

Qliro Group

Interim report for 1 January – 31 March 2018

FIRST QUARTER¹

- Net sales increased by 2 percent to SEK 716.1 (705.3) million
- Gross profit amounted to SEK 135.3 (140.1) million
- Operating income before depreciation, amortization and impairment was SEK -42.7 (-2.7) million
- Operating income amounted to SEK -58.8 (-19.4) million
- Profit after tax including discontinued operations amounted to SEK 91.0 (-22.9) million
- Basic earnings per share including discontinued operations amounted to SEK 0.61 (-0.15)
- Diluted earnings per share including discontinued operations amounted to SEK 0.60 (-0.15)
- Cash and cash equivalents increased to SEK 601.9 (156.9) million at the end of the quarter

SEK million	2018 Jan-Mar	2017 Jan-Mar
Net sales	716.1	705.3
Gross profit	135.3	140.1
<i>Gross margin</i>	<i>18.9%</i>	<i>19.9%</i>
Operating income before depreciation and amortization	-42.7	-2.7
<i>Operating margin before depreciation and amortization, %</i>	<i>-6.0%</i>	<i>-0.4%</i>
Operating income	-58.8	-19.4
<i>Operating margin</i>	<i>-8.2%</i>	<i>-2.8%</i>
Cash flow from operations	-374.6	-194.3

¹Lekmer and HSNG are recognized as discontinued operations in the consolidated accounts.

Qliro Group's net sales increased 2 percent, and the gross margin was 18.9 percent for the quarter. Operating result before depreciation, amortization and impairment decreased to SEK -43 million. The operating result included initiatives that increased marketing spend with SEK 9 million and personnel costs with SEK 14 million. As previously communicated, the result was also affected by a reorganization in CDON Marketplace with SEK 7 million and by increased returns in Nelly with SEK 16 million. The sale of HSNG resulted in earnings including discontinued operations of SEK 0.60 per share (fully diluted) for the quarter. We are pleased with the development in Qliro Financial Services and with the transformation of CDON Marketplace, but Nelly's results are below our expectations.

Qliro Financial Services increased profitability

Qliro Financial Services increased its operating income by 38 percent, while growth in total operating expenses was limited to 29 percent. This shows the scalability of the business. Operating income before depreciation, amortization and impairment improved by 79 percent. At the end of the quarter, lending to the public was SEK 1,019 million. Personal loans in Sweden grew the fastest and conditions are ripe for continuing to grow this business. Qliro Financial Services' organization has a sufficient scale to handle a considerable increase in the loan book with current offers without significantly increasing the number of employees.

CDON Marketplace reorganized

CDON Marketplace has achieved a strong position as the leading Nordic digital marketplace. Although Easter took place in the end of the quarter, external merchants increased their sales by 13 percent. As part of its transformation into the marketplace model, CDON was reorganized, which affected about ten administrative positions. This affected earnings by about SEK 7 million in the quarter but will help lower costs in the long-term. We continue to invest in technology, logistics and branding. CDON also launched a new site tailored to corporate customers.

Nelly reported a weak quarter

Nelly accelerated its marketing, which contributed to an increased total order value of 15 percent in the first quarter. However, revenue growth was limited to 3 percent due to delayed deliveries around Easter, unexpectedly high utilization of extended returns from campaigns in the fourth quarter 2017 and increased returns in the first quarter.

Orders for approximately SEK 13 million were delayed by Easter and were delivered in the second quarter. Compared to the same period last year, earnings were adversely affected by approximately SEK 16 million due to the increased returns. Half of this amount was a one-off effect from extended returns from campaigns in the fourth quarter 2017, and the rest was due to generally higher return rate during the quarter. In addition, Nelly increased its marketing initiatives by SEK 8 million. Operating loss before depreciation, amortization and impairment was SEK 15 million for the quarter. This was below our expectations and we are intensifying our efforts for profitable growth. On April 17, Anna Ullman Sersé was appointed Interim Head of Nelly. Anna has led the strategy development for Nelly as Head of Business Development and is a member of Qliro Group's management team since 2016. She replaced Jan Wallsin who left the group.

Financial flexibility

CDON Marketplace and Nelly have strong positions in dynamic segments of e-commerce. Their growth drives increasing volumes to Qliro Financial Services that extend our relationship with consumers, enabling the offer to be expanded with low customer acquisition costs.

The group's cash position amounted to SEK 602 million and the net cash position in our e-commerce business to SEK 324 million. This provides us with good opportunities to invest in our business areas and grow the loan book in Qliro Financial Services.

Stockholm, April 2018

Marcus Lindqvist, President and CEO

CONTINUED GROWTH FOR QLIRO FINANCIAL SERVICES

SEK million	2018	2017	Δ
	Jan-Mar	Jan-Mar	
Interest income	64.3	48.5	33%
Interest expense	-3.7	-4.2	-13%
Net interest income	60.7	44.3	37%
Net fee and commission income	3.9	2.2	75%
Other operating income	3.6	2.7	34%
Total operating income	68.1	49.2	38%
Other operating expenses	-50.9	-41.3	23%
Depreciation, amortization and impairment	-8.3	-4.5	83%
Total operating expenses	-59.3	-45.9	29%
Net credit losses	-13.7	-5.9	132%
Operating income	-4.8	-2.6	86%
Operating income before depreciation and amortization	3.5	2.0	79%
Loans to the public, net	1,019	714	43%
of which sales financing	910	714	27%
of which personal loans	109	0	
External financing	923	488	89%
of which secured credit facility	211	488	-57%
of which deposits from the public ¹	713	0	
Sales financing			
Business volume	947	783	21%
No. of orders, thousands	1,046	830	26%
Average shopping basket, SEK	905	944	-4%
Personal loans			
New loan volume	64	0	
Number of new loans	983	0	
Average loan, SEK thousands	65	0	

¹Whereof deferred interest SEK 1.2 (0.0) million

Qliro Financial Services consists of the credit market company Qliro AB, which offers financial services to merchants and consumers. The segment's target is to reach an operating profit before depreciation, amortization and impairment of at least SEK 150 million in 2019.

Low customer acquisition costs

Qliro Financial Services builds digital financial services that facilitate digital commerce and the everyday lives of consumers. Qliro Financial Services ensures that online merchants offer efficient payment methods with good conversion rates. At the same time, Qliro Financial Services benefits from volumes from the group and external merchants, which results in low customer acquisition costs and extends the relationship with consumers after their online purchases. This is expected to give a long-term competitive advantage and contribute to profitability and return on equity. Qliro Financial Services focuses on the Nordic region, which is an attractive credit market through the availability of information and established credit recovery processes.

Growing business volume

Qliro Financial Services' total operating income increased by 38 percent to SEK 68 million, driven by increased lending to the public. Lending to the public increased by 43 percent to SEK 1,019 (714) million, that is, faster than the increase in business volume, which grew 21 percent to SEK 947 million. External merchants accounted for 39 percent of business volumes during the quarter.

At the end of the quarter, SEK 910 million of the loan book was for invoices, partial payments and installments, and SEK 109 million was for personal loans. The launch of personal loans in Sweden has been successful with customer acquisition based on digital marketing to existing customers. Over 95 percent of its nearly 1,900 borrowers had a previous relationship with Qliro Financial Services and many applied through the app. This resulted in low customer acquisition costs and the possibility of selective credit granting by identifying people with good creditworthiness. The credit test is automated and is based on a combination of internal and external data. The issued personal loans had an original maturity of just above eight years. Qliro Financial Services has good prospects for cost-effectively growing this business.

The organization has reached a sufficient level

Qliro Financial Services has reduced its recruitment rate and the number of employees has increased by three to 189 since the end of 2017. Compared with the first quarter last year, however, the organization has grown, which meant that personnel costs increased by SEK 9 million during the quarter. Other operating expenses increased by 23 percent to SEK 50.9 (41.3) million.

Qliro Financial Services organization has reached a sufficient scale to handle a considerable increase in the loan book with current offers without significantly increasing the number of employees.

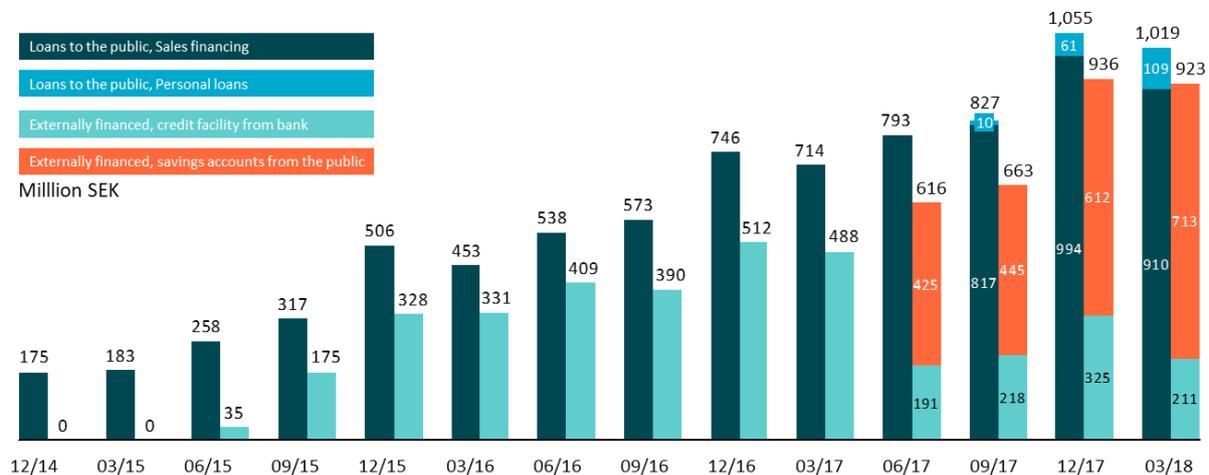
Since IFRS 9 was introduced on January 1, 2018, funds for credit losses are reserved directly when a credit is issued, instead of as previously when there was an indication of increased credit risk. This results in earlier and higher recognition of the reserves for credit losses than before, but it will not affect cash flow or underlying credit risk. The introduction of IFRS 9 resulted in an increase in the reported net credit losses of SEK 8 million to SEK 14 million during the quarter. Depreciation increased by SEK 4 million, primarily resulting from the roll-out of the technology platform.

Operating income before depreciation, amortization and impairment increased to SEK 3.5 (2.0) million for the quarter.

Capital adequacy and funding

Qliro AB is now under the scrutiny of the Swedish Financial Supervisory Authority (FI). The capital base was SEK 209 million, the total risk exposure was SEK 1,098 million and the core capital ratio was 19.1 percent of the risk exposure amount as of March 31, 2018. Qliro Group is well-capitalized and contributes capital to Qliro AB as needed to support the company's growth and capital needs.

Besides equity, lending to the public was financed in the amount of SEK 211 (488) million via a secured credit facility and SEK 713 million through deposits from the public (savings accounts) in Sweden. Of the deposits from the public, 99.9 percent were protected by the deposit guarantee in Sweden. Of all deposits from the public, 63 percent had floating interest rates and 37 percent had fixed interest rates, with a remaining average maturity of approximately 220 days as of March 31, 2018 (initially 1-year fixed interest rate). Funding through the credit facility is mainly used for lending to the public (invoice and partial payment) in other currencies.



GROWTH FOR EXTERNAL MERCHANTS IN CDON MARKETPLACE

SEK million	2018	2017	Δ
	Jan-Mar	Jan-Mar	
Gross merchandise value, external merchants	111.2	98.6	13%
Total gross merchandise value ¹	476.9	479.6	-1%
Net sales	378.4	389.8	-3%
Gross profit	39.6	41.8	-5%
<i>Gross margin, %</i>	<i>10.5%</i>	<i>10.7%</i>	
Operating income before depreciation and amortization	-21.2	-6.1	
<i>Operating margin before depreciation and amortization, %</i>	<i>-5.6%</i>	<i>-1.6%</i>	
Operating income	-23.6	-12.3	
<i>Operating margin, %</i>	<i>-6.2%</i>	<i>-3.2%</i>	
Cash flow from operations	-206.7	-205.1	
Investments (CAPEX)	-5.6	-3.1	
Cash flow after investments	-212.3	-208.2	
Opening inventory balance	254.5	186.1	37%
Closing inventory balance	190.8	164.4	16%
Active customers, past twelve months, thousands	1,800	1,683	7%
Visits, thousands	21,951	20,237	8%
No. of orders, thousands	778	721	8%
Average shopping basket, SEK	608	659	-8%

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

CDON Marketplace is the leading digital Nordic marketplace. The growth target is set for gross merchandise value, which constitutes the sum of own sales and external merchant sales. The goal is to achieve a level of long-term organic growth in gross merchandise value of an average of 10 percent per year and generate operating profit before depreciation, amortization and impairment of 1-2 percent of gross merchandise value. At the same time, CDON Marketplace's growth drives volume and economies of scale for the entire Group.

Increased sales for external merchants

External merchant sales increased by 13 percent in the quarter. During the quarter, several attractive external merchants were affiliated and the approximately 1,500 external merchants accounted for 23 percent of gross merchandise value. Net sales decreased by 3 percent to SEK 378 million in the quarter. Easter took place in the end of the quarter with fewer delivery days in the first quarter. Net sales decreased mainly within home electronics and white goods.

Consumers turn to CDON.COM to purchase various products at the same site and take advantage of low prices, easy payments and efficient delivery. During the quarter, number of visits, orders and active customers increased. CDON Marketplace reduced its inventory compared to the end of 2017, but has higher inventory levels compared to last year ahead of the major spring campaign Green Friday. The switch to a marketplace and drop shipment (delivery direct to the customer from CDON's supplier) makes it possible to grow with lower inventory levels.

CDON.COM launched a new site to companies in Sweden. This is cost-effective by taking advantage of economies of scale and a newly developed platform. The B2B site is based on the marketplace model and drop shipment, meaning that the offer can be enhanced without investing in additional inventory. The aim is to offer an attractive range of products to corporate customers in the Nordics.

CDON Marketplace reorganized

CDON Marketplace is in an investment phase focused on automation, expansion of product range and positioning of the brand. A reorganization was part of its transformation into the marketplace model, affecting about 10 administrative positions. This impacted earnings by SEK 7 million. Efforts to expand the brand into new categories increased marketing costs with SEK 3 million. Operating income before depreciation, amortization and impairment decreased to SEK -21.2 (-6.1) million.

CDON Marketplace has achieved a strong position as the leading digital Nordic marketplace. The business area is investing in technology, logistics and branding to increase scalability and efficiency.

NELLY REPORTED WEAK RESULTS

SEK million	2018	2017	Δ
	Jan-Mar	Jan-Mar	
Net sales	276.0	267.1	3%
Gross profit	58.0	66.0	-12%
Gross margin, %	21.0%	24.7%	
Operating income before depreciation and amortization	-14.9	12.3	
Operating margin before depreciation and amortization, %	-5.4%	4.6%	
Operating income	-20.0	6.6	
Operating margin, %	-7.3%	2.5%	
Cash flow from operations	-81.3	-5.8	
Investments (CAPEX)	-1.2	-2.0	
Cash flow after investments	-82.5	-7.8	
Opening inventory balance	193.0	159.8	21%
Closing inventory balance	257.3	201.7	28%
Active customers, past twelve months, thousands	1,265	1,229	3%
Visits, thousands	28,172	24,504	15%
Orders before returns, thousands	670	568	18%
Average shopping basket, SEK	642	659	-3%
Percentage of own brand sales	46%	37%	
Return ratio, past twelve months	36%	33%	
Product margin	46%	47%	
Fulfillment and distribution costs	21%	20%	

Nelly offers fashion for young women through Nelly.com and for men through NLYMan. Nelly's long-term target is to achieve organic growth of 8 percent per year on average with an operating margin before depreciation, amortization and impairment of at least 6 percent. Nelly has grown every year since 2007.

Increased order intake did not lead to the same growth in sales

Nelly accelerated its marketing, which contributed to increase the number of visits by 15 percent, the number of orders by 18 percent and the total order value by 15 percent. However, revenue growth was limited to 3 percent due to delayed deliveries around Easter, unexpectedly high use of extended returns from campaigns in the fourth quarter 2017 and increased returns in the first quarter. Orders for approximately SEK 13 million were delayed by the Easter holiday and were delivered in the second quarter.

Compared to the same period last year, earnings were adversely affected by approximately SEK 16 million due to the increased returns. Half of this amount was a one-off effect from extended returns from campaigns in the fourth quarter 2017, and the rest was due to a generally higher return rate during the quarter.

During the quarter, the product margin was 46 percent, compared with 47 percent the same period last year. The share of own brands increased from 37 percent to 46 percent. Marketing costs increased by SEK 8 million to SEK 26 million corresponding to 9 percent of net sales. Operating income before depreciation, amortization and impairment decreased to SEK -14.9 (12.3) million. Nelly increased its inventory to create opportunities for growth.

One of the Nordics' strongest fashion brands online

Nelly is one of the most well-known fashion brands online among women aged 18 to 29 in the Nordics. Own brand is the core of the offering, complemented by a well-curated portfolio of approximately 200 external brands. During the quarter, 46 percent of sales came from Nelly's own designs. Nelly's target audience is highly engaged, and over half of the visits and purchases are made on mobile devices.

FINANCIAL TARGETS

Qliro Group's long-term financial targets are:

CDON Marketplace

- Attain a level of organic growth in gross merchandise value of an average of 10 per cent per year
- Generate operating income before depreciation, amortization and impairment of 1-2 per cent of gross merchandise value

Nelly (including NLYMan)

- Attain a level of organic growth of an average of 8 per cent per year
- Generate an operating margin before depreciation, amortization and impairment of at least 6 percent

Qliro Financial Services

- Reach operating income before depreciation, amortization and impairment of at least SEK 150 million in 2019

SIGNIFICANT EVENTS DURING AND AFTER THE FIRST QUARTER OF 2018

Changed accounting policies for Qliro Financial Services

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

Sale of Health and Sports Nutrition Group HSNB AB

On January 30, the sale of Health and Sports Nutrition Group to Orkla was completed. HSNB remains a partner with Qliro Financial Services and CDON Marketplace after the transaction. HSNB is recognized as a discontinued operation. The capital gain from the divestment excluding transaction costs amounted to SEK 140 million and was recognized as profit from discontinued operations in the first quarter.

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 product range consists initially of IT equipment and office supplies. The ambition going forward is to offer a broad and attractive range of products to corporate customers across the Nordic region.

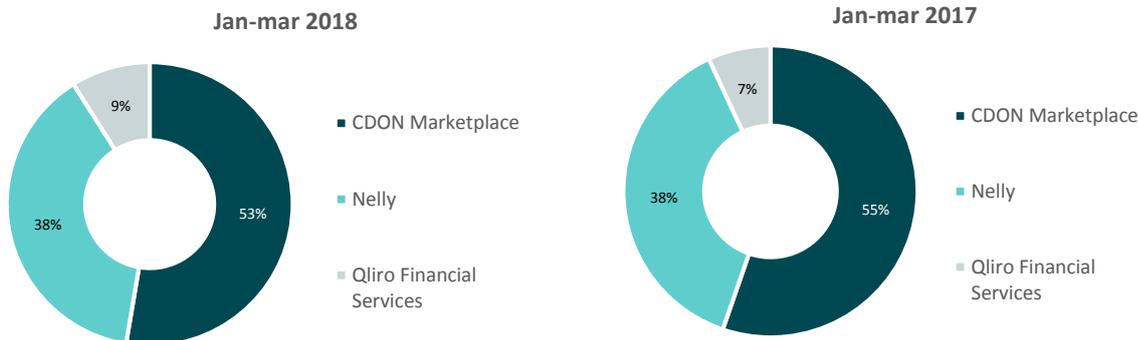
Qliro Group commented on Nelly and CDON Marketplace

On April 5, Qliro Group published a press release announcing 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 in marketing and organization. It was also announced that CDON Marketplace adjusted the organization as part of its transformation to a marketplace.

Anna Ullman Sersé appointed Interim Head of Nelly

On April 17, Qliro Group announced that Anna Ullman Sersé had been appointed Interim Head of Nelly. Anna has been Head of Business Development and a member of Qliro Group's management team since 2016. She replaced Jan Wallsin who left the group. A search process for Jan's successor will be undertaken.

SALES PER BUSINESS AREA



THE GROUP

Lekmer and HSNG are recognized as discontinued operations. Continuing operations are recognized in this report (including historical comparative figures in income statements and cash flow reports) unless otherwise stated.

Net sales increased by 2 percent to SEK 716.1 (705.3) million, whereof SEK 406.7 (384.6) million in Sweden, SEK 278.4 (293.9) million in the rest of the Nordics and SEK 31.1 (26.8) million in the rest of the world. Also after adjustments for exchange rate fluctuations, growth was 2 percent.

Gross margin decreased by one percentage point to 18.9 (19.9) percent. Gross margin decreased in both Nelly and CDON Marketplace.

Operating income before depreciation, amortization and impairment amounted to SEK -42.7 (-2.7) million. Operating income amounted to SEK -58.8 (-19.4) million. Net financial items amounted to SEK -3.8 (0.9) million, mainly interest cost for the bond issued in the second quarter of 2017.

Earnings before tax amounted to SEK -62.6 (-18.5) million. Recognized tax expense amounted to SEK 13.9 (3.8) million.

Earnings after tax amounted to SEK -48.6 (-14.7) million. Profit after tax for continuing and discontinued operations amounted to SEK 91.0 (-22.9) million. Earnings per share for continuing and discontinued operations amounted to SEK 0.61 (-0.15) before dilution and 0.60 (-0.15) after dilution.

Cash flow and financial position

Cash flow from operating activities before changes in working capital amounted to SEK -72.1 (-3.2) million, of which e-commerce operations accounted for SEK -51.8 (-6.4) million and Qliro Financial Services accounted for SEK -20.4 (3.2) million.

Cash flow from changes in working capital in the e-commerce business amounted to SEK -262.8 (-207.4) million for the quarter. In the first quarter of 2017 CDON Alandia made a payment of EUR 5.9 million attributable to the tax claim previously made by the Finnish Tax Administration for the 2012 financial year. The amount was recognized as a non-interest-bearing liability in the balance sheet, see page 10.

CDON Marketplace decreased its inventory during the quarter, but increased compared to last year ahead of the campaign weekend Green Friday. Nelly increased its stock ahead of the spring and summer.

Cash flow from changes in working capital in Qliro Financial Services amounted to SEK -39.6 (16.2) million for the quarter. This was made up of a combination of increased loans to the public (invoices, partial payments, installments and personal loans), deposits from the public (savings accounts) and utilization of credit facilities.

Consolidated cash flow from operations after changes in working capital amounted to SEK -374.6 (-194.3) million for the quarter. Investments in non-current assets amounted to SEK -21.9 (-22.4) million for the quarter. Investments were made mainly in Qliro Financial Services and CDON Marketplace. Cash flow from divestment

of operations amounted to SEK 368.0 (0.0) million in the quarter and consisted of the payment for HSNG. Cash flow from financing activities totaled SEK 0.0 (-2.5) million for the quarter.

Cash and cash equivalents amounted to SEK 601.9 (156.9) million at the end of the quarter. Cash and cash equivalents in e-commerce operations amounted to SEK 573.5 (156.9) million. Adjusted for the outstanding bond of SEK 250.0 (-) million, net cash in e-commerce operations amounted to SEK 323.5 (156.9) million.

Total assets at the end of the reporting period amounted to SEK 2,868.3 (2,278.1) million. The divestment of Lekmer in 2017 and HSNG in the first quarter of 2018 decreased consolidated assets compared with the previous year, which was offset by Qliro Financial Services' increased lending to the public. Equity amounted to SEK 1,080.9 (1,005.0) million at the end of the quarter.

Discontinued operations (Lekmer and Health and Sports Nutrition Group)

Qliro Group divested Lekmer AB in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018. These companies are recognized as discontinued operations in the Group. Continuing operations are recognized in this report (including historical comparative figures in income statements and cash flow reports) unless otherwise stated.

On January 30, 2018, Qliro Group completed the sale of Health and Sports Nutrition Group HSNG AB to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with normalized working capital. Earnings from the divestment of shares excluding transaction costs was SEK 140.6 million in the first quarter.

Profit after tax for discontinued operations amounted to SEK 139.6 (-8.3) million. It consisted mainly of the impact on earnings from HSNG's operating earnings, the impact on earnings from divestment of HSNG and transaction-related expenses.

Parent company

The parent company, Qliro Group AB, reported sales of SEK 5.3 (6.1) million. Earnings before tax totaled SEK 130.7 million (-7.1). Cash and cash equivalents in the parent company amounted to SEK 0.0 (144.8) million at the end of the quarter.

Accounting policies and valuation principles

This report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act. The consolidated financial statements were prepared according to the same accounting policies and calculation methods as the 2017 annual accounts.

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. From January 1, 2018, reserves for projected credit losses will be made directly at the time of lending with the effect recognized in earnings. Due to the transition to IFRS 9 on January 1, 2018, the reserves increased by SEK 24 million, which affected the balance sheet items equity and lending to the public, but not the income statement. Most of the additional reserves stemmed from credits where at year-end there was no indication of impaired payment ability, and for which no provision had been made in accordance with previous accounting rules.

The implementation and application of IFRS 15 has not lead to any significant changes in revenue recognition as Qliro Group since previously recognizes revenues in a manner that complies with the requirements of IFRS 15. Qliro Group has in accordance with IFRS 15 disclosed more information on composition of its net sales.

Work on IFRS 16 continues, and the status is essentially the same as disclosed in the 2017 Annual Report.

Risks and uncertainties

Several factors affect, or may come to affect, directly or indirectly, the operations of the Qliro Group. These factors can be divided into industry and market risks, operational risks, financial risks and legal risks. In addition to these risks, there are specific risks for Qliro Financial Services. Industry and market risks include market developments in e-commerce, seasonal variations, risks related to fashion trends, the economic situation and consumer purchasing power. Operational risks include interruptions or deficiencies in IT and control systems, supplier relationships, inventories and distribution. Financial risks include currency risk, credit risk, interest rate risk and liquidity risk. Legal risks include legislation and compliance, as well as intellectual property rights. The

most prominent risks for Qliro Financial Services include financial risks (see above), business risk/strategic risk and operational risks. Risks to Qliro Financial Services may change as credit market companies are permitted to launch new products. The 2017 annual report contains a more comprehensive description of the risks and uncertainty factors affecting the Group in the Management Report and under Note 21.

CDON Alandia

Finnish customs authorities are investigating a subsidiary of CDON AB, the Åland company CDON Alandia, on suspicion of tax fraud. Like other companies in the industry, CDON.com has chosen to serve its Finnish customers from Åland. The company has been in operation since 2007 and has been fully transparent for the relevant authorities, who have routinely reviewed it, most recently as part of a customs audit in 2010 and a tax audit in 2012. CDON AB is fully assisting in the investigation and is still of the opinion that the company acts in accordance with relevant laws and regulations.

In late 2015, the Finnish Tax Administration ordered a supplementary tax on CDON AB's Finnish subsidiary CDON Alandia AB for the 2012 financial year in the amount of about EUR 3.8 million and imposed tax surcharges of about EUR 1.9 million on the company. CDON Alandia asserts that the company acted correctly and follows applicable legislation and appealed the decision to the Administrative Court of Helsinki in Finland in the first quarter of 2016, which has not yet considered the case. No date for the judicial review has yet to be announced.

On 12 January 2017, Qliro Group announced that CDON Alandia AB had paid EUR 5.9 million at the request of the Åland authorities attributable to the tax claim previously made by the Finnish Tax Administration for the financial year 2012, pending the tax dispute ruling. CDON Alandia and its advisers still assert that the company acted correctly and in compliance with applicable legislation. Considering this, the company has not expensed the amount paid.

Transactions with related parties

Transactions with related parties are presently of the same character as described in the 2017 annual report.

Interim report second quarter 2018

Qliro Group's interim report for the second quarter will be published on July 13, 2018.

Nomination Committee's proposal to the 2018 AGM

Qliro Group's Chairman of the Board convened a Nomination Committee ahead of the 2018 Annual General Meeting. The Nomination Committee consists of Lars-Johan Jarnheimer in his role as Chairman of the Board of Qliro Group, Cristina Stenbeck, appointed by Kinnevik AB, Christoffer Häggblom, appointed by Rite Ventures, and Stefan Roos, appointed by Origo Capital. The members of the Nomination Committee appointed Cristina Stenbeck as Chairman of the Committee at its first meeting.

On April 12, the Nomination Committee's proposal was published ahead of the AGM on May 22. The Nomination Committee proposes re-election of Board members Christoffer Häggblom, Daniel Mytnik, Erika Söderberg Johnson and Jessica Pedroni Thorell. The Nomination Committee also proposes election of Andreas Bernström and Lennart Jacobsen as new Board members. Furthermore, the Nomination Committee proposes the election of Christoffer Häggblom as the new Chairman of the Board. Current Board members Lars-Johan Jarnheimer, Caren Genthner-Kappesz and Peter Sjunnesson have declined re-election.

Dividend

The Board of Directors proposes to the 2018 AGM that no dividend to be paid to shareholders for the fiscal year ended December 31, 2017, and that retained earnings be carried forward into the 2018 accounts.

2018 Annual General Meeting

The AGM for 2018 will be held on May 22, 2018, in Stockholm, Sweden. The meeting notice and 2017 Annual Report are available at www.qlirogroup.com and at the head office at Sveavägen 151 in Stockholm.

This report has not been subject to review by the Group's auditor.

Stockholm, April 20, 2018
Marcus Lindqvist
President and CEO

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Conference call

Analysts, investors and the media are invited to a conference call today at 10 a.m. To participate in the conference call, please dial:

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The presentation material and webcast will be published at www.qlirogroup.com.

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About Qliro Group

Qliro Group is a leading Nordic e-commerce group in consumer goods and related financial services. Qliro Group operates the leading Nordic online marketplace CDON.COM, the fashion brand Nelly, and Qliro Financial Services, offering financial services to merchants and consumers. In 2017 the Group had sales of SEK 3.4 billion. Qliro Group's shares are listed on the Nasdaq Stockholm MidCap segment under the ticker symbol QLRO.

This information is information that Qliro Group AB is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 8:00 a.m. CET on Friday, April 20, 2018.

Consolidated Income Statement, first quarter SEK million	E-commerce		Qliro FS		Eliminations ¹		Qliro Group	
	2018	2017	2018	2017	2018	2017	2018	2017
Net sales	650,9	656,2	64,4	48,5	0,8	0,5	716,1	705,3
Cost of goods and services	-556,9	-549,2	-25,0	-16,8	1,1	0,9	-580,8	-565,2
Gross profit	94,0	107,0	39,4	31,7	1,9	1,4	135,3	140,1
Sales and administration expenses	-152,3	-127,4	-51,4	-39,0	3,0	1,4	-200,7	-164,9
Other operating income and expenses, net	2,4	2,1	7,2	4,7	-3,0	-1,4	6,5	5,4
Operating profit or loss	-55,9	-18,3	-4,8	-2,6	1,9	1,4	-58,8	-19,4
Net interest & other financial items	-3,5	0,9	-0,3	0,0	-	-	-3,8	0,9
Net profit or loss before tax	-59,4	-17,3	-5,0	-2,6	1,9	1,4	-62,6	-18,5
Tax							13,9	3,8
Net profit or loss for continued operations							-48,6	-14,7
Net profit or loss for discontinued operations							139,6	-8,3
Total net profit or loss for continued and discontinued operations							91,0	-22,9
<i>Attributable to:</i>								
Equity holders of the parent							91,0	-22,9
Non-controlling interests							-	0,0
Net income for the period							91,0	-22,9
Basic earnings per share excluding discontinued operations before dilution, SEK							-0,33	-0,10
Basic earnings per share including discontinued operations before dilution, SEK							0,61	-0,15
Basic earnings per share excluding discontinued operations after dilution, SEK ²							-0,33	-0,10
Basic earnings per share including discontinued operations after dilution, SEK							0,60	-0,15

¹ Including adjustment related to differences in phasing of costs/revenues.

² Diluted earnings per share are adjusted and shows basic earnings per share

Consolidated Statement of Comprehensive Income, first quarter SEK million	Qliro Group	
	2018	2017
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Translation difference for the period	3,5	0,3
Total comprehensive income for period	94,5	-22,7
<i>Total comprehensive income attributable to:</i>		
Parent company shareholders	94,5	-22,7
Non-controlling interests	-	0,0
Total comprehensive income for the period	94,5	-22,7
Shares outstanding at period's end, basic, million	149,3	149,3
Shares outstanding at period's end, diluted, million	151,0	149,3
Average number of shares, basic, million	149,3	149,3
Average number of shares, diluted, million	151,0	149,3

Qliro FS is used as an abbreviation for the Qliro Financial Services segment.

Consolidated Statement of Financial Position SEK million	E-Commerce		Qliro FS		Eliminations		Qliro Group	
	31-mar	31-mar	31-mar	31-mar	31-mar	31-mar	31-mar	31-mar
	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets								
Goodwill	64.0	207.3	-	-	-	-	64.0	207.3
Other intangible assets	85.5	166.8	137.4	98.9	-	-	222.9	265.6
Total intangible assets	149.6	374.1	137.4	98.9	-	-	287.0	473.0
Tangible assets	10.9	16.7	11.0	9.3	-	-	22.0	26.0
Financial assets	-	-	115.1	-	-	-	115.1	-
Deferred tax asset	118.8	131.8	1.0	0.6	-	-	119.8	132.4
Total non-current assets	279.3	522.6	264.6	108.7	-	-	543.8	631.3
Current assets								
Inventories	448.1	556.1	-	-	-	-	448.1	556.1
Loans to the public ¹	-	-	1,019.0	714.3	-	-	1,019.0	714.3
Current interest-bearing investments	-	-	25.1	12.0	-	-	25.1	12.0
Current non-interest bearing receivables	229.6	203.2	8.7	15.1	-8.0	-10.8	230.3	207.4
Cash and cash equivalents	573.5	156.9	28.4	0.0	-	-	601.9	156.9
Total current assets	1,251.3	916.2	1,081.2	741.4	-8.0	-10.8	2,324.5	1,646.8
Total assets	1,530.6	1,438.8	1,345.7	850.1	-8.0	-10.8	2,868.3	2,278.1
Equity								
Equity attributable to owners of the parent	733.2	705.7	347.8	299.3	-	-	1,080.9	1,005.0
Total equity	733.2	705.7	347.8	299.3	-	-	1,080.9	1,005.0
Non-current liabilities								
<i>Non interest bearing</i>								
Deferred tax liability	0.0	12.3	-	-	-	-	0.0	12.3
Other provisions	5.1	1.2	-	-	-	-	5.1	1.2
<i>Interest bearing</i>								
Loan Facility ²	-	-	210.5	-	-	-	210.5	-
Bond	250.0	-	-	-	-	-	250.0	-
Financial leasing liabilities	-	-	1.9	0.5	-	-	1.9	0.5
Total non-current liabilities	255.1	13.5	212.5	0.5	-	-	467.6	14.0
Current liabilities								
Loan Facility ²	-	-	-	487.7	-	-	-	487.7
Deposits from the public	-	-	711.7	-	-	-	711.7	-
Financial leasing liabilities	-	-	2.3	0.8	-	-	2.3	0.8
Current non-interest bearing liabilities	542.2	719.7	71.5	61.7	-8.0	-10.8	605.8	770.6
Total current liabilities	542.2	719.7	785.5	550.2	-8.0	-10.8	1,319.8	1,259.1
Total equity and liabilities	1,530.6	1,438.8	1,345.7	850.1	-8.0	-10.8	2,868.3	2,278.1

The carrying amounts are considered to be reasonable approximations of fair value for all financial assets and financial liabilities.

¹ Loans to the public are recognized at net value i.e after deduction of bad debts.

² The Loan facility is reclassified from short-term to long-term interest bearing liability due to extended contract period.

SEK million	Equity attributable to parent company shareholders					Non-controlling interest	Total equity
	Equity	Other capital contributions	Translation reserve	Retained earnings incl. Profit/loss for the year	Total		
Closing balance 2017-12-31	300.9	1,077.4	-3.9	-364.7	1,009.6	0.0	1,009.6
Change of accounting principle (IAS 39)	-	-	-	-23.5	-23.5	-	-23.5
Opening balance 2018-01-01	300.9	1,077.4	-3.9	-388.2	986.2	-	986.1

Statement of changes in Equity	2018	2017	2017
SEK million	31-mar	31-mar	31-dec
Opening balance	986.2	1,026.2	1,026.2
Comprehensive income for the period	94.5	-22.7	-23.9
Effects of long term incentive program	0.3	1.5	7.9
Divestment of minority	-	-	-0.6
Closing balance	1,080.9	1,005.0	1,009.6

Consolidated Statement of Cash Flow, first quarter	E-commerce		Qliro FS		Eliminations		Qliro Group	
SEK million	2018	2017	2018	2017	2018	2017	2018	2017
Cash flow from operating activities before changes in working capital	-51.8	-6.4	-20.4	3.2	-	-	-72.1	-3.2
Changes in working capital ¹	-262.8	-207.4	-39.6	16.2	-	-	-302.4	-191.1
Cash flow from operations	-314.6	-213.8	-59.9	19.4	-	-	-374.6	-194.3
Investments in subsidiaries	-	-	-	-	-	-	-	-
Investments in non-current assets	-7.4	-5.1	-14.5	-17.3	-	-	-21.9	-22.4
Divested operations ²	368.0	-	-	-	-	-	368.0	-
Cash flow to/from investing activities	360.5	-5.1	-14.5	-17.3	-	-	346.1	-22.4
Shares contribution, net change	-30.0	-	30.0	-	-	-	-	-
Group contribution, net change	-2.0	-0.1	2.0	-2.4	-	-	-	-2.5
Cash flow to/from financing activities	-32.0	-0.1	32.0	-2.4	-	-	-	-2.5
Change in cash and cash equivalents for the period from continued operations	13.9	-219.0	-42.5	-0.3	-	-	-28.5	-219.3
<i>Cash flow from discontinued operations</i>								
Cash flow from operations	13.9	-59.7	-	-	-	-	13.9	-59.7
Cash flow from investing activities	-0.6	-1.2	-	-	-	-	-0.6	-1.2
Cash flow from financing activities	-	2.5	-	-	-	-	-	2.5
Change in cash and cash equivalents for the period from discontinued operations	13.3	-58.3	-	-	-	-	13.3	-58.3
Change in cash and cash equivalents for the period	27.3	-277.3	-42.5	-0.3	-	-	-15.2	-277.6
Cash and cash equivalents at period's start							624.7	435.2
Translation difference, cash and cash equivalents							0.8	-0.4
Less cash from discontinued operations							-8.3	-
Cash and cash equivalents at period's end							601.9	156.9

¹ Utilised credit facilities, deposits to the public and loans to the public within Qliro FS are reported as changes in working capital to follow new reporting structure

² Divested operations Jan-Mar 2018 comprises consideration related to the sale of Health and Sports Nutrition Group HSNG AB.

Net Sales by Segment SEK million	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
CDON	378.4	733.1	353.5	386.8	389.8	1,863.2
Nelly	276.0	400.3	277.5	364.8	267.1	1,309.7
Group central operations	1.7	2.4	2.1	2.5	1.3	8.3
Eliminations within E-commerce	-1.4	-1.2	-0.8	-0.1	0.7	-1.4
Total E-commerce	654.7	1,134.6	632.3	754.0	659.0	3,179.8
Qliro FS	64.4	64.1	54.9	52.5	48.5	220.1
Eliminations within Qliro FS	-	-	-	-	-	-
Total Qliro FS	64.4	64.1	54.9	52.5	48.5	220.1
Eliminations between E-commerce and Qliro FS	-1.0	-1.6	-1.1	-1.2	-0.9	-4.9
Group Adjustment ¹	-1.9	2.7	0.2	0.1	1.4	1.6
Qliro Group Consolidated Total	716.2	1,199.8	686.4	805.4	705.3	3,396.7

Eliminations within E-commerce						
CDON	-	0.1	0.1	0.5	0.5	1.1
Nelly	-1.4	-1.2	-0.8	-0.1	0.7	-1.4
Group central operations	1.4	1.1	0.7	-0.4	-1.2	0.2
Total eliminations within E-commerce	0.0	0.0	0.0	0.0	0.0	0.0
Eliminations between E-commerce and Qliro FS						
CDON	0.7	1.2	0.8	0.8	0.6	3.4
Nelly	0.3	0.4	0.3	0.4	0.2	1.3
Group central operations	0.0	0.0	0.0	0.1	0.0	0.2
Qliro FS	-1.0	-1.6	-1.1	-1.2	-0.9	-4.9
Total eliminations between E-commerce and Qliro FS	0.0	0.0	0.0	0.0	0.0	0.0

Operating profit by Segment SEK million	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
CDON	-23.6	6.2	-16.3	-17.9	-12.3	-40.3
Nelly	-20.0	34.4	18.2	40.0	6.6	99.2
Group central operations	-8.5	-10.7	-10.2	-7.6	-9.8	-38.2
Total E-commerce	-52.1	29.9	-8.3	14.5	-15.5	20.6
Qliro FS	-4.8	3.0	3.6	-5.6	-2.6	-1.5
Total Qliro FS	-4.8	3.0	3.6	-5.6	-2.6	-1.5
Group Adjustment ¹	-1.9	2.7	0.2	0.1	-1.4	1.6
Qliro Group Consolidated Total	-58.8	35.6	-4.4	9.0	-19.4	20.7

Inventories by Segment SEK million	2018 31-Mar	2017 31-Dec	2017 30-Sep	2017 30-Jun	2017 31-Mar
CDON	190.8	254.5	169.4	166.2	164.4
Nelly	257.3	193.0	234.0	169.6	201.7
Total E-commerce	448.1	447.5	403.4	335.8	366.1
Qliro Group Consolidated Total for continued operations	448.1	447.5	403.4	335.8	366.1
Qliro Group Consolidated Total for continued and discontinued operations ²	448.1	550.4	484.2	415.7	556.1

¹ Group Adjustment between Qliro FS and internal clients, related to differences in phasing of costs/revenues.

² Including divested operations (Health and Sports Nutrition Group HSNG AB and Lekmer AB)

Parent Company Income Statement			
SEK million	2018	2017	2017
	Jan-Mar	Jan-Mar	Jan-Dec
Net Sales	5.3	6.1	27.1
Gross profit	5.3	6.1	27.1
Administration expenses	-7.7	-15.9	-65.6
Operating profit or loss	-2.4	-9.8	-38.5
Profit or loss from shares in subsidiaries ¹	139.7	-	-76.3
Net interest & other financial items	-6.6	2.7	-2.4
Profit or loss after financial items	130.7	-7.1	-117.3
Group contribution received	-	-	127.0
Group contribution paid	-	-	-51.3
Profit or loss before tax	130.7	-7.1	-41.6
Tax	1.8	1.6	-7.9
Net income or net loss for the period	132.3	-5.6	-49.4
Parent Company Statement of Comprehensive Income			
SEK million			
Profit or loss for period	132.3	-5.6	-49.4
Other comprehensive income	-	-	-
Total comprehensive income for period	132.3	-5.6	-49.4

¹ Profit/loss from shares in subsidiaries consists primarily of capital gains from the divestment of Health and Sports Nutrition Group AB in 2018 and Lekmer AB in 2017.

Parent Company Statement of Financial Position SEK million	2018 31-mar	2017 31-mar	2017 31/dec
Non-current assets			
Other intangible assets	-	-	0.1
Equipment	1.3	1.5	1.5
Shares and participating interests in group companies	625.5	808.9	797.6
Deferred tax asset	106.3	115.8	106.3
Total non-current assets	733.1	926.1	905.5
Current assets			
Current non-interest-bearing receivables	32.2	3.7	31.1
Receivables from Group companies	613.6	184.4	164.4
Total current receivables	645.8	188.1	195.4
Cash and bank	0.0	144.8	545.1
Total cash and cash equivalents	0.0	144.8	545.1
Total current assets	645.8	332.9	740.6
Total assets	1,378.9	1,259.1	1,646.1
Equity			
Restricted equity	301.7	301.7	301.7
Unrestricted equity	801.1	706.2	668.4
Total equity	1,102.8	1,007.9	970.1
Provisions			
Other provisions	5.1	1.2	3.2
Total provisions	5.1	1.2	3.2
Non-current liabilities			
Bond	250.0	-	250.0
Total non-current liabilities	250.0	-	250.0
Current liabilities			
Short term interest bearing loans	-	57.0	0.0
Liabilities to Group companies	1.2	176.0	375.9
Non-interest-bearing liabilities	19.8	17.0	47.0
Total current liabilities	21.0	249.9	422.9
Total liabilities	276.1	251.2	676.1
Total equity and liabilities	1,378.9	1,259.1	1,646.1

Key Ratios	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Full year
E-COMMERCE						
Sales growth (%)	-0.8	7.5	7.0	8.7	-2.6	5.4
Gross profit margin (%)	14.4	18.9	20.2	21.5	16.7	19.3
Operating margin (%)	-8.6	2.6	-1.3	1.9	-2.3	0.6
Return on equity (%)	1.1	1.1	neg	neg	neg	1.1
Return on capital employed (%)	neg	10.4	neg	neg	neg	10.4
Equity/assets ratio (%)	47.9	35.1	40.3	42.5	49.0	35.1
Net debt (SEK million)	-323.5	-303.8	-112.2	-239.5	-156.9	-303.8
Depreciation/Net sales (%)	1.2	0.8	1.5	1.5	1.8	1.3
Capital Expenditure/Net sales (%)	1.1	1.2	1.4	0.8	0.8	1.0
CDON						
No. of active customers (thousand)	1,800	1,772	1,723	1,711	1,683	1,772
No. of visits (thousand)	21,951	33,472	18,245	18,480	20,237	90,434
No. of orders (thousand)	778	1,323	663	709	721	3,416
Average shopping basket (SEK)	608	665	665	665	659	664
Nelly						
No. of active customers (thousand)	1,265	1,217	1,178	1,187	1,229	1,217
No. of visits (thousand)	28,172	32,948	23,408	29,377	24,504	110,237
No. of orders (thousand)	670	905	580	779	568	2,832
Average shopping basket (SEK) ¹	642	635	701	686	659	667
QLIRO FINANCIAL SERVICES						
Sales growth (%)	32.7	40.5	30.1	71.7	69.1	49.6
Return on equity (%)	neg	0.0	0.6	neg	0.5	0.0
Equity/assets ratio (%)	25.8	25.7	31.6	30.3	35.2	25.7
Net debt (SEK million)	757.9	870.4	596.3	616.0	489.0	870.4
Depreciation/Net sales (%)	12.9	12.7	13.7	14.1	9.3	12.5
Capital Expenditure/Net sales (%)	22.6	29.6	15.7	42.4	35.7	33.8
GROUP						
Sales growth (%)	1.5	9.0	8.6	11.5	0.2	7.5
Gross profit margin (%)	18.9	21.8	24.3	24.1	19.9	22.5
Operating margin (%)	-8.2	3.0	-0.6	1.1	-2.8	0.6
Return on equity (%)	0.6	0.8	0.0	neg	neg	0.8
Return on capital employed (%)	neg	1.8	0.5	neg	neg	1.8
Equity/assets ratio (%)	37.7	31.1	37.1	38.0	44.1	31.1
Net debt (SEK million)	434.3	566.6	484.2	376.4	332.1	566.6
Depreciation/Net sales (%)	2.2	1.4	2.5	2.3	2.4	2.0
Capital Expenditure/Net sales (%)	3.1	2.7	3.6	3.5	3.2	3.2
Basic Earnings per share before and after dilution (SEK) ²	-0.33	0.30	0.00	0.03	-0.10	0.19
Equity per share (SEK) ³	7.24	6.76	6.76	6.71	6.73	6.76
No. of active customers (thousand)	3,065	2,989	2,901	2,898	2,912	2,989
No. of visits (thousand)	50,123	66,420	41,653	47,857	44,741	200,671
No. Of orders (thousand)	1,448	2,228	1,243	1,488	1,289	6,248
Average shopping basket (SEK)	624	653	682	676	659	665

Key ratios have been adjusted to enable historical comparisons for continued operations.

¹ Calculation method based on order value

² Basic Earnings per share for the periods Jan-Mar 2018 have been calculated on the average number of outstanding shares for the respective periods. The weighted average number of shares before dilution for the first quarter 2018 is 149,269,779. The weighted average number of shares after dilution for the first quarter is 150,984,180. The dilution is due to Qliro Group's performance share program.

³ Calculated on present number of shares, which per March 2018 amounts to 149,269,779.

DEFINITIONS

Sales growth	Change in net sales for the period
Gross margin	Gross profit for the period as a percentage of net sales for the period. Gross profit includes costs directly attributable to the item sold, such as inventory handling costs and freight costs.
Gross merchandise value	The value of all items sold on a marketplace
Operating margin	Operating income for the period as a percentage of net sales for the period
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization of intangible assets and property, plant, and equipment
EBT	Earnings before tax for the period
EBTDA	Earnings before taxes, depreciation and amortization for the period
Return on equity	Net income for the last four quarters as a percentage of average equity for the same period
Return on capital employed	Operating income for the last four quarters as a percentage of average capital employed for the same period
Equity/assets ratio	Equity including non-controlling interests as a percentage of total assets
Net debt (+)/Net cash (-)	Interest-bearing liabilities less interest bearing current and non-current assets and cash and cash equivalents
Earnings per share	Earnings for the year attributable to owners of the parent for the period divided by average number of shares for the period
Equity per share	Equity attributable to owners of the parent divided by number of shares at the end of the period
Investments/Net sales	Investments in property, plant and equipment divided by net sales for the period
Depreciation and amortization/Net sales	Depreciation, amortization and impairment of property, plant and equipment and intangible assets divided by net sales for the period
Number of active customers	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
Own funds	The sum of Tier 1 capital and Tier 2 capital for capital adequacy purposes
Risk exposure amount	Total risk-weighted exposure amounts are the sum of credit risks, currency risks and operational risks
Minimum capital requirement	The institution must meet the following capital requirements: <ul style="list-style-type: none"> i) Common equity Tier 1 capital ratio of 4.5% ii) Tier 1 capital ratio of 6% iii) Total capital ratio of 8% as per the Capital Requirements Regulation, Article 92 (1)
Combined buffer requirement	The total Common Equity Tier 1 capital required to meet the requirement for the capital conservation buffer and an institution-specific countercyclical capital buffer pursuant to Article 128 of the Capital Requirements Directive
Capital ratio	Own funds expressed as a percentage of the total risk exposure amount pursuant to Article 92 of the Capital Requirements Regulation

ALTERNATIVE PERFORMANCE MEASURES

Certain key ratios stated in this report are not defined according to generally accepted accounting principles (GAAP), for example IFRS. We consider the following alternative performance measures to be useful to investors because they form the basis for assessing operational performance, along with the comparable GAAP ratios. Alternative performance measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. Alternative performance measures reported by us may not be comparable to similar measures reported by other companies.

Earnings before interest, taxes, depreciation, amortization and impairment of intangible and tangible assets.

Q1 2018							E-	Adjust-	
SEK million	CDON	Nelly	Central	commerce	Qliro FS	ment	Group		
Earnings before interest and taxes	-23.6	-20.0	-8.5	-52.1	-4.8	-1.9	-58.8		
Depreciation, amortization and impairment	-2.4	-5.2	-0.2	-7.8	-8.3	-	-16.1		
Earnings before interest, taxes, depreciation, amortization and impairment	-21.2	-14.9	-8.3	-44.4	3.5	-1.9	-42.7		

Q1 2017							E-	Adjust-	
SEK million	CDON	Nelly	Central	commerce	Qliro FS	ment	Group		
Earnings before interest and taxes	-12.3	6.6	-9.8	-15.5	-2.6	-1.4	-19.4		
Depreciation, amortization and impairment	-6.3	-5.7	-0.2	-12.1	-4.5	-	-16.7		
Earnings before interest, taxes, depreciation, amortization and impairment	-6.1	12.3	-9.6	-3.3	2.0	-1.4	-2.7		

¹ Non-GAAP financial measures are shown for continued operations

Note 1

Disclosures in accordance with IAS 34.16A are found on the pages before the income statement and statement of other comprehensive income.

Note 2

On January 30, 2018, Qliro Group sold Health and Sports Nutrition Group HSNG AB to Orkla. HSNG was valued at SEK 360 million on a debt-free basis with a normalized working capital. HSNG remains a partner with Qliro Financial Services and CDON Marketplace after the transaction. The capital gain from the divestment amounts to SEK 140.6 million and is recognized as profit from discontinued operations in the first quarter.

Discontinued operations		
GROUP SEK million	2018 Q1	2017 Q1
Income	70.4	294.5
Expenses	-69.4	-305.0
Profit/loss before tax	1.0	-10.5
Tax	-0.3	2.3
Profit/loss after tax but before capital gains from sale of operations	0.7	-8.3
Result from sales of shares incl. cost for disposal	138.9	-
Tax attributable to above stated capital gain	-	-
Profit/loss from divestment after tax	138.9	-
Profit/loss from discontinued operations after tax	139.6	-8.3
GROUP SEK million	2018 Q1	2017 Q1
Net cash flow from discontinued operations		
Cash flow from operations	13.9	-59.7
Cash flow from investing activities	-0.6	-1.2
Cash flow from financing activities	-	2.5
Net cash flow from discontinued operations	13.3	-58.3
GROUP SEK million	2018 Q1	2017 Q1
Divested assets and liabilities		
Intangible assets	-212.8	-
Tangible assets	-3.0	-
Deferred tax receivable	0.0	-
Inventories	-96.1	-
Current non-interest bearing receivables	-57.2	-
Cash and cash equivalents	-8.3	-
Deferred tax liability	10.8	-
Current non-interest bearing liabilities	139.3	-
Net assets and liabilities	-227.4	-
Received purchase price	368.0	-
Accrued purchase price	-	-
Less cash from discontinued operations	-8.3	-
Change in cash and cash equivalents	359.7	-

Comparative figures also include income, expenses and capital gains attributable to the sale of Lekmer AB and HSNG AB.

Note 3

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.

The Group's segments operate mainly in the Nordics. Revenues are shown below by geographical area. Geography is important from a follow-up point of view because the countries have different business conditions. The geographical breakdown Sweden, the Nordics and the rest of the world is relevant to reflect where in the Group revenue is generated.

Net sales in CDON and Nelly mainly consist of online sales. Qliro Financial Service's net sales consist of gross interest income. Sales are recognized by country of sale, that is, the country in which the recipient is located.

Sales by geographic area

Q1 2018							
	CDON	Nelly	Qliro FS	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	229.2	135.0	45.2	1.7	-2.5	-1.9	406.7
Other Nordics	149.2	109.9	19.2	-	-	-	278.4
Nordics	378.4	245.0	64.4	1.7	-2.5	-1.9	685.1
Rest of the world ¹	-	31.1	-	-	-	-	31.1
Total	378.4	276.0	64.4	1.7	-2.5	-1.9	716.1

Q1 2017							
	CDON	Nelly	Qliro FS	Group central operations	Eliminations	Group adjustment	Group consolidated total
SEK million							
Sweden	210.9	135.9	38.1	1.3	-0.1	-1.4	384.6
Other Nordics	179.0	104.5	10.5	-	-	-	293.9
Nordics	389.8	240.4	48.5	1.3	-0.1	-1.4	678.5
Rest of the world ¹	-	26.8	-	-	-	-	26.8
Total	389.8	267.1	48.5	1.3	-0.1	-1.4	705.3

¹ Includes mainly Central Europe.

Qliro AB's publication of information regarding capital adequacy and cash management

The information is presented for Qliro AB (556962-2441) as of March 31, 2018, in accordance with Regulation (EU) 575/2013 and the Swedish Financial Supervisory Authority's (FI) regulations and general guidelines (FFFS 2014: 12).

Own funds	SEK thousand
Common Equity Tier 1 capital	209,331
Additional Tier 1 capital	-
Tier 2 capital	-
Total capital	209,331

Risk exposure amount	SEK thousand
Credit risk according to standardized approach, of which	807,672
exposure to households	713,266
exposure to corporates	19,316
exposures in default	58,319
exposure to institutions	5,680
other exposures	11,092
Market risk	-
Operational risk according to basic indicator approach	290,242
Total risk exposure amount	1,097,914

Capital requirement	SEK thousand
Total minimum capital requirement	87,833
Internally assessed required capital	21,375
Total capital requirements, excl. regulatory capital buffers	109,208

Capital adequacy analysis	% of REA
Common Equity Tier 1 capital ratio	19.1%
Tier 1 capital ratio	19.1%
Total capital ratio	19.1%
Combined buffer requirement	4.2%
of which: capital conservation buffer	2.5%
of which: countercyclical buffer	1.7%

Funding

Net lending to the public amounted to SEK 1,019 (714) million at the end of the quarter. The lending was financed by the amount of SEK 211 (488) million via a secured contracted credit facility and SEK 713 (0) million through deposits from the public (savings accounts) in Sweden, of which 99.9 percent are protected by the deposit insurance scheme in Sweden. Deposits from the public were divided into 63 percent on demand with variable rate and 37 percent fixed interest rate with a duration of 220 days as of March 31, 2018 (initially 1-year fixed rate). Twenty-four percent of the deposit portfolio is held as liquidity reserve.

Liquidity

As of March 31, 2018, Qliro AB's liquidity reserve amounted to SEK 169 million of which SEK 140 million was invested in Swedish municipal bonds and SEK 28 million in a Nordic bank. Average rating of the liquidity reserve was AA + and had an average maturity of 113 days. As of, March 31, 2018, Qliro AB had a liquidity coverage ratio of 370 percent. This measures Qliro AB's highly liquid assets amounting to SEK 90 million related to net outflows of SEK 24 million over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent applies. In addition to the liquidity reserve as of March 31, 2018, Qliro AB had SEK 389 million in additional liquidity via undrawn funding in a secured contracted credit facility.