shareholdings (including related parties): 34,944 shares.

Carolina Brandtman
CEO of Qliro Financial Services
Born 1974

Carolina started as CEO of Qliro Financial Services (Qliro AB) in the fourth quarter of 2018. Carolina has extensive experience from GE Money Bank (now Santander Consumer Bank) where she began in risk management in 1999 and became General Manager Sweden in 2012. After Santander Consumer Bank's acquisition, she was CEO of the business combination. Carolina has studied at the University of Örebro and at Central Queensland University.

Shareholdings (including related parties): 11,415 shares.

Consolidated income statement

		E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	Note	2018	2017	2018	2017	2018	2017	2018	2017
Net sales	4	2,951.4	3,179.8	281.2	220.1	-6.7	-3.2	3,226.0	3,396.7
Cost of sales	16	-2,374.1	-2,566.5	-106.2	-72.4	5.3	4.9	-2,475.0	-2,634.0
Gross profit/loss		**577.3**	**613.3**	**175.0**	**147.7**	**-1.4**	**1.6**	**750.9**	**762.7**
Sales & administrative expenses		-633.8	-605.3	-222.1	-167.8	20.5	5.8	-835.4	-767.3
Other operating income	7	22.4	13.4	33.0	22.3	-20.5	-5.8	34.9	29.9
Other operating expenses	7	-1.3	-0.8	-1.2	-3.7	-	-	-2.6	-4.5
Operating profit/loss	4, 5, 6, 10, 11, 12, 13, 14,16, 22, 24, 25, 27	**-35.5**	**20.6**	**-15.4**	**-1.5**	**-1.4**	**1.6**	**-52.2**	**20.7**
Financial income	8	0.7	5.0	0.0	0.0	-	-	0.7	5.0
Financial expenses	8	-31.8	-12.2	-1.2	-0.3	-	-	-33.1	-12.5
Profit/loss before tax and group contributions		**-66.5**	**13.5**	**-16.6**	**-1.9**	**-1.4**	**1.6**	**-84.5**	**13.2**
Group contributions, net		-	22.5	-	2.0	-	-	-	24.5
Tax	9							-51.5	-8.9
Profit/loss after tax for continuing operations								**-136.0**	**28.8**
Profit/loss after tax for discontinued operations								**138.6**	**-52.1**
Profit/loss after tax for continuing and discontinued operations								**2.6**	**-23.3**
Attributable to:									
Parent company shareholders								2.6	-23.3
Non-controlling interest								-	-
Profit/loss for the year								**2.6**	**-23.3**
Basic and diluted earnings per share (excluding discontinued operations), SEK								-0.91	0.19
Basic and diluted earnings per share (including discontinued operations), SEK								0.02	-0.16

Consolidated statement of comprehensive income

		Qliro Group Total	
(SEK million)	Note	2018	2017
Profit/loss for the year		2.6	-23.3
Other comprehensive income			
Items that have been or can be reclassified to profit or loss			
Translation differences for foreign operations for the year		3.2	-0.6
Other comprehensive income for the year	17	**3.2**	**-0.6**
Comprehensive income for the year		**5.9**	**-23.9**
Comprehensive income for the year attributable to:			
Parent company shareholders		5.9	-23.9
Non-controlling interest		-	-
Comprehensive income for the year		**5.9**	**-23.9**

Consolidated statement of financial position

		E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	Note	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
ASSETS									
Non-current assets									
Intangible assets	*10*								
Ongoing projects		25.9	32.0	50.8	44.4	-	-	76.7	76.4
Development expenses		56.3	51.4	98.8	85.9	-	-	155.1	137.3
Domains		1.4	1.8	-	-	-	-	1.4	1.8
Goodwill		64.0	63.0	-	-	-	-	64.0	63.0
Total intangible non-current assets		**147.5**	**148.2**	**149.6**	**130.2**	**-**	**-**	**297.2**	**278.5**
Property, plant and equipment	*11*								
Leasehold improvements		0.4	0.6	-	-	-	-	0.4	0.6
Equipment		9.1	10.4	14.3	12.0	-	-	23.4	22.4
Construction in progress		0.8	0.6	-	-	-	-	0.8	0.6
Total property, plant and equipment		**10.3**	**11.6**	**14.3**	**12.0**	**-**	**-**	**24.6**	**23.6**
Other financial non-current assets		-	-	25.1	-	-	-	25.1	-
Deferred tax asset	9	109.6	107.6	3.4	-	-	-	113.1	107.6
Total non-current assets		**267.4**	**267.4**	**192.5**	**142.2**	**-**	**-**	**459.9**	**409.7**
Current assets									
Inventory	*16*								
Finished goods and merchandise		394.6	447.2	-	-	-	-	394.6	447.2
Advances to suppliers		23.8	0.4	-	-	-	-	23.8	0.4
Total inventory		**418.4**	**447.5**	**-**	**-**	**-**	**-**	**418.4**	**447.5**
Current receivables									
Accounts receivable	13	54.9	59.8	-	0.9	-	-	54.9	60.7
Loans to the public	14	-	-	1,529.6	1,054.8	-	-	1,529.6	1,054.8
Current investments		-	-	172.1	65.2	-	-	172.1	65.2
Other current receivables, non-interest-bearing		42.5	132.2	12.5	3.4	-9.7	6.8	45.3	142.4
Prepaid expenses and accrued income	15	61.4	67.0	6.9	5.7	-	-	68.3	72.7
Total current receivables		**158.8**	**259.0**	**1,721.0**	**1,130.0**	**-9.7**	**6.8**	**1,870.0**	**1,395.8**
Cash and cash equivalents	*21*								
Cash and bank balances		670.0	553.8	21.8	70.9	-	-	691.8	624.7
Total cash and cash equivalents		**670.0**	**553.8**	**21.8**	**70.9**	**-**	**-**	**691.8**	**624.7**
Total current assets		**1,247.1**	**1,260.4**	**1,742.8**	**1,200.9**	**-9.7**	**6.8**	**2,980.2**	**2,468.1**
Total assets held for sale		**-**	**365.7**	**-**	**-**	**-**	**-**	**-**	**365.7**
Total assets		**1,514.6**	**1,893.6**	**1,935.3**	**1,343.1**	**-9.7**	**6.8**	**3,440.2**	**3,243.5**

		E-commerce		Financial Services		Eliminations		Qliro Group Total	
(SEK million)	Note	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017
EQUITY AND LIABILITIES									
Equity attributable to parent company shareholders	17								
Share capital		310.9	300.9	-	-	-	-	310.9	300.9
Reserves		1,079.3	1,221.8	-	-	-	-	1,079.3	1,221.8
Retained earnings including profit/loss for the year		-809.2	-858.5	413.5	345.4	-	-	-395.7	-513.1
Total equity attributable to parent company shareholders		**581.0**	**664.3**	**413.5**	**345.4**	**-**	**-**	**994.5**	**1,009.6**
Non-current liabilities	21								
Interest-bearing									
Borrowing facilities		-	-	457.9	324.6	-	-	457.9	324.6
Bond loan		250.0	250.0	-	-	-	-	250.0	250.0
Finance lease liabilities	22	-	-	0.4	2.6	-	-	0.4	2.6
Total non-current interest-bearing liabilities		**250.0**	**250.0**	**458.3**	**327.2**	**-**	**-**	**708.3**	**577.2**
Non-interest-bearing									
Deferred tax liability	9	-	0.6	-	-	-	-	-	0.6
Other provisions	18	1.6	3.2	-	-	-	-	1.6	3.2
Total non-current non-interest-bearing liabilities		**1.6**	**3.7**	**-**	**-**	**-**	**-**	**1.6**	**3.7**
Total non-current liabilities		**251.6**	**253.7**	**458.3**	**327.2**	**-**	**-**	**710.0**	**581.0**
Current liabilities	21								
Interest-bearing									
Deposits from the public		-	-	966.3	611.8	-	-	966.3	611.8
Finance lease liabilities	22	-	-	2.2	2.3	-	-	2.2	2.3
Total current interest-bearing liabilities		**-**	**-**	**968.5**	**614.1**	**-**	**-**	**968.5**	**614.1**
Non-interest-bearing									
Accounts payable		354.6	475.5	5.6	10.0	-	-	360.2	485.6
Other liabilities		118.1	95.4	61.5	22.9	-9.7	6.8	169.9	125.0
Accrued expenses and prepaid income	19	209.2	241.1	27.8	23.5	-	-	237.0	264.6
Total current non-interest-bearing liabilities		**681.9**	**812.0**	**94.9**	**56.4**	**-9.7**	**6.8**	**767.1**	**875.2**
Total current liabilities		**681.9**	**812.0**	**1,063.4**	**670.5**	**-9.7**	**6.8**	**1,735.6**	**1,489.3**
Total liabilities		**933.5**	**1,065.7**	**1,521.7**	**997.7**	**-9.7**	**6.8**	**2,445.6**	**2,070.2**
Liabilities attributable to assets held for sale		**-**	**163.6**	**-**	**-**	**-**	**-**	**-**	**163.6**
Total equity and liabilities		**1,514.6**	**1,893.6**	**1,935.3**	**1,343.1**	**-9.7**	**6.8**	**3,440.2**	**3,243.5**

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

Consolidated statement of changes in equity

(SEK million)	Note 17	Share capital	Other capital contribu-tions	Transla-tion reserve	Retained earnings incl. profit/loss for the year	Total	Non-con-trolling interest	Total equity
		Equity attributable to parent company shareholders						
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**
Closing balance, December 31, 2017		**300.9**	**1,077.4**	**-3.9**	**-364.7**	**1,009.5**	**0.0**	**1,009.6**
Change in accounting policy (IFRS 9)					**-23.5**	**-23.5**	**-**	**-23.5**
Opening balance, January 1, 2018		**300.9**	**1,077.4**	**-3.9**	**-388.2**	**986.2**	**-**	**986.1**
Comprehensive income for the year								
Profit/loss for the year					2.6	2.6		2.6
Other comprehensive income for the year				3.2		3.2		3.2
Comprehensive income for the year		**-**	**-**	**3.2**	**2.6**	**5.9**	**-**	**5.9**
Tax effect on change in accounting policy (IFRS 9)					5.0	5.0		5.0
Share savings plan					-2.5	-2.5		-2.5
Closing balance, December 31, 2018		**300.9**	**1,077.4**	**-0.7**	**-383.0**	**994.5**	**-**	**994.5**

Consolidated statement of cash flows

(SEK million)	Note	E-commerce 2018	E-commerce 2017	Financial Services 2018	Financial Services 2017	Eliminations 2018	Eliminations 2017	Qliro Group Total 2018	Qliro Group Total 2017
Operating activities									
Profit/loss before tax		70.0	36.0	-16.6	0.1	-	1.6	53.4	37.7
Adjustments for items not included in cash flow	26	-107.9	39.7	14.8	27.3	-	-1.6	-93.1	65.3
Income tax paid		12.4	-10.5	-0.7	-0.4	-	-	11.7	-11.0
Cash flow from operating activities before change in operating profit/loss		**-25.5**	**65.1**	**-2.5**	**27.0**	**-**	**-**	**-28.0**	**92.1**
Cash flow from changes in working capital									
Increase (-)/decrease (+) in inventories		29.1	-99.0	-	-	-	-	29.1	-99.0
Increase (-) / decrease (+) in lending to the public		-	-	-467.7	-309.1	-	-	-467.7	-309.1
Increase (-)/decrease (+) in other current receivables		46.3	-123.5	-135.6	-66.3	-	-	-89.3	-189.8
Increase (+)/decrease (-) in accounts payable		-121.0	82.7	-4.5	-15.3	-	-	-125.5	67.4
Increase (+) / decrease (-) in deposits from the public		-	-	354.5	611.8	-	-	354.5	611.8
Increase (+)/decrease (-) in other current liabilities		-71.6	-3.7	37.9	43.0	-	-	-33.7	39.2
Increase (+)/decrease (-) in borrowing facility		-	-	126.5	-187.2	-	-	126.5	-187.2
Total cash flow from changes in working capital		**-117.2**	**-143.5**	**-88.9**	**76.8**	**-**	**-**	**-206.0**	**-66.7**
Cash flow from operating activities		**-142.7**	**-78.4**	**-91.3**	**103.7**	**-**	**-**	**-234.0**	**25.4**
Investing activities									
Sales of operations[1)]	5	387.2	11.5	-	-	-	-	387.2	11.5
Investments in intangible non-current assets		-28.1	-28.5	-51.8	-66.5	-	-	-79.9	-95.0
Investments in property, plant and equipment		-2.9	-4.1	-8.0	-8.0	-	-	-10.9	-12.0
Cash flow from investing activities		**356.2**	**-21.0**	**-59.8**	**-74.5**	**-**	**-**	**296.4**	**-95.5**
Financing activities									
Shareholder contribution, net change		-100.0	-44.0	100.0	44.0	-	-	-	-
Group contributions, net change		-2.0	-0.1	2.0	-2.4	-	-	-	-2.5
Internal loan, net change		-0.1	-	0.1	-	-	-	-	-
Bond loans issued		-	246.3	-	-	-	-	-	246.3
Other cash flow from/to financing activities		-	90.0	-	-	-	-	-	90.0
Cash flow from financing activities		**-102.1**	**292.2**	**102.1**	**41.6**	**-**	**-**	**-**	**333.7**
Change in cash and cash equivalents from continuing operations		**111.4**	**192.8**	**-49.1**	**70.9**	**-**	**-**	**62.4**	**263.6**
Cash flow from discontinued operations	5								
Cash flow from operating activities		13.9	-35.2	-	-	-	-	13.9	-35.2
Cash flow from investing activities		-0.6	-8.2	-	-	-	-	-0.6	-8.2
Cash flow from financing activities		-	2.5	-	-	-	-	-	2.5
Change in cash and cash equivalents from discontinued operations		**13.3**	**-40.9**	**-**	**-**	**-**	**-**	**13.3**	**-40.9**
Change in cash and cash equivalents		**124.7**	**151.9**	**-49.1**	**70.9**	**-**	**-**	**75.7**	**222.7**
Cash and cash equivalents, start of year								**631.1**	**435.2**
Exchange rate difference for cash and cash equivalents								-0.2	0.0
Less cash from discontinued operations	5							-14.7	-33.2
Cash and cash equivalents, end of year								**691.8**	**624.7**

1) Divestment of operations in 2018 concerns consideration related to the sale of Health and Sports Nutrition HSNG AB, Lekmer AB and Tretti AB. In 2017 consideration is related to the sale of Lekmer AB.

Liabilities from credit institutions and deposits from the public are recognized in working capital as these items are associated with Qliro Financial Services.

Income statement – parent company

(SEK million)	Note	2018	2017
Net sales		18.0	27.1
Gross profit/loss		**18.0**	**27.1**
Administrative expenses		-55.7	-65.6
Operating profit/loss	22, 24, 25, 27	**-37.7**	**-38.5**
Profit/loss from shares in subsidiaries		237.7	-76.3
Interest income and similar items		1.1	10.0
Interest expenses and similar items		-16.0	-12.5
Profit/loss after financial items	8	**185.2**	**-117.3**
Group contributions received		34.1	127.0
Group contributions paid		-2.3	-51.3
Profit/loss before tax		**217.0**	**-41.6**
Tax	9	3.3	-7.9
Profit/loss for the year		**220.3**	**-49.4**

Statement of comprehensive income – parent company

(SEK million)	2018	2017
Profit/loss for the year	220.3	-49.4
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	**220.3**	**-49.4**

Balance sheet – parent company

(SEK million)	Note	December 31 2018	December 31 2017
ASSETS			
Non-current assets			
Intangible assets			
Ongoing projects	10	-	0.1
Total intangible non-current assets		**-**	**0.1**
Property, plant and equipment			
Equipment	11	0.8	1.5
Total property, plant and equipment		**0.8**	**1.5**
Financial non-current assets			
Participations in Group companies	12	929.9	797.6
Deferred tax asset	9	109.6	106.3
Total financial non-current assets		**1,039.5**	**903.9**
Total non-current assets		**1,040.3**	**905.5**
Current assets			
Current receivables			
Receivables in Group companies		14.4	164.4
Other receivables		1.7	27.1
Prepaid expenses and accrued income	15	2.9	4.0
Total current receivables		**19.0**	**195.4**
Cash and bank balances	21	431.0	545.1
Total cash and cash equivalents		**431.0**	**545.1**
Total current assets		**450.0**	**740.6**
Total assets		**1,490.3**	**1,646.1**

Balance sheet – parent company

(SEK million)	Note	December 31 2018	December 31 2017
EQUITY AND LIABILITIES			
Equity	**17**		
Restricted equity			
Share capital		310.0	300.9
Statutory reserve		0.8	0.8
Total restricted equity		**310.8**	**301.7**
Non-restricted equity			
Share premium reserve		1,076.5	1,076.5
Profit/loss brought forward		-419.7	-358.7
Profit/loss for the year		220.3	-49.4
Total non-restricted equity		**877.1**	**668.4**
Total equity		**1,187.9**	**970.1**
Provisions			
Other provisions	18	1.6	3.2
Total provisions		**1.6**	**3.2**
Non-current liabilities			
Bond loan	28	250.0	250.0
Total non-current liabilities		**250.0**	**250.0**
Current liabilities			
Accounts payable		0.9	5.1
Loans to Group companies		30.0	-
Liabilities to Group companies		13.7	375.9
Other liabilities		1.6	1.0
Accrued expenses and prepaid income	19	4.6	40.9
Total current liabilities		**50.8**	**422.8**
Total liabilities		**302.4**	**676.0**
Total equity and liabilities		**1,490.3**	**1,646.1**

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

Statement of changes in equity – parent company

(SEK million)	Note 17	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, 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**
Opening balance, January 1, 2018		**300.9**	**0.8**	**1,076.5**	**-358.7**	**-49.4**	**970.1**
Comprehensive income for the year							
Profit/loss for the year						220.3	220.3
Comprehensive income for the year		**-**	**-**	**-**	**-**	**220.3**	**220.3**
Appropriation of profits					-49.4	49.4	-
Share savings plan					-2.5		-2.5
Closing balance, December 31, 2018		**300.9**	**0.8**	**1,076.5**	**-410.6**	**220.3**	**1,187.9**

Cash flow statement – parent company

(SEK million)	Note	2018	2017
Cash flow from operations			
Profit/loss after financial items		185.2	-117.3
Adjustments for items not included in cash flow	26	-241.3	74.2
Cash flow from operating activities before change in working capital		**-56.1**	**-43.0**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		27.4	-24.6
Increase (+)/decrease (-) in accounts payable		-4.2	3.1
Increase (+)/decrease (-) in other current liabilities		-326,7	-50.1
Total cash flow from changes in working capital		**-303,5**	**-71.6**
Cash flow from operating activities		**-359,6**	**-114.7**
Investing activities			
Investment in shares in subsidiaries		0.1	-
Sales of shares in subsidiaries	5	387.2	11.5
Investments in intangible non-current assets		0.1	-0.1
Investments in property, plant and equipment	11	-	-0.5
Cash flow from investing activities		**387.4**	**10.9**
Financing activities			
Dividend from subsidiaries	6, 12	100.0	-
Shareholder contribution paid out	12	-310.4	-50.0
Group contributions paid out		-48,1	-45.6
Group contributions received		99,3	75.7
Internal loans, net		17,3	-
Bond loan		-	246.3
Cash flow from financing activities		**-141,9**	**226.3**
Cash flow for the year		**-114.1**	**122.5**
Cash and cash equivalents, start of year		545.1	422.6
Cash and cash equivalents, end of year		**431.0**	**545.1**

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, 2018, include the parent company and its subsidiaries. Qliro Group is listed on the Nasdaq Stockholm exchange under the ticker symbol "QLRO".

This annual report was approved for publication by the Board and CEO on April 2, 2019.

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 2018

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, provisions for projected credit losses will be made directly at the time of lending with the effect recognized in earnings. Some comparative figures were not recalculated.

IFRS 9 has brought about changes in the disclosure requirements in IFRS 7 Financial Instruments: Disclosures, which affected the information provided.

IFRS 15 Revenue from Contracts with Customers.

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 is now applied to the Group. Qliro Group has chosen to apply the standard going forward. The standard has not had any significant impact on the financial statements apart from extended disclosure requirements.

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

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 has chosen not to apply early adoption of IFRS 16.

The transition to IFRS 16 will result in assets and liabilities increasing by approximately SEK 95 million.

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 flows. 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.

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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 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

Note 2, continuing

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. Group revenue reflects seasonal variations. 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 Finance leases

In reporting finance leases, 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 lease 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 to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable charges are expensed in the periods in which they arise.

2.8 Finance income and expenses

Finance income comprises interest income on invested funds.

Finance 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, with operating-related in operating profit/loss and finance-related 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 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.

Also not considered are temporary differences that are attributable to interests in subsidiaries that are not expected to be reversed within the foreseeable future. Measurement of deferred tax is based on how underlying assets or liabilities are expected to be 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 prob-

Note 2, continuing

able 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.

Acquisitions and disposals 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 and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in 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 Other 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 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).

Note 2, continuing

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 the 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.

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

Note 2, continuing

changes for customers in the loan 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 Purchase of treasury shares

Acquisition of treasury shares is recognized as a deductible item from equity. Payment from divestment of such equity instruments is recognized as an increase in equity. Transaction expenses are recognized immediately 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 plan. 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 long-term performance share plans directed to certain employees that consist of shareholder rights. The fair value of the plans 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 share rights that will eventually be redeemed. The fair value expense is reported in the income statement as employee costs and including the corresponding equity increase. Fair value is revalued each month for social security contributions and is adjusted in future periods to eventually reflect the number of share rights that will eventually be redeemed. See Note 24.

The Group also has a synthetic call option plan directed at employees of the subsidiary Qliro Financial Services. The plans gave employees the right to acquire the synthetic call options from the parent company (Qliro Group AB) at market prices. The market value of the options was calculated by an independent valuation institute, applying a standard model for the valuation of options (Black-Scholes). The change in value of the options is linked to the long-term change in value of Qliro Financial Services. Participants in the synthetic call option plans may exercise their options three years after the options were issued or if Qliro Group divests Qliro Financial Services. 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 exercise of the option is at least 152-171 percent of the established value at the exercise date (exercise price). Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, as a rule through the parent company Qliro Group AB's transference of its own ordinary shares to the participants. Because the plan is aimed at employees and the payment is made with shares in the

Note 2, continuing

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 and other comprehensive income. When a business is classified as discontinued, the formation of the comparative year's income statement and statement of other comprehensive income is changed so that it is 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 2018 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 increase/decrease the cost. In the consolidated accounts, contingent considerations are recognized at fair value with changes in value via earnings.

2.22.1.4 Group contributions and shareholder contributions for legal entities

The parent company reports Group contributions received and paid as balance sheet appropriations in accordance with RFR 2. Shareholder contributions are 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.

Not 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 loan 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.

Provisions and contingent liabilities

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

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

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 2018 the parent company provided the Group segments with specific services at cost. Qliro Group Services AB provided some Group segments with staffing services. Qliro Financial Services (QFS) provided the Group with financial services to merchants and consumers. Pricing of these services was based on market terms.

	2018									
Group (SEK million)	CDON	Nelly	Group-wide	Elim.	**Total E-commerce**	QFS	**Financial Services**	Elim.	Consolidation adjustment[1]	**Group total**
External net sales	1,560.2	1,391.0	0.2		**2,951.4**	275.9	**275.9**		-1.4	**3,226.0**
Internal net sales	0.0	0.0	1.6	-1.6	**0.0**	5.3	**5.3**	-5.3		**0.0**
Cost of sales					**-2,374.1**		**-106.2**	5.3		**-2,475.0**
Sales and administrative expenses, excluding depreciation and impairment					**-600.7**		**-184.0**	20.5		**-764.3**
Other operating income					**22.4**		**33.0**	-20.5		**34.9**
Other operating expenses					**-1.3**		**-1.2**	0.0		**-2.6**
EBITDA	-18.7	56.8	-40.5		**-2.4**	22.7	**22.7**		-1.4	**19.0**
Depreciation, amortization and impairment	-11.7	-20.6	-0.7		**-33.1**	-38.1	**-38.1**			**-71.2**
Operating profit/loss	-30.4	36.2	-41.2		**-35.5**	-15.4	**-15.4**		-1.4	**-52.2**
Financial income					**0.7**		**0.0**	0.0		**0.7**
Financial expenses					**-31.8**		**-1.2**	0.0		**-33.1**
Profit/loss before tax and Group contributions					**-66.5**		**-16.6**		**-1.4**	**-84.5**

Note 4, continuing

	2017									
Group (SEK million)	CDON	Nelly	Group-wide	Elim.	**Total E-commerce**	QFS	**Financial Services**	Elim.	Consolida-tion adjust-ment[1]	**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**

The tables above show continuing operations.

[1] Consolidated adjustment between Qliro Financial Services and internal clients is 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		Non-current assets	
	2018	2017	**2018**	2017
Sweden	1,775.3	1,926.8	386.4	597.2
Other Nordics	1,290.2	1,344.3	23.3	0.1
Rest of world	160.4	125.7	0.0	-
Total	**3,226.0**	**3,396.7**	**409.7**	**620.3**

Sales per type of income (SEK million)	**2018**	2017
Products	2,780.6	2,996.7
Services	445.3	400.0
Total revenue	**3,226.0**	**3,396.7**

Note 5 Discontinued operations

Discontinued operations 2018:

Qliro Group (publ) announced on November 21, 2017 that it signed an agreement to sell the subsidiary Health and Sports Nutrition HSNG AB (HSNG).

On January 30, 2018, Qliro Group AB (publ) completed the sale of the subsidiary HSNG to Orkla. HSNG sales were valued at SEK 360 million on a cash and debt-free basis with a normalized operating income. HSNG was an independent subsidiary of Qliro Group.

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) was received on April 30, 2018. This loan had an annual interest rate of 7 percent.

Note 5, continuing

Group (SEK million)	2018	2017
Income	70.4	934.9
Expenses	-69.4	-978.4
Profit/loss before tax	**1.0**	**-43.5**
Tax	-0.3	9.2
Profit/loss after tax but before capital gain from discontinued operations	**0.7**	**-34.3**
Profit/loss after sale of shares incl. divestment costs	137.9	-17.8
Profit/loss after tax from discontinued operations	**138.6**	**-52.1**
Earnings per share from discontinued operations		
basic, SEK	0.93	-0.35
diluted, SEK	0.92	-0.35

Net cash flow from discontinued operations

Group (SEK million)	2018	2017
Cash flow to/from operating activities	13.9	-35.2
Cash flow to/from investing activities	-0.6	-8.2
Cash flow to/from financing activities	-	2.5
Net cash flow from discontinued operations	**13.3**	**-40.9**

Effect of divestment on individual Group assets and liabilities

Group (SEK million)	2018	2017
Intangible assets	-212.8	-16.2
Property, plant and equipment	-3.0	-0.9
Financial non-current assets	-	-15.4
Inventory	-96.1	-82.2
Accounts receivable and other receivables	-50.8	-6.6
Cash and cash equivalents	-14.7	-26.2
Deferred tax liability	10.8	1.1
Accounts payable and other liabilities	139.3	135.0
Net divested assets and liabilities	**-227.4**	**-11.3**
Consideration received[1]	387.2	11.5
Accrued consideration[1]	-	37.4
Less: Cash and cash equivalents in divested operations	-14.7	-26.8
Effect on cash and cash equivalents	**372.5**	**-15.3**

Received and accrued consideration

1)Consideration received for 2018 includes consideration for the sale of Health and Sports Nutrition HSNG AB and Lekmer AB. Received and accrued consideration for 2017 is included in the table above, including 7 percent annual interest.

Deferred consideration

1)The consideration amounted to SEK 35.2 million excluding interest. SEK 10.2 million was paid on December 29, 2017 in cash. The remaining SEK 25 million was paid on April 30, 2018.

Note 6 Assets held for sale

Assets held for sale 2018

As of December 31, 2018, no assets are held for sale. On January 30, 2018, it was announced that the sale of Health and Sports Nutrition HSNG AB had been completed.

Assets held for sale 2017

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. HSNG was an independent subsidiary of Qliro Group. As of December 31, 2017, HSNG is recognized as held for sale.

HSNG's value at the time of sale was SEK 360 million on a debt-free basis with normalized working capital.

Group (SEK million)	2018	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)	2018	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 had assets of SEK 365.7 million less liabilities totaling SEK 163.6 million.

Note 7 Other operating income and expenses

(SEK million)	Group							
	E-commerce		Financial Services		Eliminations		Qliro Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Other operating income								
Gain from sale of operations	-	5.8	-	-	-	-	-	5.8
Exchange gains on operating receivables/liabilities	2.7	1.6	-	-	-	-	2.7	1.6
Other operating income	19.6	6.0	33.0	22.3	-20.5	-5.8	32.2	22.5
Total	**22.4**	**13.4**	**33.0**	**22.3**	**-20.5**	**-5.8**	**34.9**	**29.9**
Other operating expenses								
Loss on sale of non-current assets	-1.0	-	-	-	-	-	-1.0	-
Exchange losses on operating receivables/liabilities	-0.3	-0.8	-1.0	-0.6	-	-	-1.2	-1.5
Other operating expenses	-0.1	-	-0.2	-3.1	-	-	-0.4	-3.1
Total	**-1.3**	**-0.8**	**-1.2**	**-3.7**	**-**	**-**	**-2.6**	**-4.5**

(SEK million)	Parent company	
	2018	2017
Other operating income		
Other operating income	0.0	0.0
Total	**0.0**	**0.1**
Other operating expenses		
Exchange losses on operating receivables/liabilities	0.0	-
Total	**0.0**	**-**

Note 8 Financial items

(SEK million)	Group							
	E-commerce		Financial Services		Eliminations		Qliro Group Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Interest income:								
- Interest income, other	0.1	0.0	0.0	0.0	-	-	0.1	0.0
Net exchange differences	-	3.1	-	-	-	-	0.0	3.1
Other	0.6	1.9	-	-	-	-	0.6	1.9
Financial income	**0.7**	**5.0**	**0.0**	**0.0**	**-**	**-**	**0.7**	**5.0**
Interest expenses:								
- Interest expense, bond loan	-12.1	-11.2	-	-	-	-	-12.1	-11.2
- Interest expenses, internal	0.3	-	-0.3	-	-	-	-	-
- Interest expenses, other	-15.9	-1.3	-1.0	-0.1	-	-	-16.8	-1.3
Net exchange differences	-3.0	-1.4	-	-	-	-	-3.0	-1.4
Other	-1.1	1.7	0.0	-0.3	-	-	-1.1	1.4
Financial expenses	**-31.8**	**-12.2**	**-1.2**	**-0.3**	**-**	**-**	**-33.1**	**-12.5**
Net financial items	**-31.1**	**-7.2**	**-1.2**	**-0.3**	**-**	**-**	**-32.3**	**-7.5**

Note 8, continuing

(SEK million)	Parent company 2018	Parent company 2017
Dividend from subsidaries	100.0	-
Profit on sale of shares in subsidiaries	138.7	0.6
Loss on sale of shares in subsidiaries	-	-76.8
Impairment of shares in subsidiaries	-1.0	-0.1
Profit/loss from shares in subsidiaries	**237.7**	**-76.3**
Interest income:		
- Subsidiary, Qliro Group	0.6	5.5
- Interest income, other	0.6	0.1
Net exchange differences	-	3.1
Other	-	1.4
Financial income	**238.8**	**-66.2**
Interest expenses:		
- Subsidiary, Qliro Group	0.0	-0.2
- Interest expenses, other	-0.3	-1.2
Net exchange differences	-3.5	0.0
Other	-12.2	-11.2
Financial expenses	**-16.0**	**-12.5**
Net financial items	**222.8**	**-78.7**

Note 9 Taxes

Distribution of tax expenses (SEK million)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Current tax expense				
Tax expense for the year	-0.9	-0.5	-	-
Adjustment of tax attributable to prior years[1)]	-57.4	0.0	-	-
Total	**-58.2**	**-0.5**	**-**	**-**
Deferred tax				
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	6.7	-	3.3	-
Deferred tax expense in loss carry-forwards used during the year	-	-7.9	-	-7.9
Other	-	-0.5	-	-
Total	**6.7**	**-8.4**	**3.3**	**-7.9**
Total recognized consolidated tax expense	**-51.5**	**-8.9**	**3.3**	**-7.9**

[1)] In January 2016, Qliro Group announced that the tax administration in Finland decided to place an additional tax on CDON Alandia (a Qliro Group company in the Åland Islands) for the 2012 fiscal year. CDON Alandia appealed against the decision to the Helsinki Administrative Court, which announced on May 18, 2018, that it largely rejected CDON Alandia's claims. Consequently, a tax expense of SEK 57 million and an interest expense of SEK 13 million were recognized in the second quarter of 2018. The amount was paid in advance. CDON Alandia has submitted an appeal to the Finnish Supreme Administrated Court.

Note 9, continuing

Reconciliation of tax expense (SEK million)	Group				Parent company			
	2018	%	2017	%	2018	%	2017	%
Profit/loss before tax	-84.5		37.7		217.0		-41.6	
Tax as per applicable tax rate for parent company	18.6	-22.0	-8.3	-22.0	-47.7	-22.0	9.1	-22.0
Effect of other tax rates for foreign subsidiaries	-0.7	0.8	-0.2	-0.4	-	-	-	-
Non-taxable income	52.3	-61.9	24.1	63.8	52.3	24.1	0.1	-0.3
Non-deductible expenses	-45.8	54.1	-25.1	-66.5	-0.2	-0.1	-17.1	41.2
Utilization of previously uncapitalized loss carry-forwards	-7.5	8.9	-	0.0	-	-	-	0.0
Revalued loss carry-forward	-	-	-	0.0	-	-	-	0.0
Other permanent effects	-	-	0.8	2.1	-	-	-	-
Tax effect of convertible loan	-	-	-	0.0	-	-	-	-
Effects of changes in tax rate	-11.1	13.1	-0.2	-0.6	-1.0	-0.5	-	-
Tax attributable to prior years	-57.4	67.9	0.0	-0.1	-	-	-	-
Effective tax/tax rate	**-51.5**	**60.9**	**-8.9**	**-23.7**	**3.3**	**1.5**	**-7.9**	**18.9**

Recognized deferred tax assets and liabilities (SEK million)	Group		Parent company	
	December 31 2018	December 31 2017	December 31 2018	December 31 2017
Deferred tax asset				
Loss carry-forwards	113.1	106.3	109.6	106.3
Other	-	1.3	-	-
Total	**113.1**	**107.6**	**109.6**	**106.3**
Deferred tax liability				
Other	-	0.6	-	-
Total	**-**	**0.6**	**-**	**-**
Net deferred tax	**113.1**	**107.0**	**109.6**	**106.3**

Change in net temporary differences

Group (SEK million)	2018						
	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	106.3	6.7					113.1
Intellectual property rights	0.0						0.0
Other	0.7					-0.7	0.0
Total	**107.0**	**6.7**	**-**	**-**	**-**	**-0.7**	**113.1**

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
Other	1.1	-0.5				0.1	0.7
Total	**109.6**	**-8.4**	**-**	**5.7**	**-**	**0.1**	**107.0**

Parent company (SEK million)	2018 Opening balance January 1	2018 Deferred tax income	2018 Recog-nized in equity	2018 Closing balance, December 31
Temporary differences				
Loss carry-forwards	106.3	3.3	-	109.6
Total	**106.3**	**3.3**	**-**	**109.6**

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

At December 31, 2018, recognized consolidated loss carry-forwards without an expiration date amounted to SEK 536.8 (486.4) million. The 2018 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

	Group					
	E-commerce		Financial Services		Qliro Group Total	
Development expenditures and ongoing projects (SEK million)	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**204.7**	**217.2**	**170.9**	**104.4**	**375.6**	**321.6**
Investments	28.1	28.5	51.8	66.5	79.9	95.0
Impairment losses	-1.0	-	-	-	-1.0	-
Divestments	-	-19.1	-	-	-	-19.1
Sales/disposals	-	0.0	-	-	-	0.0
Translation difference	-0.9	-	-	-	-0.9	-
Less: Assets held for sale	-	-21.9	-	-	-	-21.9
Closing accumulated cost	**230.8**	**204.7**	**222.7**	**170.9**	**453.5**	**375.6**
Opening accumulated amortization	**-121.2**	**-101.6**	**-40.7**	**-18.3**	**-161.8**	**-120.0**
Amortization	-27.5	-34.7	-32.4	-22.3	-59.9	-57.0
Impairment losses	-	-0.4	-	-	-	-0.4
Divestments	-	8.7	-	-	-	8.7
Less: Assets held for sale	-	6.8	-	-	-	6.8
Closing accumulated amortization	**-148.6**	**-121.2**	**-73.1**	**-40.7**	**-221.7**	**-161.8**
Carrying amounts	**82.2**	**83.5**	**149.6**	**86.1**	**231.8**	**213.7**

	Parent company	
Development expenditures and ongoing projects (SEK million)	2018	2017
Opening accumulated cost	**0.1**	**0.0**
Investments	-	0.1
Impairment losses	-0.1	-
Closing accumulated cost	**0.0**	**0.1**
Carrying amounts	**0.0**	**0.1**

The capitalized expenditures for development and similar work items consist 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 59.9 (57.0) 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		Financial Services		Qliro Group total	
	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**5.0**	**7.0**	**-**	**-**	**5.0**	**7.0**
Divestments	-	-1.2	-	-	-	-1.2
Less: Assets held for sale	-	-0.9	-	-	-	-0.9
Closing accumulated cost	**5.0**	**5.0**	**-**	**-**	**5.0**	**5.0**
Opening accumulated amortization	**-3.2**	**-4.3**	**-**	**-**	**-3.2**	**-4.3**
Amortization for the year	-0.4	-0.5	-	-	-0.4	-0.5
Divestments	-	0.9	-	-	-	0.9
Less: Assets held for sale	-	0.6	-	-	-	0.6
Closing accumulated amortization	**-3.6**	**-3.2**	**-**	**-**	**-3.6**	**-3.2**
Carrying amounts	**1.4**	**1.8**	**-**	**-**	**1.4**	**1.8**

This item relates to expenses for registering and maintaining the company's internet domains. Amortization costs of SEK 0.4 (0.5) million are included in consolidated sales and administrative expenses.

Trademarks (SEK million)	Group					
	E-commerce		Financial Services		Qliro Group total	
	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**-**	**54.0**	**-**	**-**	**-**	**54.0**
Divestments	-	-5.1	-	-	-	-5.1
Less: Assets held for sale	-	-48.9	-	-	-	-48.9
Closing accumulated cost	**-**	**0.0**	**-**	**-**	**-**	**0.0**
Carrying amounts	**-**	**0.0**	**-**	**-**	**-**	**0.0**

No trademarks were identified in 2018.

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

Customer relationships (SEK million)	Group					
	E-commerce		Financial Services		Qliro Group total	
	2018	2017	2018	2017	2018	2017
Opening accumulated cost	-	1,2	-	-	-	1,2
Divestments	-	-1,2	-	-	-	-1,2
Closing accumulated cost	**-**	**0,0**	**-**	**-**	**-**	**0,0**
Opening accumulated amortization	-	-1,2	-	-	-	-1,2
Divestments	-	1,2	-	-	-	1,2
Closing accumulated amortization	**-**	**0,0**	**-**	**-**	**-**	**0,0**
Carrying amounts	**-**	**0,0**	**-**	**-**	**-**	**0,0**

No customer relationships were identified in 2018.

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 last year. No impairment losses were taken in 2017.

Note 10, continuing

	Group					
	E-commerce		Financial Services		Qliro Group total	
Goodwill (SEK million)	2018	2017	2018	2017	2018	2017
Opening accumulated cost	63.0	211.5	-	-	63.0	211.5
Divestments during the year	-	-3.7	-	-	-	-3.7
Exchange differences	1.0	0.7	-	-	1.0	0.7
Less: Assets held for sale	-	-145.5	-	-	-	-145.5
Closing accumulated cost	**64.0**	**63.0**	**-**	**-**	**64.0**	**63.0**
Carrying amounts	**64.0**	**63.0**	**-**	**-**	**64.0**	**63.0**

The item refers to goodwill on the acquisition of CDON AB and NLY Scandinavia AB. There were no acquisitions or divestments in 2018.

The 2017 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 in 2017, 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.

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)	2018	2017
CDON Group	24.3	23.3
NLY Group	39.7	24.1
HSNG Group	-	145.5
Less: Assets held for sale (HSNG Group)	-	-145.5
NLY Logistics AB (former CDON Group Logistics AB)	-	15.7
Total	**64.0**	**63.0**

NLY Logistics AB (former CDON Group Logistics AB) is now a subsidiary of NLY Scandinavia AB. The NLY Group's goodwill value thus includes the goodwill value of NLY Logistics AB.

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 9.4 percent (9.3) after tax. The nature of and market for each unit, and therefore the risk, was determined to be so similar that the same discount rate is used for all units. The discount rate before tax amounts to 11.4 percent.

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 forecasted 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)	2018	2017
HSNG Group	-	48.9
Less: Assets held for sale (HSNG Group)	-	-48.9
Lekmer Group	-	-
Total	**-**	**-**

No trademarks were recognized in 2018.

For disclosures on impairment testing of cash-generating units holding trademarks in 2017, see the previous section on goodwill testing. The trademarks were included in the cash-generating units that were tested as stated above. In addition, the trademarks were tested individually based on the trademarks' share of sales and/or the trademarks' market value based on market position.

Note 11 Property, plant and equipment

	Group					
	E-commerce		Financial Services		Qliro Group total	
Leasehold improvements (SEK million)	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**3.9**	**3.8**	**-**	**-**	**3.9**	**3.8**
Reclassifications	0.2	0.1	-	-	0.2	0.1
Closing accumulated cost	**4.2**	**3.9**	**-**	**-**	**4.2**	**3.9**
Opening accumulated depreciation	**-3.4**	**-2.1**	**-**	**-**	**-3.4**	**-2.1**
Depreciation for the year	-0.4	-1.3	-	-	-0.4	-1.3
Closing accumulated depreciation	**-3.8**	**-3.4**	**-**	**-**	**-3.8**	**-3.4**
Carrying amounts	**0.4**	**0.6**	**-**	**-**	**0.4**	**0.6**

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 0.4 (1.3) million are included in consolidated sales and administrative expenses.

	Group					
	E-commerce		Financial Services		Qliro Group total	
Equipment (SEK million)	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**39.3**	**49.7**	**20.8**	**12.9**	**60.1**	**62.6**
Investments	1.5	3.4	8.0	8.0	9.6	11.4
Reclassifications	1.9	0.2	-	-	1.9	0.2
Sales/disposals	-	-2.9	-	-	-	-2.9
Assets held for sale	-	-11.2	-	-	-	-11.2
Closing accumulated cost	**42.7**	**39.3**	**28.8**	**20.8**	**71.5**	**60.1**
Opening accumulated depreciation	**-28.9**	**-32.6**	**-8.8**	**-3.5**	**-37.7**	**-36.1**
Depreciation for the year	-4.7	-6.5	-5.7	-5.3	-10.4	-11.7
Divestments	-	1.9	-	-	-	1.9
Assets held for sale	-	8.2	-	-	-	8.2
Closing accumulated depreciation	**-33.6**	**-28.9**	**-14.5**	**-8.8**	**-48.1**	**-37.7**
Carrying amounts	**9.1**	**10.4**	**14.3**	**12.0**	**23.4**	**22.4**

Depreciation costs of SEK 10.4 (11.7) million are included in consolidated sales and administrative expenses.
Assets held for sale in 2017 are attributable to HSNG AB.

Not 11, continuing

Equipment (SEK million)	Parent company 2018	Parent company 2017
Opening accumulated cost	**4.4**	**3.9**
Investments	-	0.5
Closing accumulated cost	**4.4**	**4.4**
Opening accumulated depreciation	**-2.9**	**-2.2**
Depreciation for the year	-0.7	-0.7
Closing accumulated depreciation	**-3.6**	**-2.9**
Carrying amounts	**0.8**	**1.5**

Depreciation costs of SEK 0.7 (0.7) 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	2018	2017	2018	2017	2018	2017
Opening accumulated cost	**0.6**	**0.2**	**-**	**-**	**0.6**	**0.2**
Investments	1.4	0.6	-	-	1.4	0.6
Reclassifications	-1.2	-0.2	-	-	-1.2	-0.2
Closing accumulated cost	**0.8**	**0.6**	**-**	**-**	**0.8**	**0.6**
Carrying amounts	**0.8**	**0.6**	**-**	**-**	**0.8**	**0.6**

The item refers to expenditures on capital investments for 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, 2018	Carrying amount Dec 31, 2017
CDON AB	556406-1702	Malmö	1,000	100.0	100.0	252.8	52.8
Nelly NLY AB (former NLY Scandinavia AB)	556653-8822	Borås	172,100	100.0	100.0	231.1	196.9
Health and Sports Nutrition Group HSNG AB	556564-4258	Stockholm	1,000	100.0	100.0	-	202.1
Qliro AB	556962-2441	Stockholm	50,050,000	100.0	100.0	445.7	345.7
NLY Logistics AB (former CDON Group Logistics AB)	556904-0834	Borås	50,000	100.0	100.0	-	0.1
Qliro Group Services AB	559018-1185	Stockholm	50,000	100.0	100.0	0.4	0.1
Qliro Group Shared Services AB	556774-1300	Stockholm	1,000	100.0	100.0	-	-
Total						**929.9**	**797.6**

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
Nelly NLY AB (former NLY Scandinavia AB)	556653-8822	Borås	172,100	100.0	100.0
NLY Norge AS	896 508 202	Norge	100	100.0	100.0
NLY Logistics AB (former CDON Group Logistics AB)	556904-0834	Borås	50,000	100.0	100.0
Qliro AB	556962-2441	Stockholm	50,050,000	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	
	2018	2017
Opening accumulated cost	**839.4**	**850.6**
Shareholder contribution	359.9	59.1
Divestments[1]	-226.6	-70.3
Closing balance, December 31	**972.7**	**839.4**
Opening accumulated impairment	**-41.8**	**-41.8**
Impairment losses for the year	-1.0	-
Closing balance, December 31	**-42.8**	**-41.8**
Carrying amount, December 31	**929.9**	**797.6**

[1] The consideration including interest pertaining to the sale of subsidiary Health and Sports Nutrition HSNG AB to Orkla was SEK 368.0 million. The consideration pertaining to the sale of subsidiary Lekmer AB to Babyshop Sthlm Holding AB in 2017 was SEK 35.2 million.

Note 13 Accounts receivable

Credit exposure

During the year, loan losses of SEK 6.7 (3.7) million arose in the Group. Credit losses incurred that exceed the amount reserved comprise SEK 6.3 million. The credit losses relate to losses on several smaller customers. See Note 21.

	Group					
	E-commerce		Financial Services		Qliro Group total	
(SEK million)	**2018**	2017	**2018**	2017	**2018**	2017
Accounts receivable not overdue or impaired	36.2	40.4	-	0.5	36.2	40.9
Accounts receivable overdue but not impaired	18.7	19.4	-	0.4	18.7	19.8
Accounts receivable impaired	1.6	2.3	-	-	1.6	2.3
Provision for bad debts	-1.6	-2.3	-	-	-1.6	-2.3
Total accounts receivable	**54.9**	**59.8**	**-**	**0.9**	**54.9**	**60.7**

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

Note 13, continuing

Receivables past due without provision for bad debts (SEK million)	Dec 31 2018	Dec 31 2017
<30 days	8.8	18.9
30-90 days	9.9	0.6
>90 days	-	0.2
Total	**18.7**	**19.8**

Receivables past due with provision for bad debts, SEK million	Dec 31 2018	Dec 31 2017
<30 days	0.0	0.9
30-90 days	0.1	-
>90 days	1.5	1.4
Total	**1.6**	**2.3**

Provision for bad debts, SEK million	Dec 31 2018	Dec 31 2017
Opening balance, January 1	-2.3	-6.0
Provision for potential losses	-0.5	-1.2
Unutilized amount reversed during the period	1.6	2.1
Actual losses	-0.4	-1.2
Less: Assets held for sale	-	3.9
Closing balance, December 31	**-1.6**	**-2.3**

Note 14 Loans to the public

	Group					
	E-commerce		Financial Services		Qliro Group total	
(SEK million)	2018	2017	2018	2017	2018	2017
Outstanding loans receivable, gross						
-Swedish currency	-	-	1,314.5	830.9	1,314.5	830.9
-Foreign currency	-	-	309.8	255.1	309.8	255.1
Carrying amount, gross	**-**	**-**	**1,624.3**	**1,086.1**	**1,624.3**	**1,086.1**
Of which bad debts						
-Collective impairment of collectively assessed loans	-	-	-94.7	-31.2	-94.7	-31.2
Carrying amount, net	**-**	**-**	**1,529.6**	**1,054.8**	**1,529.6**	**1,054.8**

	Group					
	E-commerce		Financial Services		Qliro Group total	
(SEK million)	2018	2017	2018	2017	2018	2017
Loans receivable not overdue or impaired	-	-	882.7	749.3	882.7	749.3
Loans receivable overdue but not impaired	-	-	741.6	336.7	741.6	336.7
Provision for doubtful loans receivable	-	-	-94.7	-31.2	-94.7	-31.2
Total loans receivable	**-**	**-**	**1,529.6**	**1,054.8**	**1,529.6**	**1,054.8**

Overdue loans receivable (SEK million)	Dec 31 2018	Dec 31 2017
<30 days	469.8	185.0
30-90 days	121.1	55.1
>90 days	150.7	96.6
Total	**741.6**	**336.7**

Provision for doubtful loans receivable (SEK million)	Dec 31 2018	Dec 31 2017
Opening balance, January 1	-31.2	-29.9
Provision for/dissolution of reserve for credit losses	-81.6	-27.9
Actual losses	18.1	26.6
Closing balance, December 31	**-94.7**	**-31.2**

Note 14, continuing

Qliro Financial Services' reserve for credit losses is valued according to a model for expected loan losses and reflects a probability-weighted amount determined by evaluating a number of possible outcomes. This is done in accordance with the new accounting recommendation IFRS9, which came into force on January 1, 2018.

Calculation of reserve for credit losses is made monthly.

Lending to the public consists mainly of two credit portfolios
Personal loans 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 from 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.

Lending to the public totaled SEK 1,529.6 million, of which sales financing amounted to SEK 1,213.0 million and personal loans to SEK 316.6 million.

Note 15 Prepaid expenses and accrued income

	Group					
	E-commerce		Financial Services		Qliro Group total	
(SEK million)	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017
Prepaid rent	4.4	5.8	0.0	-	4.4	5.8
Prepaid insurance expenses	0.7	0.4	0.0	-	0.8	0.4
Prepaid licensing costs	4.3	2.6	1.9	0.9	6.2	3.5
Accrued income	37.1	42.1	0.1	0.1	37.3	42.2
Other prepaid expenses and accrued income	14.8	16.1	4.8	4.7	19.6	20.8
Total	**61.4**	**67.0**	**6.9**	**5.7**	**68.3**	**72.7**

	Parent company	
(SEK million)	**Dec 31 2018**	Dec 31 2017
Prepaid rent	2.2	0.1
Prepaid insurance expenses	0.5	0.3
Prepaid licensing costs	-	2.2
Other prepaid expenses and accrued income	0.2	1.3
Total	**2.9**	**4.0**

Note 16 Inventories

	Group					
	E-commerce		Financial Services		Qliro Group total	
(SEK million)	**2018**	2017	**2018**	2017	**2018**	2017
Finished goods and merchandise	394.6	447.2	-	-	394.6	447.2
Advances to suppliers	23.8	0.4	-	-	23.8	0.4
Total	**418.4**	**447.5**	**-**	**-**	**418.4**	**447.5**

Consolidated cost of sales includes SEK -3.7 (6.7) 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, 2018, share capital comprised 154,994,779 (150,444,779) shares. Each share has a quotient value of SEK 2.

Issued shares	No. of shares	Share capital (SEK million)
Ordinary shares	149,694,779	299.4
C shares	5,300,000	10.6
Total number of shares issued/total share capital at December 31, 2018	**154,994,779**	**310.0**

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
2018-04-30	Cash issue C shares[1]	9,100,000	4,550,000	309,989,558	154,994,779
Number of issued shares/share capital on December 31, 2018		**309,989,558**	**154,994,779**	**309,989,558**	**154,994,779**

[1] 2018-05-30 425,000 C shares (held by the company) were converted to 425,000 ordinary shares.

Class C shares were issued for distribution to participants in the Group's long-term incentive plans. See Note 24 for more information.

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 from 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 2018, 2013, 2012 and 2011 were implemented for use in the Group's incentive plans. See Note 24 for further details regarding the incentive plan. 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)	2018	2017
Opening balance, January 1	-3.9	-3.3
Translation difference for the year	3.2	-0.6
Total accumulated translation differences	**-0.6**	**-3.9**

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 2019 Annual General Meeting that no dividend be paid to shareholders for the financial year ending December 31, 2018, and that retained earnings for the year be carried forward into the 2019 accounts.

Note 17, continuing

Proposed appropriation of profits	Moderbolaget 2018	2017
Share premium reserve	1,076.5	1,076.5
Retained earnings	-419.7	-358.7
Profit/loss for the year	220.3	-49.4
Total	**877.1**	**668.4**

The Board proposes that the retained earnings, share premium reserve and profit for the year for a total of SEK 877.1 (668.4) million be carried forward. The share premium reserve amounts to SEK 1,076.5 (1,076.5) million.

Note 18 Other provisions

	Group					
	E-commerce		Financial Services		Qliro Group total	
Other provisions (SEK million)	2018	2017	2018	2017	2018	2017
Provisions for social security contributions on share-based remuneration	1.6	3.2	-	-	1.6	3.2
Total	**1.6**	**3.2**	**-**	**-**	**1.6**	**3.2**

Other provisions (SEK million)	Parent company 2018	2017
Provisions for social security contributions on share-based remuneration	1.6	3.2
Total	**1.6**	**3.2**

Provisions for share-based remuneration (SEK million)	Group 2018	2017	Parent company 2018	2017
Carrying amount at start of period	**3.2**	**0.7**	**3.2**	**0.7**
Change in provision during the period	-1.5	1.7	-1.5	1.7
Less: Assets held for sale	-	0.7	-	0.7
Carrying amount at end of period	**1.6**	**3.2**	**1.6**	**3.2**

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

	Group					
	E-commerce		Financial Services		Qliro Group total	
Total provisions (SEK million)	2018	2017	2018	2017	2018	2017
Total carrying amount at start of period	**3.2**	**4.8**	**-**	**-**	**3.2**	**4.8**
Increase in provision during the period	-	2.5	-	-	-	2.5
Dissolution of provision during the period	-1.5	-0.7	-	-	-1.5	-0.7
Less: Assets held for sale	-	-3.4	-	-	-	-
Total carrying amount at end of period	**1.6**	**3.2**	**-**	**-**	**1.6**	**6.6**
Of which total non-current portion of provisions	1.6	3.2	-	-	1.6	3.2
Of which total current portion of provisions	-	-	-	-	-	-

Total provisions (SEK million)	Parent company 2018	Parent company 2017
Total carrying amount at start of period	3.2	0.7
Increase in provision during the period	-	2.5
Dissolution of provision during the period	-1.5	-
Less: Assets held for sale	-	-
Total carrying amount at end of period	**1.6**	**3.2**
Of which total non-current portion of provisions	1.6	3.2
Of which total current portion of provisions	-	-

Payments (SEK million)	Group 2018	Group 2017	Parent company 2018	Parent company 2017
Amount for which payment is expected to be made after 12 months	1.6	3.2	3.2	3,2

Note 19 Accrued expenses and deferred income

(SEK million)	Group E-commerce Dec 31 2018	Group E-commerce Dec 31 2017	Group Financial Services Dec 31 2018	Group Financial Services Dec 31 2017	Group Qliro Group total Dec 31 2018	Group Qliro Group total Dec 31 2017
Accrued personnel expenses	42.9	53.1	15.8	12.8	58.7	65.9
Accrued expenses for cost of sales	45.5	61.2	-	-	45.5	61.2
Accrued distribution costs	22.2	25.1	1.1	0.3	23.2	25.4
Accrued merchandise handling costs	6.2	9.4	-	-	6.2	9.4
Accrued marketing costs	22.5	11.3	0.0	0.1	22.5	11.4
Accrued interest expenses	-	1.3	-	0.7	-	1.9
Accrued provisions for returns	29.7	16.7	-	-	29.7	16.7
Deferred income	6.5	5.1	-	-	6.5	5.1
Other	33.6	57.9	11.0	9.7	44.6	67.6
Total	**209.2**	**241.1**	**27.8**	**23.5**	**237.0**	**264.6**

(SEK million)	Parent company 31 dec 2018	Parent company 31 dec 2017
Accrued personnel expenses	3.0	11.4
Other	1.6	29.5
Total	**4.6**	**40.9**

Note 20 Pledged assets and contingent liabilities

Contingent liabilities (SEK million)	Group Dec 31 2018	Group Dec 31 2017	Parent company Dec 31 2018	Parent company Dec 31 2017
Bank guarantees and sureties to external parties	45.2	27.8	9.6	27.8
Parent company guarantees to external parties	111.3	142.0	111.3	142.0
Surety for Qliro Financial Services' utilized credit facility	-	-	457.9	324.6
Total	**156.5**	**169.8**	**578.8**	**494.4**

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.

Note 20, continuing

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

	Group		Parent company	
Pledged assets (SEK million)	**Dec 31 2018**	Dec 31 2017	**Dec 31 2018**	Dec 31 2017
Pledged loans receivable	1,213.0	993.6	-	-
Total	**1,213.0**	**993.6**	**-**	**-**

Pledged loans receivable relate entirely to Qliro Financial Services, which uses its accounts 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 accounts receivables 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. 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, 2018**	Dec 31, 2017
Total equity	994.5	1,009.6

On May 18, 2017, Qliro Group announced that it had issued a three-year unsecured bond loan of SEK 250 million. The loan has a floating rate of Stibor 3 months + 4.8 percent and falls due in May 2020. On February 4, 2019, Qliro Group announced that all outstanding 2017/2020 bonds would be redeemed early. This reduces the Group's loans by SEK 250 million, which lowers interest expenses by approximately SEK 12 million annually.

Finance policy

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 is responsible for financing and finance policy. 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.

Qliro Group is exposed to various types of financial risks through its operations, such as market risk, liquidity risk and credit risk. The parent company is responsible for financing and finance policy and regularly reviews its long-term need for accessible funding sources and strives to always have access to several such sources when needed. Each Group company is responsible for implementing and maintaining an efficient banking structure and bank accounts.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its obligations associated with financial liabilities. Liquidity is managed by ensuring that there is sufficient liquid funds and the opportunity to increase available funding.

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 year-end amounted to SEK 1,676.8 (1,191.3) million and were mostly attributable to Qliro Financial Services.

If the variable interest rate on the Group's loans in 2018 would have increased or decreased by 1 percent, it would have affected the Group's net financial items by SEK 7.1 (7.2) 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.

Credit risk related to loans to the public is distributed among many 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)	**2018**	2017
DKK	172.1	181.5
NOK	556.5	709.1
EUR	0.0	-275.6
USD	-10.6	-159.0
GBP	-8.1	-112.2
HKD	-0.2	-
PLN	0.6	-

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

	Group	
Sensitivity analysis (SEK million)	**2018**	2017
DKK	± 27.8	± 9.1
NOK	± 8.6	± 35.5
EUR	± 0	± 13.8
USD	± 0.5	± 7.9
GBP	± 0.4	± 5.6
HKD	± 0	± 0
PLN	± 0	± 0

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)	**2018**	**%**	2017	%
DKK	2.9	2.9	1.7	1.9
NOK	47.0	46.5	27.4	30.3
EUR	51.2	50.7	61.2	67.8
Totalt	**101.1**	**100.0**	**90.3**	**100.0**

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

	Group	
Sensitivity analysis (SEK million)	**2018**	2017
DKK	± 0.1	± 0.1
NOK	± 2.3	± 1.4
EUR	± 2.6	± 3.1

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: Information.

The three levels consist of:

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

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

Level 3: Non-observable data for the asset or liability. At this level, assumptions that market participants would use when pricing the asset or liability must be considered, 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 approximates 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

2018 Group (SEK million)	Carrying amount Fair value through profit or loss	 Financial assets not measured at fair value	 Financial liabilities not measured at fair value	 Total	Fair value Total
Accounts receivable		54.9		54.9	54.9
Loans to the public, net		1,529.6		1,529.6	1,529.6
Current investments (level 2)	172.1			172.1	172.1
Other receivables		45.3		45.3	45.3
Accrued income		37.4		37.4	37.4
Cash and cash equivalents		691.8		691.8	691.8
Total financial assets	**172.1**	**2,358.9**	**-**	**2,531.0**	**2,531.0**
Accounts payable			360.2	360.2	360.2
Bond loan			250.0	250.0	250.0
Credit facilities			457.9	457.9	457.9
Deposits from the public			966.3	966.3	966.3
Other interest-bearing liabilities			2.6	2.6	2.6
Other liabilities			169.9	169.9	169.9
Accrued expenses			230.5	230.5	230.5
Total financial liabilities	**-**	**-**	**2,437.4**	**2,437.4**	**2,437.4**

2018 Parent company (SEK million)	Carrying amount Fair value through profit or loss	 Financial assets not measured at fair value	 Financial liabilities not measured at fair value	 Total	Fair value Total
Receivables from Group companies		14.4		14.4	14.4
Other receivables		1.7		1.7	1.7
Cash and cash equivalents		431.0		431.0	431.0
Total financial assets	**-**	**447.2**	**-**	**447.2**	**447.2**
Accounts payable			0.9	0.9	0.9
Bond loan			250.0	250.0	250.0
Loans to Group companies			30.0	30.0	30.0
Liabilities to Group companies			13.7	13.7	13.7
Other liabilities			1.6	1.6	1.6
Accrued expenses			4.6	4.6	4.6
Total financial liabilities	**-**	**-**	**300.8**	**300.8**	**300.8**

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**	**1,924.8**	**-**	**1,990.0**	**1,990.0**
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 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			**2,061.4**	**2,061.4**	**2,061.4**

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

2017 Parent company (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					
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

Maturity structure of financial liabilities – undiscounted cash flows

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

	2018				
Group (SEK million)	Total	0-3 mo.	3 mo.-1 year	1-5 years	>5 years
Accounts payable	360.2	360.2			
Bond loan	264.0	3.0	9.0	252.0	
Utilized credit facilities[1]	457.9	457.9			
Deposits from the public[2]	966.3	966.3			
Finance leases	2.6	0.6	1.6	0.4	
Other liabilities	169.9	169.9			
Accrued expenses	230.5	230.5			
Total	**2,451.4**	**2,188.4**	**10.6**	**252.4**	**-**

	2017				
Group (SEK million)	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	
Utilized credit facilities[1]	324.6	324.6			
Deposits from the public[2]	611.8	611.8			
Finance leases	4.9	0.5	1.8	2.6	
Other liabilities	125.0	125.0			
Accrued expenses	259.5	259.5			
Total	**2,091.4**	**1,810.0**	**10.8**	**270.6**	**-**

	2018				
Parent company (SEK million)	Total	0-3 mo.	3 mo.-1 year	1-5 years	>5 years
Accounts payable	0.9	0.9			
Bond loan	264.0	3.0	9.0	252.0	
Liabilities to Group companies	13.7	13.7			
Other liabilities	1.6	1.6			
Accrued expenses	4.6	4.6			
Total	**284.7**	**23.7**	**9.0**	**252.0**	**-**

	2017				
Parent company (SEK million)	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**	**-**

[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, 2018 (SEK million)	Group		
	E-commerce	Financial Services	Qliro Group total
2019	33.0	0.4	33.4
2020	29.6	0.2	29.8
2021	28.3	0.0	28.3
2022	8.2	-	8.2
2023	5.3	-	5.3
2024 and beyond	9.3	-	9.3
Total leases and other commitments	**113.8**	**0.6**	**114.4**
Lease expenses for the year	**31.8**	**0.2**	**32.0**

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**

Parent company

The parent company rents mainly office premises through operating leases.

Leases and other future payment commitments at December 31, 2018 (SEK million)	Parent company 2018
2019	3.7
2020	0.8
2021	0.3
2022	0.0
2023	-
2024 and beyond	-
Total leases and other commitments	**4.8**
Lease expenses for the year[1]	**4.8**

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**

[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

Finance leases

Financial leasing liabilities fall due for payment as follows:

	Group								
	E-commerce			Financial Services			Qliro Group total		
2018 (SEK million)	Minimum lease charges	Interest	Principal	Minimum lease charges	Interest	Principal	Minimum lease charges	Interest	Principal
Within a year	-	-	-	2.2	0.0	2.2	2.2	0.0	2.2
Between one and five years	-	-	-	0.4	-	0.4	0.4	-	0.4
More than five years	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**2.6**	**0.0**	**2.6**	**2.6**	**0.0**	**2.6**

Total payments for the year in the Group related to financially leased assets amounted to SEK 2.3 (1.8) million. During the year, SEK 0.01 (0.01) million was recognized as interest expense and SEK 2.3 (1.8) million as amortization of debt. Total amount expensed related to financially leased equipment was SEK 1.3 (1.0) million.

	Group								
	E-commerce			Financial Services			Qliro Group total		
2017 (SEK million)	Minimum lease charges	Interest	Principal	Minimum lease charges	Interest	Principal	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 (0.002) million was recognized as interest expense and SEK 1.8 (0.07) million as amortization of debt. Total amount expensed related to financially leased equipment was SEK 1 (0.0) million.

Note 23 Average number of employees

	Group					
	E-commerce		Financial Services		Qliro Group total	
2018	Men	Women	Men	Women	Men	Women
Sweden	235	258	121	74	356	332
Total	**235**	**258**	**121**	**74**	**356**	**332**
Total average no. of employees		**493**		**195**		**688**

	Group					
	E-commerce		Financial Services		Qliro Group total	
2017	Men	Women	Men	Women	Men	Women
Sweden	251	267	110	66	361	333
Total	**251**	**267**	**110**	**66**	**361**	**333**
Total average no. of employees		**518**		**176**		**694**

Note 23, continuing

	Parent company			
	2018		2017	
	Men	Women	Men	Women
Total average no. of employees	2	0	13	7
Total	**2**	**0**	**13**	**7**
Total average no. of employees		**2**		**20**

Distribution of men and women in executive management

	Group					
	E-commerce		Financial Services		Qliro Group total	
2018	Men %	Women %	Men %	Women %	Men %	Women %
Board of Directors	73	27	86	14	76	24
CEO and other executives	50	50	67	33	56	44
Total	**62**	**39**	**77**	**24**	**66**	**34**

	Group					
	E-commerce		Financial Services		Qliro Group total	
2017	Men %	Women %	Men %	Women %	Men %	Women %
Board of Directors	84	16	83	17	84	16
CEO and other executives	70	30	67	33	69	31
Total	**77**	**23**	**75**	**25**	**77**	**24**

	Parent Company			
	2018		2017	
	Men %	Women %	Men %	Women %
Board of Directors	67	33	50	50
CEO and other executives	100	0	75	25
Total	**84**	**17**	**63**	**38**

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 22, 2018 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 specializing in e-commerce payments, digital consumer financing, personal loans and savings accounts.

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 cash remuneration
- Opportunities to participate in long-term incentive plans
- 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.

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

Synthetic call options

Qliro Group has two outstanding synthetic call option plans (QOP 2016 and QOP 2017) for management and other key employees in Qliro Group’s subsidiaries/segments that offer financial services. See the annual report for more information about Qliro Group’s synthetic call option plans.

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.

Remuneration of Board members

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

Remuneration of senior executives who are subject to remuneration rules for credit market companies

For senior executives who are subject to 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 apply to

Note 24, continuing

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 company and that is compatible with and promotes sound and efficient risk management and counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied to remuneration of senior executives who are subject to 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 several different criteria
- The performance assessment shall, in the case of variable remuneration, be set in a multi-year framework to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are considered when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance as well as the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be considered when assessing 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 if justifiable by the company's financial situation and motivated by the performance of the company, the business unit and the employee. The variable portion of the remuneration may be omitted for these reasons.

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

The 2018 long-term incentive plan

At the 2018 AGM, it was resolved to adopt a new long-term share-related incentive plan (LTIP 2018). LTIP 2018 comprises:

(a) a long-term performance share plan (PSP 2018) for senior executives and other key employees of the parent company and Qliro Group's subsidiaries (excluding employees of Qliro Financial Services) with a similar structure as the long-term incentive plans adopted at the 2011-2017 annual general meetings, and

(b) a synthetic call option plan (QOP 2018) for Qliro Group's CEO, CFO, management and other key employees of Qliro Group's subsidiary that offers financial services, Qliro Financial Services, which shall be based on Qliro Financial Services' underlying value growth. For various reasons, the Board decided not to launch QOP 2018.

PSP 2018

The performance share plan (PSP 2018) is intended for about 24 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, 2018 – March 31, 2021 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2021.

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 2021.

QOP 2018

The synthetic call option plan (QOP 2018) was to comprise the CEO and CFO of Qliro Group as well as management and other key persons working at Qliro Financial Services, a total of about 15 persons. To take part in QOP 2018, participants were to be required to acquire synthetic call options at market value. The market value of Qliro Financial Services was to be determined through a valuation performed by an independent institute in connection with the notification (Start Date) and at the end of the plan (End Date). Generally accepted valuation models were to be applied.

Participants would have acquired the synthetic call options at market value in connection with the QOP notification in 2018 (Start Date). The market value of the synthetic call options was to be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes). Allocation of synthetic call options was to be made by the Board of Directors or the Remuneration Committee, in accordance with the principles approved by the AGM, and was to be based on the employee's competence, area of responsibility and investment category. The employees were expected to invest up to SEK 1.4 million in QOP 2018. Participants would have been

Note 24, continuing

able to acquire synthetic call options in an amount equivalent to between 7 and 14 percent of the total investment in QOP 2018. Issue of synthetic call options was be through an agreement between Qliro Group and the employee, essentially on the following conditions:

- The synthetic call options would be exercised three years after they were issued as well as on divestment of Qliro Financial Services by Qliro Group (End Date).
- One (1) synthetic call option would have given 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 was at least 152 percent of the established value at the Start Date (exercise price).
- Payment of this amount to participants was to 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 to be transferred to participants would have been 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 could have been issued under QOP 2018 would have been freely transferable, but with some restrictions on the timing of the disposal of the synthetic call options. Qliro Group would also have been entitled to acquire the synthetic call options at the market value calculated in accordance with the Black-Scholes model.
- QOP 2018 would not have caused the number of shares in Qliro Financial Services to change.

The 2017 long-term incentive plan

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

(a) a long-term performance share plan (PSP 2017) for senior executives and other key employees of the parent company and Qliro Group's subsidiaries/segments with a similar structure as the long-term incentive plans adopted at the 2011-2016 annual general meetings, and

(b) a synthetic call option plan (QOP 2017) for the management and other key employees in Qliro Group's subsidiaries/segments that offer financial services, Qliro Financial Services, which shall be based on the underlying value growth in Qliro Financial Services.

PSP 2017

The performance share plan (PSP 2017) 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 finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 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.

QOP 2017

The synthetic call option plan (QOP 2017) 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 plan (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 at an amount corresponding to between 2 and 16 percent of the total investment in QOP 2017 (depending on which investment category the QOP 2017 participant belongs). Employees can invest a maximum of SEK 2.2 million in QOP 2017. Issue of synthetic call options shall be through an agreement between Qliro Group and the employee, essentially on the following conditions:

Note 24, continuing

- 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).
- The synthetic call options that can be issued under 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 plan

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

(a) a long-term performance share plan (PSP 2016) for senior executives and other key employees in the parent company and Qliro Group's subsidiaries/segments with a similar structure as the long-term incentive plans adopted at the AGMs in 2011-2015 with the exception that no participant will be allotted employee options in the year's PSP; and

(b) a synthetic call option plan (QOP 2016) for the CEO and other key employees in Qliro Group's subsidiaries/segments that offer financial services, Qliro Financial Services, which shall be based on the underlying value growth in Qliro Financial Services.

PSP 2016

The performance share plan (PSP 2016) is intended for about 60 senior executives and other key Qliro Group employees. 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 finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2019.

The 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

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 plan (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 through an 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

Note 24, continuing

shall have the right to acquire the synthetic call options at market value as calculated using the Black-Scholes model.

- One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro Financial Services, provided that the established value of Qliro Financial Services at the End Date is at least 171 per cent of the established value at the Start Date (exercise price).
- Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, with some exceptions, through Qliro Group's transference its own ordinary shares to the participants. The number of ordinary shares transferred to participants shall be based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after 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.

The 2015 long-term incentive plan

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

(a) a long-term performance share plan (PSP 2015) with a similar structure as the long-term incentive plans adopted in 2011-2014; and

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

The performance share plan (PSP 2015) was intended for about 51 senior executives and other key Qliro Group employees. 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 finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2018.

The number of shares that the participant can be awarded based on the share rights and acquire based on the 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) 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 as well as the performance-based employee stock options can be exercised after publication of the interim report for the first quarter of 2018.

PSP 2015 ended in the second quarter of 2018. None of the retention- or performance-based conditions were met in PSP 2015, and all retention-based and performance-based rights have therefore expired.

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

Cost effects of incentive plans

The PSP's are equity-regulated plans. The fair value at the allotment date is expensed over the vesting period. The cost of the plans 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 plans in 2018 totaled SEK 4.6 (5.5) 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 plans for actual employee turnover during the period. For the retention-based plans, 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 plans 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.

Note 24, continuing

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 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 2.0 percent of the difference between the established value for Qliro Financial Services at the End Date and 152 percent 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.

Qliro Group's total cost will consist of the administrative expense of hedging arrangements to deliver Qliro Group ordinary shares at a value corresponding to the difference between the established value of Qliro Financial Services at the End Date and 152 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 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.

	Group		Parent company	
Employee costs (SEK million)	2018	2017	2018	2017
Salaries	326.7	308.5	27.9	27,9
Social security contributions	113.6	100.3	9.4	9,4
Pension expenses – defined contribution plans	30.7	26.6	4.1	4,1
Expenses for share-based remuneration	4.6	5.5	5.5	5,5
Social security contributions on share-based remuneration	-0.8	1.7	1.7	1,7
Total	**474.8**	**442.7**	**48.5**	**48,5**

The cost for share-based remuneration in 2018 totaled SEK 4.6 (5.5) million, excluding social security contributions. In addition to this SEK 4.6 million in employee costs for the performance share plan (PSP), equity is charged with SEK -0.8 million for discontinued operations and SEK -6.3 million for settlement of PSP 2016 and PSP 2017 for Qliro Group's CEO and CFO.

	Group	
Basic salary and variable remuneration, SEK million	2018	2017
CEO and senior executives 5 persons (6)	19.5	18.0
Of which variable salary	*2.3*	*3.8*

Note 24, continuing

Remuneration and other benefits Group (SEK million)	2018 Basic salary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Marcus Lindqvist, CEO	4.4	0.8	0.1	1.0	1.4	7.6
Senior executives, 4 persons	12.9	1.5	0.0	2.5	0.9	17.8
Total	**17.2**	**2.3**	**0.1**	**3.6**	**2.3**	**25.4**

The amounts recognized for 2018 are for the full year. Variable remuneration for 2018 paid out in 2018 to the CEO: SEK 0.8 (1.6) million. Remuneration for 2018 paid out in 2019 and partially in 2018 to other senior executives: SEK 1.5 (2.2) million.

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.

Payroll expenses and other remuneration Parent company (SEK million)	Parent company 2018	2017
Board and senior executives, 9 (9) persons	15,5	15.3
Of which variable salary	*1,4*	*2.7*
Other employees	4,6	18.1
Total salaries and other remuneration	**20,1**	**33.4**

Remuneration and other benefits Group and parent company (SEK million)	2018 Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
Christoffer Häggblom, Chairman of the Board	0.7						0.7
Erika Söderberg Johnson	0.5						0.5
Daniel Mytnik	0.5						0.5
Jessica Pedroni Thorell	0.4						0.4
Lennart Jacobsen	0.3	0.3					0.7
Andreas Bernström	0.3	0.1					0.4
Remuneration from parent company							
Marcus Lindqvist, CEO	4.4		0.8	0.1	1.0	1.4	7.6
Other senior executives (4 persons)							
Remuneration from parent company	3.1		0.6	0.0	0.6	0.9	5.1
Remuneration from subsidiaries	9.8		0.9	0.0	1.9	0.1	12.7
Total	**20.0**	**0.5**	**2.3**	**0.1**	**3.6**	**2.3**	**28.6**

The amounts recognized for 2018 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.0 (1.6) million for the CEO and SEK 0.9 (2.2) million for other senior executives. The Board will receive its full remuneration from the parent company. During the year, the Group's CEO and CFO received an extra bonus payment of SEK 1.4 million for 2018 in connection with the settlement of PSP 2016 and PSP 2017. Qliro Group repurchased / redeemed a total of approx. 1,482 share rights granted to the CEO and CFO within the framework of PSP 2016 and 2017. According to IFRS2, personnel costs for the CEO and CFO related to these programs continue to be earned during the remaining term.

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

Remuneration and other benefits Group and parent company (SEK million)	2017 Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remunera-tion	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, 5 persons							
Remuneration from parent company	2.4		1.1	0.1	0.6	0.7	4.8
Remuneration from subsidiaries	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.

Share-based remuneration

Granted rights and options	President and CEO	Senior executives	Key employees	Total
Long-term incentive plan, 2015	0	0	0	0
Long-term incentive plan, 2016	0	131,761	458,654	590,415
Long-term incentive plan, 2017	0	114,000	324,250	438,250
Long-term incentive plan, 2018	180,594	198,256	307,034	685,884
Total outstanding as at December 31, 2018	**180,594**	**444,017**	**1,089,938**	**1,714,549**

In addition to the above, there are 2,309,700 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.

	2018		2017	
	Number of rights and options	Weighted redemption price	Number of rights and options	Weighted redemption price
Outstanding rights and options as at January 1	4,000,125	-	3,068,279	-
Rights and options issued during the year	685,884	-	1,872,544	-
Rights and options forfeited during the year[1), 2)]	-2,971,460	-	-940,698	-
Total outstanding as at December 31	**1,714,549**	**-**	**4,000,125**	**-**

1) Qliro Group's sale of its subsidiary Health and Sports Nutrition HSNG AB on January 30, 2018 (to Orkla) led to a so-called accelerated vesting process attributable to HSNG employees in the Qliro Group's share-based incentive programs LTIP / PSP 2015-2017. HSNG employees' participation in LTIP / PSP 2015-2017 was terminated by Qliro Group repurchasing / redeeming a total of approximately 540 thousand share rights allocated to the HSNG employees (five persons) within the framework of LTIP / PSP 2015-2017. The share rights were valued at the market value by an independent valuator (PwC) that applied a generally accepted valuation model. The redemption of the share rights was settled in cash.

2) Qliro Group's dismantling of the CEO's and CFO's participation in the share-based incentive plans which had been launched in 2016 and 2017 ("PSP 2016 and 2017")resulted in that Qliro Group repurchased / redeemed a total of approximately 1,482 thousand share rights granted to the CEO and the CFO within the framework of the PSP 2016 and 2017. The share rights were valued at the market value by an independent valuer (PwC) that applied a genereally accepted valuation model. The redemption of the share rights was settled by granting of Qliro Group's ordinary shares to the CEO and the CFO.

Note 24, continuing

Specification of long-term incentive plan	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 2015[1]								
2015	1,009,612	37	50.0-82.0[2]	2018	164,322	-164,322	-	-
Total allocation 2016[1]								
2016	2,614,931	33	29.5-41.0[2]	2019	1,995,759	-1,405,344	-	590,415
Total allocation 2017[1]								
2017	1,872,544	23	45.0[3]	2020	1,840,044	-1,401,794	-	438,250
Total allocation 2018[1]								
2018	685,884	14	53.0[4]	2021	685,884	-	-	685,884
Total	**6,182,971**				**4,686,009**	**-2,971,460**		**1,714,549**

[1] Refers only to the performance share plan (PSP)
[2] Maximum redemption price is governed by "participant" category
[3] Except for three participants with a maximum redemption price of SEK 17.8
[4] Except for two participants with a maximum redemption price of SEK 30.26 and SEK 30.60

	Group		Parent company	
Employee costs (SEK million)	2018	2017	2018	2017
Granted rights and options 2014	-	0.5	-	0.5
Granted rights and options 2015	0.1	0.0	0.1	0.0
Granted rights and options 2016	1.8	3.3	1.8	3.3
Granted rights and options 2017	2.0	1.8	2.0	1.8
Granted rights and options 2018	0.7	-	0.7	-
Total expense recognized as employee costs	**4.6**	**5.5**	**4.6**	**5.5**

The cost of the plans in 2018 totaled SEK 4.6 (5.5) million, excluding social security contributions. In addition to this SEK 4.6 million in employee costs for the performance share plan (PSP), equity is charged with SEK 0.8 million for discontinued operations and SEK 6.3 million for settlement of PSP 2016 and PSP 2017 for the Group's CEO and CFO.

The long-term incentive plan adopted at the 2015 AGM was wrapped up in the second quarter of 2018. None of the retention- or performance-based conditions were met in the 2015 long-term incentive plan, so 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)	2018	2017	2018	2017	2018	2017
KPMG						
Audit engagements	1.8	1.6	1.2	0.8	3.0	2.5
Audit-related services	0.2	0.2	0.1	0.1	0.3	0.2
Tax consulting	0.3	0.1	-	-	0.3	0.1
Other services	0.1	0.5	-	-	0.1	0.5
Total	**2.4**	**2.3**	**1.3**	**0.9**	**3.7**	**3.2**

	Parent company	
(SEK million)	2018	2017
KPMG		
Audit engagements	0.7	0.7
Audit-related services	0.1	0.0
Other services	0.0	0.3
Total	**0.8**	**1.0**

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)	2018	2017	2018	2017	2018	2017	2018	2017
Gain/loss on divestment of operations	-	-15.6	-	-	-	-	-	-15.6
Loss on sale of non-current assets	1.0	3.2	-	-	-	-	1.0	3.2
Gain on sale of shares in subsidiaries	-140.6	-	-	-	-	-	-140.6	-
Depreciation, amortization and impairment of non-current assets	33.1	41.7	38.1	27.6	-	-	71.2	69.3
Change in other provisions	-1.5	2.5	-	-	-	-	-1.5	2.5
Incentive plan	-2.5	6.3	-	-	-	-	-2.5	6.3
Interest expenses and income	0.0	1.3	2.1	0.7	-	-	2.1	1.9
Unrealized exchange differences	2.8	-1.6	-	-	-	-	2.8	-1.6
Other items	0.0	2.0	-25.4	-1.0	-	-1.6	-25.4	-0.6
Total	**-107.9**	**39.7**	**14.8**	**27.3**	**-**	**-1.6**	**-93.1**	**65.3**
Other supplementary disclosures								
Interest received during the financial year	0.1	0.1	0.0	0.0	-	-	0.1	0.0
Interest paid during the financial year	-15.9	-1.3	-1.0	-0.1	-	-	-16.9	-1.3
Total	**-15.8**	**-1.2**	**-1.0**	**-0.1**	**-**	**-**	**-16.7**	**-1.3**

Note 26, continuing

	Parent company	
(SEK million)	**2018**	2017
Gain/loss on divestment of operations	-141.4	61.2
Dividend from subsidiaries	-100.0	-
Depreciation, amortization and impairment of non-current assets	0.7	0.7
Change in other provisions	-1.5	2.5
Incentive plan	-2.5	7.9
Interest expenses and income	0.0	1.3
Unrealized exchange differences	3.5	-3.1
Other items	-	3.8
Total	**-241.3**	**74.2**
Other supplementary disclosures		
Interest received during the financial year	-	0.1
Interest paid during the financial year	-0.3	-1.2
Total	**-0.3**	**-1.1**

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 2018, purchases totaled SEK (4.8) 5.3 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	2018	17.4	-	17.3	14.4	43.7
Subsidiaries	2017	22.5	-	55.7	138.2	375.9

Note 28 Significant events after the end of the financial year

Early redemption of outstanding bonds

On February 4, Qliro Group announced that all outstanding 2017/2020 bonds would be redeemed early. This reduces the Group's loans by SEK 250 million, which lowers interest expenses by approximately SEK 12 million annually.

Note 29 Operating expenses by cost type

	Group	
(SEK million)	2018	2017
Cost of sales	-1,895.9	-2,132.7
Distribution and warehousing costs	-320.0	-328.4
Employee costs	-462.4	-410.8
Amortization	-71.2	-69.3
Other expenses	-560.8	-453.5
Total expenses	**-3,310.3**	**-3,394.7**

Note 30 Earnings per share

	Group	
Group (SEK)	2018	2017
Basic and diluted earnings per share (excluding discontinued operations)	-0.91	0.19
Basic and diluted earnings per share (including discontinued operations)	0.02	-0.16

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

Basic and diluted earnings per share (excluding discontinued operations)	2018	2017
Profit/loss for the year attributable to parent company shareholders, SEK million	-136.0	28.8
Average number of shares	149,269,779	149,269,779
Basic earnings per share (excluding discontinued operations), SEK	**-0.91**	**0.19**

Basic and diluted earnings per share (including discontinued operations)	2018	2017
Profit/loss for the year attributable to parent company shareholders, SEK million	2.6	-23.3
Average number of shares	149,269,779	149,269,779
Basic earnings per share (including discontinued operations), SEK	**0.02**	**-0.16**

The parent company's custodial Class C shares attributable to the Group incentive plan (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 2018 or 2017.

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 April 2, 2019

Christoffer Häggblom
Chairman of the Board

Marcus Lindqvist
CEO

Daniel Mytnik
Board member

Lennart Jacobsen
Board member

Andreas Bernström
Board member

Erika Söderberg Johnson
Board member

Jessica Pedroni Thorell
Board member

Our audit report was submitted on April 2, 2019

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 April 5, 2019.

Auditor's report

Translation from the Swedish original

To the general meeting of the shareholders of Qliro Group AB, 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 for the year 2018, except for the corporate governance statement on pages 34-40. The annual accounts and consolidated accounts of the company are included on pages 24-102 in this document.

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 2018 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 2018 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 34-40. 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 59-60 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At December 31, 2018, the group accounted for a deferred tax asset of SEK 113 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 integ¬rity 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 107-109. 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 for the year 2018 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 34-40 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 by the general meeting of the shareholders on the 22 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm April 2, 2019

KPMG AB

Mårten Asplund
Authorized Public Accountant

GRI index

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GRI 102: General Disclosures	**ORGANIZATIONAL PROFILE**		
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	102-4	Location of operations	4-11, 75-76
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	102-50	Reporting period	Financial year 2018.
	102-51	Date of most recent report	20 April 2018
	102-52	Reporting cycle	Annual reporting.
	102-53	Contact point for questions regarding the report	Head of Investor Relations, Niclas Lilja
	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**		
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GRI 400 Social Standard Series	**HUMAN RIGHTS ASSESSMENT**		
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	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, amortization 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 income (EBIT)
Operating income, also called EBIT, is earnings before interest and taxes.

EBITDA
Earnings before interest, tax, depreciation and amortization of intangible assets and property, plant, and equipment.

EBT
Earnings before tax.

EBTDA
Earnings before tax, depreciation and amortization.

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).

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NARVA

Qliro Group

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