



## Financial Results for the Third Quarter and First Nine Months 2011

17 October 2011

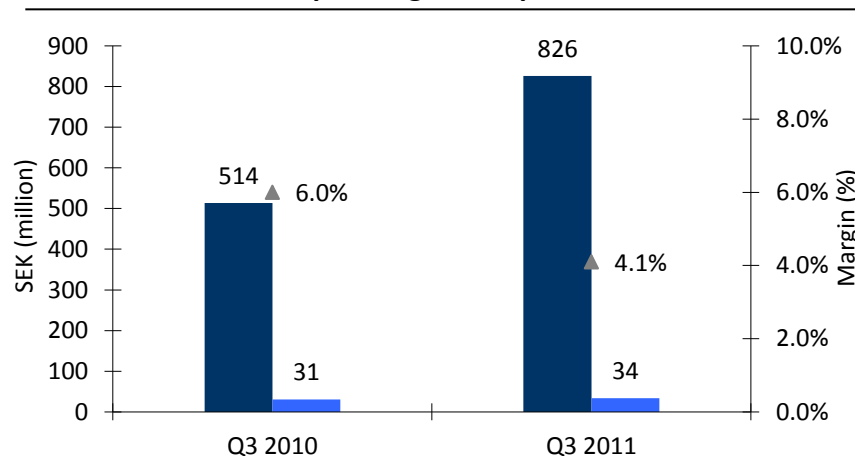


# 61% year on year third quarter sales growth

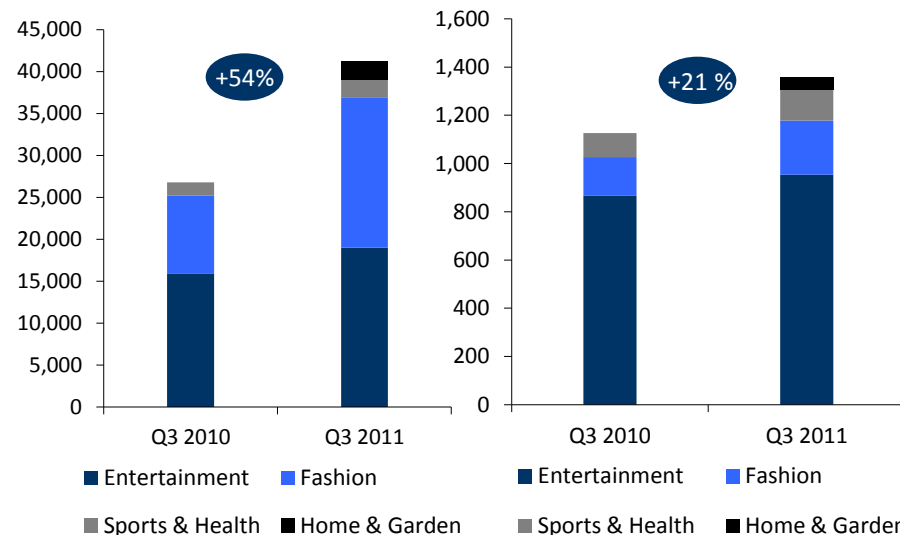
## CDON Group's strongest Q3 ever – with sales & EBIT reaching new record levels

- Net sales up 61% y/y to SEK 826.4 (513.7) mn
  - Net sales up 62% at constant exchange rates
- Gross profit up 46.7% y/y to SEK 136.5 (93.0) mn & gross margin of 16.5% excl. non-recurring items
  - Gross profit up 30.6% y/y to SEK 121.5 mn & gross margin of 14.7% incl. non-recurring items of SEK 15.0 mn related to a restatement of Norwegian customs duties and VAT
- Operating profit of SEK 33.7 (30.8) mn & operating margin of 4.1% excl. non-recurring items
  - Operating profit of SEK 18.7 (30.8) mn & 2.3% operating margin incl. non-recurring items of SEK 15.0 mn
- Pre-tax profit of SEK 13.3 (25.3) mn & net income of SEK 11.5 (19.3) mn
  - Earnings per share of SEK 0.18
- Launch of Members.com in the Nordic region and launch of Nelly.com on 20 new markets within the European Union

### Operating development



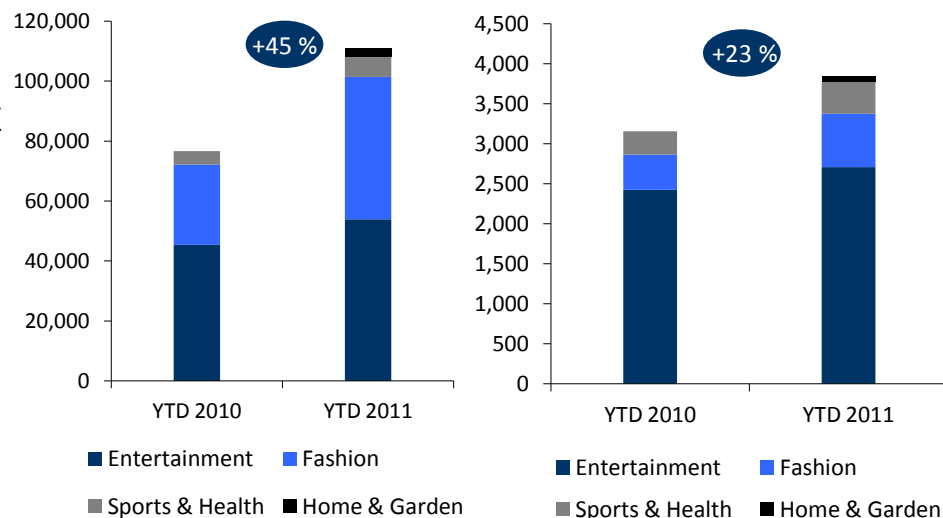
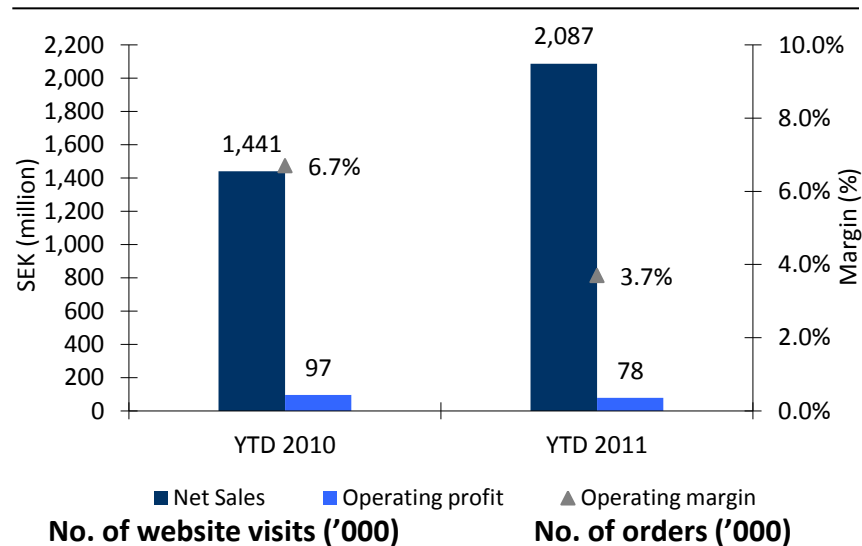
### No. of website visits ('000)      No. of orders ('000)



Continued execution of strategy to develop our operations, acquire and launch new online stores and to expand into new markets, while maintaining profitability

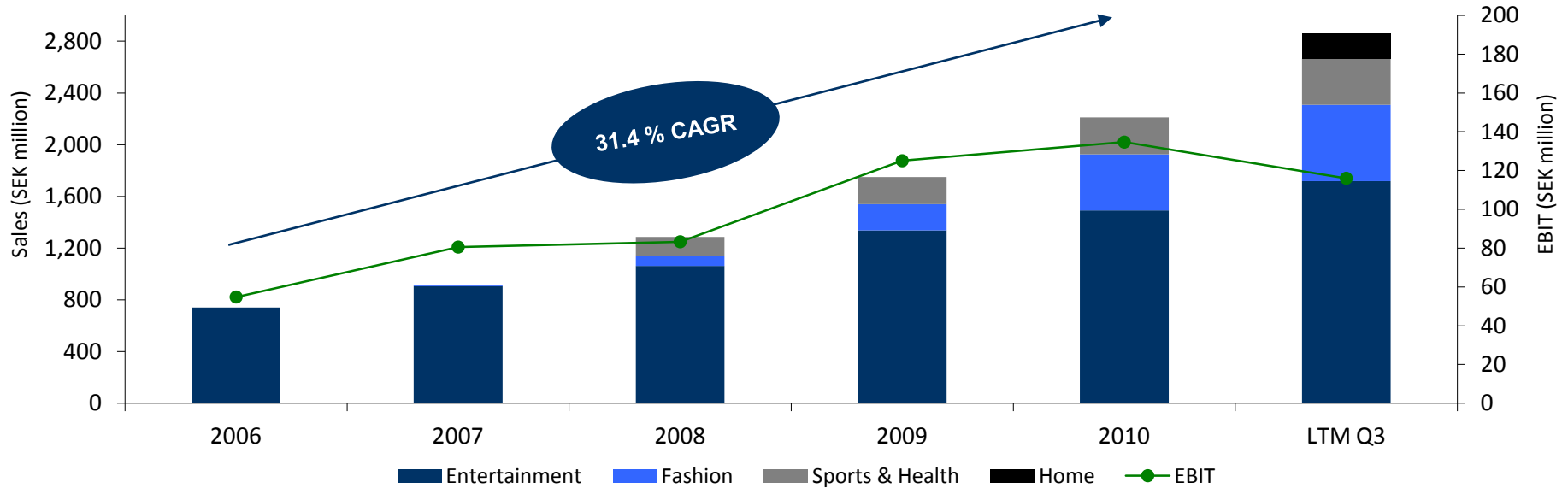
- Net sales up 45% y/y to SEK 2,087.3 mn (1,441.1)
  - Net sales up 49% at constant exchange rates
- Gross profit up 32.6% y/y to SEK 372.8 (281.2) mn & gross margin of 17.9% excl. non-recurring items
  - Gross profit up 27.3% y/y to SEK 357.8 mn & gross margin of 17.1% incl. non-recurring items of SEK 15.0 mn
- Operating profit of SEK 77.6 (96.5) mn & operating margin of 3.7% excl. non-recurring items
  - Operating profit of SEK 57.9 (96.5) mn & 2.8% operating margin incl. non-recurring items of SEK 15.0 mn related to restatement of Norwegian customs duties and VAT and SEK 4.7 mn related to the acquisition of Tretti AB
- Pre-tax profit of SEK 45.1 (82.4) mn & net income of SEK 34.6 (64.2) mn
- Basic earnings per share of SEK 0.53 (32.76) and diluted earnings per share of SEK 0.48 (32.76)\*

## Operating development



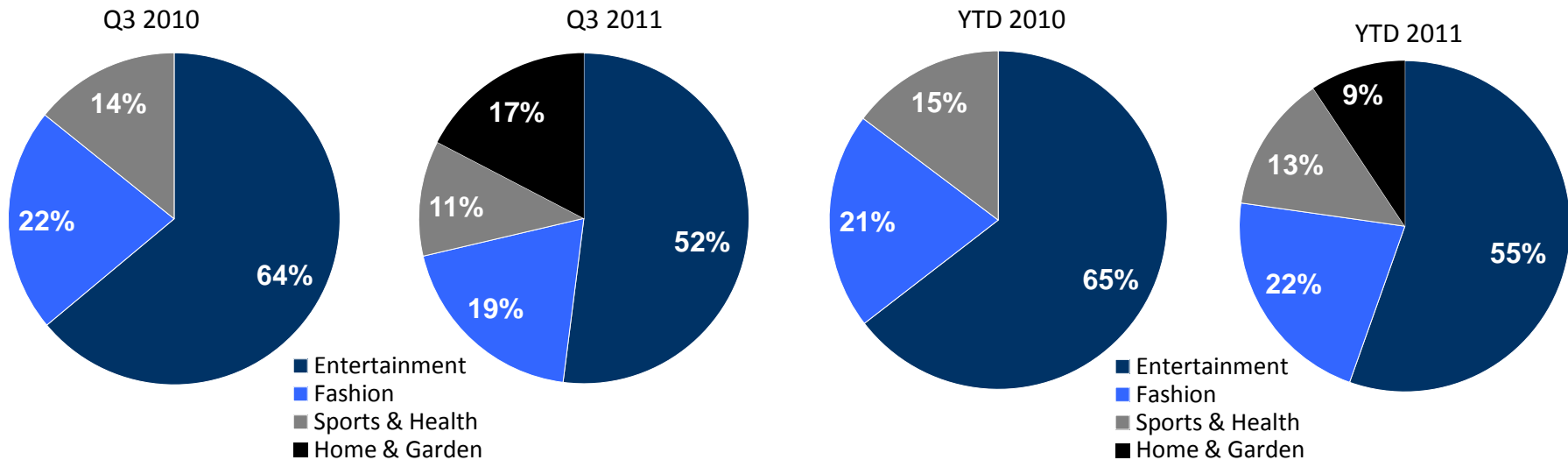
\*Earnings per share for Jul-Sept 2010 and Jan-Sept 2010 are based on the average number of issued shares for these periods which are 4,774,682 and 1,940,552 respectively. The weighted average number of shares outstanding before dilution for the third quarter of 2011 amounted to 66,342,124. The weighted average number of shares outstanding after dilution in the third quarter of 2011 amounted to 72,921,071.

# Consistent revenue growth with healthy profitability levels



Third quarter sales by segment

YTD sales by segment

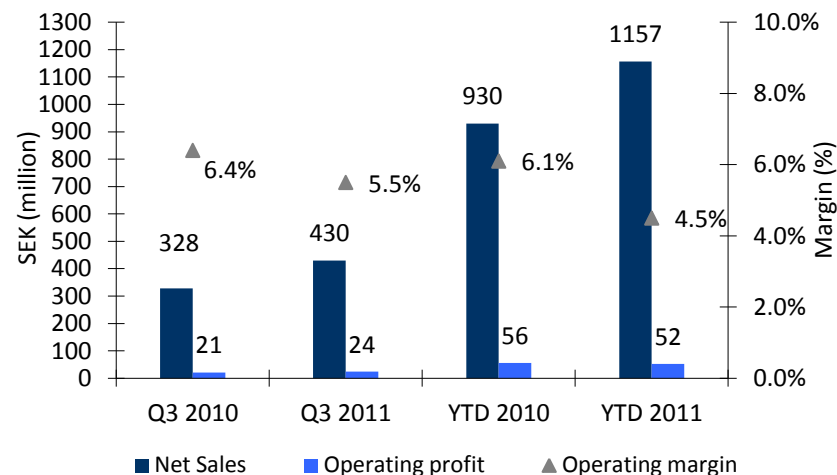


# **Business Profile & Performance**

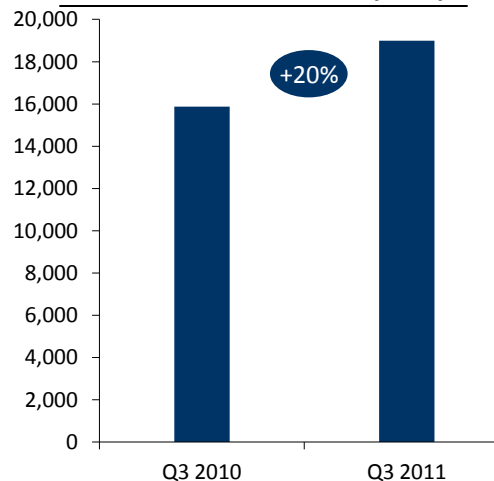
## 31% year on year sales growth in Q3 & 6% operating margin, with ongoing & accelerated shift towards more sustainable product categories

- Sales up 31% y/y in Q3 & up 24% for YTD
  - Media products grew in the third quarter despite the fact that the market for these products declined
  - All product categories strengthened their positions and their market shares in both periods
  - The first step in the development of CDON.com from an online store to a shopping-mall was taken as Lekmer.com's assortment of toys was integrated onto CDON.com in Q3
- Represented 52% (64%) of total Group sales in Q3 & 55% (65%) for YTD
- Operating costs of SEK 406 (307) mn in Q3 & costs of SEK 1,105 (874) for YTD
  - Ongoing shift in the product category mix
  - Market investments in the development of Lekmer.com
  - Y/Y appreciation of the Group's reporting currency (SEK) against other operating currencies
- Operating profits of SEK 23.7 (21.0) mn in Q3 & SEK 51.8 (56.3) mn for YTD
  - Operating margin of 5.5% (6.4%) y/y in Q3 & a margin of 4.5% (6.1%) YTD

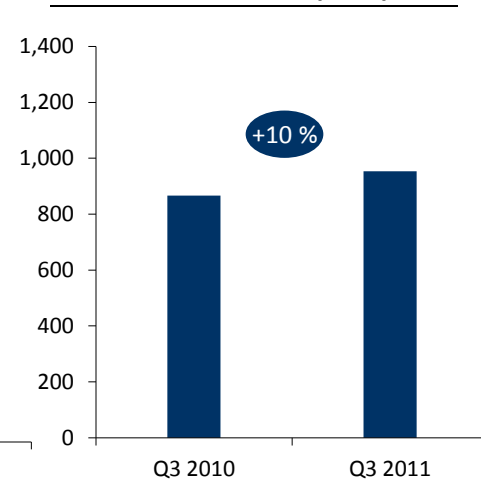
### Operating development



### No. of website visits ('000)



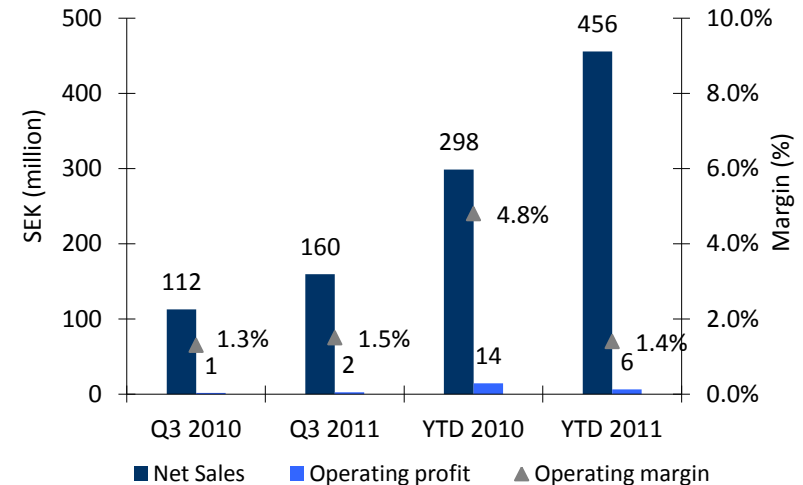
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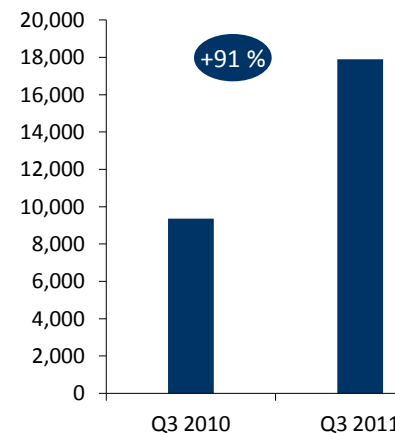
## 42% year on year revenue growth in Q3 with a new start-up launched during the quarter, intensified geographical expansion and broadened product offering

- Sales increased by 42% y/y in Q3 & up 53% YTD
  - Launch of a new business - Members.com
  - Launch of Nelly.com on 20 new markets within the European Union
  - Heppo.com expanded its assortment during the quarter and continues to develop at a fast pace
- Represented 19% (22%) & 22% (21%) of total Group sales for the two respective periods
- Operating costs of SEK 157 (111) mn in Q3 & SEK 449 (284) mn for YTD
  - Costs related to the launch of Nelly in 20 new markets and continued expansion of Nelly.com in Germany, the Netherlands and Austria
  - Costs related to the launch of Members.com, an exclusive shopping club
  - Increased marketing costs related to the expansion of Heppo.com in the Nordic region
- Operating profits of SEK 2.5 (1.5) mn in Q3 & SEK 6.4 (14.2) mn for YTD
  - Operating margin of 1.5% (1.3%) & 1.4% (4.8%) for the two respective periods

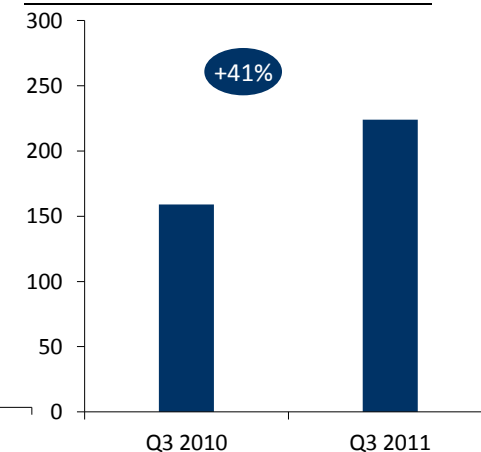
### Operating development



### No. of website visits ('000)



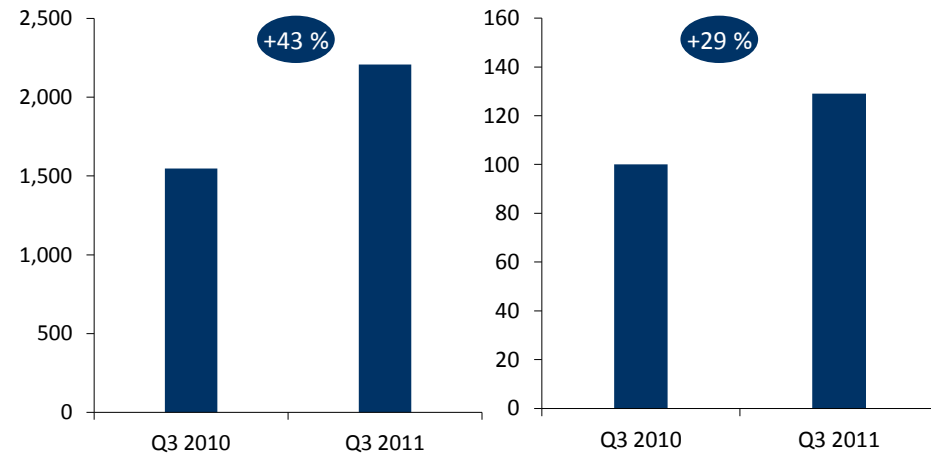
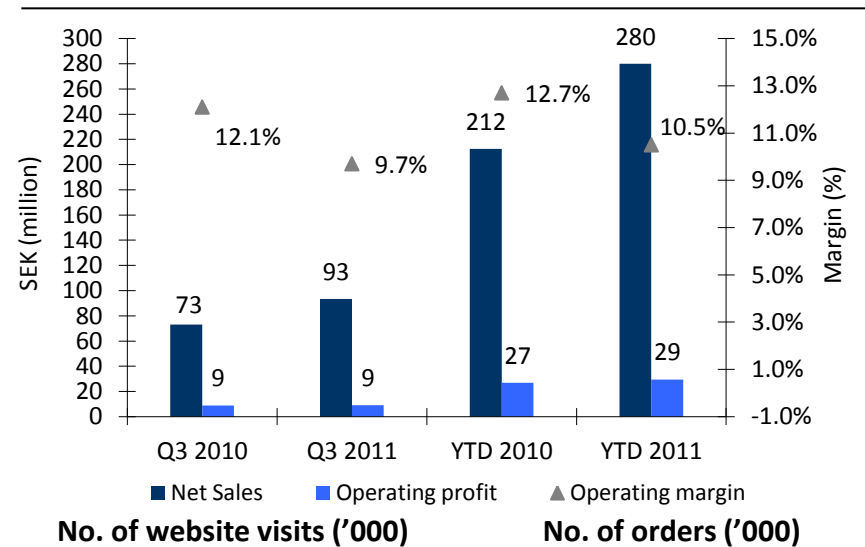
### No. of orders ('000)



## 28% year on year revenue growth with increased market shares

- Sales up 28% y/y in Q3 & up 32% for YTD
  - Market share gains for Gymgrossisten.com in all geographical markets during the third quarter
- Sports & Health segment represented 11% (14%) & 13% (15%) of Group sales for the two respective periods
- Operating costs of SEK 84 (64) mn in Q3 & costs of 251 (186) for YTD
  - Marketing investments to develop Gymgrossisten.com's position in Finland, Norway and Denmark
- Operating profits of SEK 9.0 (8.8) mn in Q3 y/y in Q3 & SEK 29.5 (27.0) mn for YTD
  - Operating margins of 9.7% (12.1%) in Q3 & 10.5% (12.7%) for YTD

### Operating development

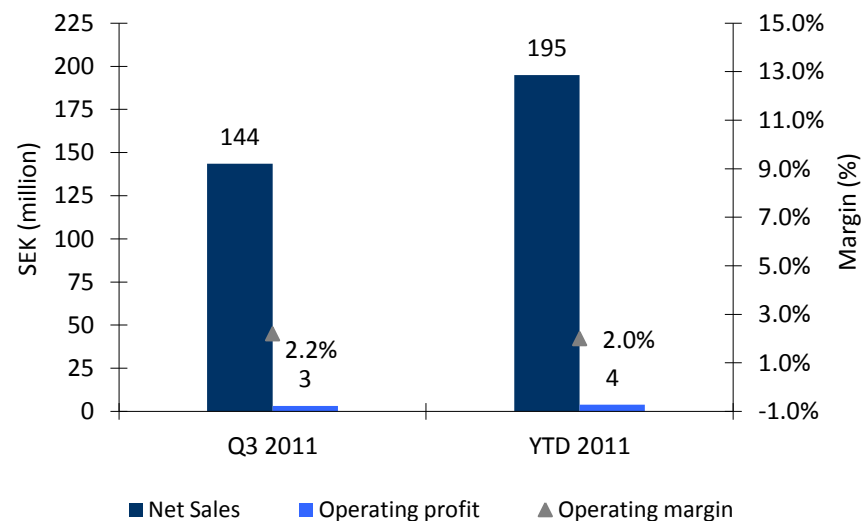




## Performing according to plan with increasing market shares

- Home & Garden is a new business segment introduced in Q2 2011. It comprises internet stores Tretti.com & RUM21.com
- The segment's sales amounted to SEK 143.5 mn for Q3 & to SEK 194.9 mn for YTD
  - Pan-Nordic launch of Rum21
- Home & Garden accounted for 17% of total Group sales in Q3 & for 9% for YTD
- Operating costs of SEK 140 (-) mn in Q3 & costs of 191 (-) for YTD
  - Investments related to a geographic expansion of Rum21
- Operating profit of SEK 3.2 mn in Q3 & of SEK 3.9 mn for YTD
  - Operating margins of 2.2% in Q3 and 2.0% for YTD

Operating development



# Financial Performance & Position

- Net interest & other financial items of SEK -5.4 (-5.5) mn in Q3 & SEK -12.8 (-14.2) for YTD reflected:
  - The Group's SEK 200 mn revolving credit facility and interests costs related to it
  - Interest costs related to the convertible bond issued in December 2010
- Tax expenses of SEK 1.8 (6.0) mn in Q3 & SEK 10.5 (18.2) for YTD
  - Effective tax rate of 13.3% (31.2%) in Q3 & 23.3% (22.0%) for YTD
  - The relatively low tax rate is explained by utilization of tax loss carry forwards in Finland

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep	2010 Jan-Dec
Net sales	826,399	513,741	2,087,331	1,441,101	2,210,034
Cost of goods and services	-689,891	-420,711	-1,714,511	-1,159,915	-1,789,814
Non-recurring items*	-15,000		-15,000		
<b>Gross profit</b>	<b>121,508</b>	<b>93,030</b>	<b>357,820</b>	<b>281,186</b>	<b>420,220</b>
Sales and administration expenses	-105,106	-63,028	-303,384	-183,633	-287,382
Other operating income and expenses, net	2,276	778	3,485	-1,008	1,790
<b>Operating profit</b>	<b>18,678</b>	<b>30,780</b>	<b>57,921</b>	<b>96,545</b>	<b>134,628</b>
Net interest & other financial items	-5,377	-5,517	-12,777	-14,152	-18,799
<b>Profit before tax</b>	<b>13,301</b>	<b>25,263</b>	<b>45,144</b>	<b>82,393</b>	<b>115,829</b>
Tax	-1,764	-6,012	-10,537	-18,161	-25,595
<b>Net income for the period</b>	<b>11,537</b>	<b>19,251</b>	<b>34,607</b>	<b>64,232</b>	<b>90,234</b>
<i>Attributable to:</i>					
Equity holders of the parent	11,800	19,339	35,115	63,570	90,835
Non-controlling interests	-263	-88	-508	662	-601
<b>Net income for the period</b>	<b>11,537</b>	<b>19,251</b>	<b>34,607</b>	<b>64,232</b>	<b>90,234</b>
Basic earnings per share (SEK)**	0.18	4.05	0.53	32.76	5.00
Diluted earnings per share (SEK)**	0.16	4.05	0.48	32.76	4.90

- Cash flow from operating activities before changes in working capital of SEK 30.9 (26.3) mn in Q3 & SEK 51.1 (81.9) mn for YTD
  - SEK 18.9 mn tax payment related to performance in 2010
- Cash flow to investing activities of SEK -10.3 (-1.6) mn in Q3 & SEK -336.3 (-8.6) mn for YTD
  - SEK -5.3 mn acquisition of RUM21.se in February and SEK -317.5 mn acquisition of Tretti AB in June
- SEK -59.4 (14.2) million change in working capital in Q3 & and SEK -161.1 (-97.5) mn change for YTD
  - Higher inventory levels due to increase of more inventory intensive products in the Entertainment segment (mainly consumer electronics), the new Home & Garden segment as well as a general increase in inventory levels in anticipation of the Christmas Season

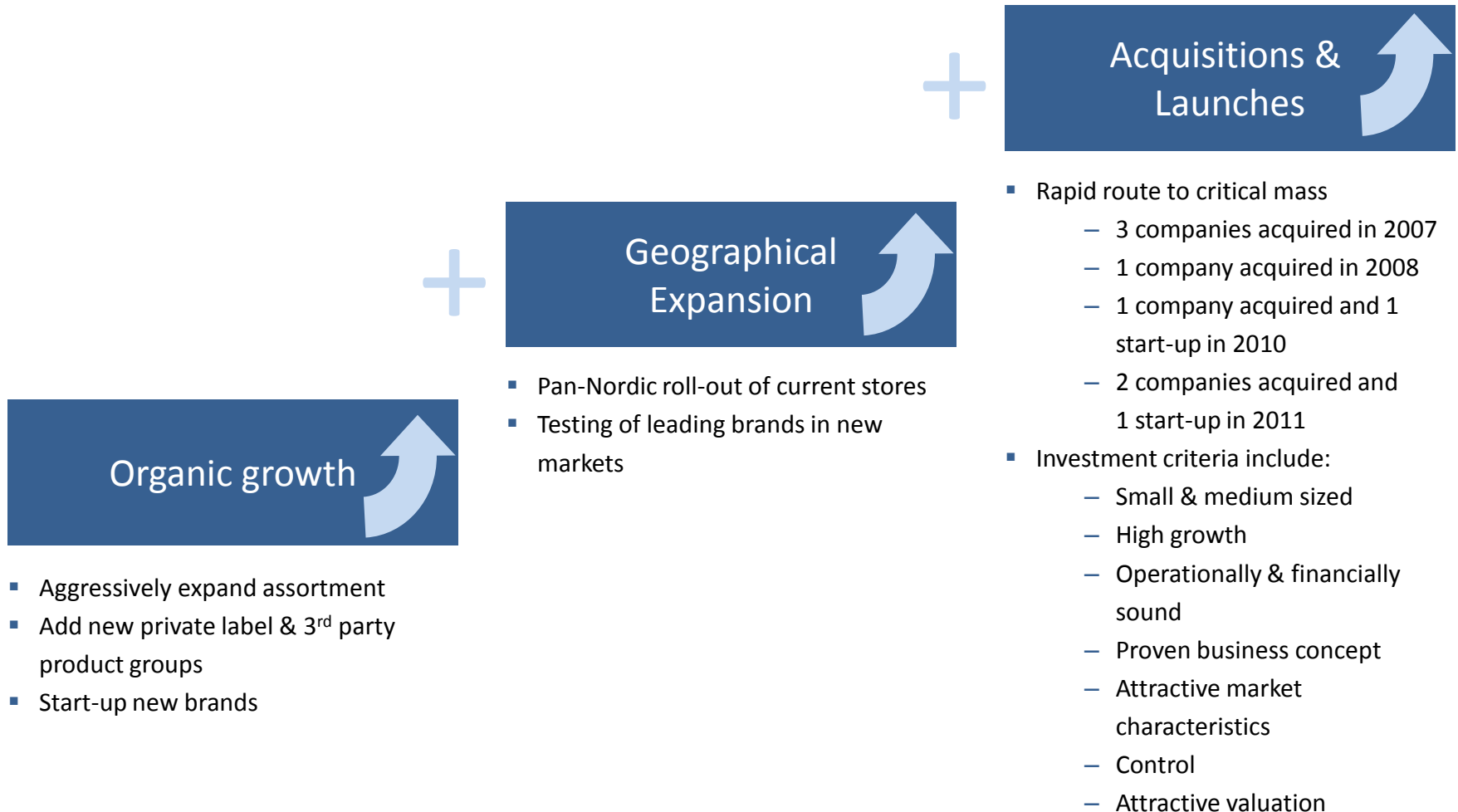
CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED (SEK thousand)	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep	2010 Jan-Dec
Cash flow from operating activities	30,945	26,335	51,126	81,903	126,162
Changes in working capital	-59,377	14,151	-161,111	-97,536	-32,876
Cash flow from operations	-28,432	40,486	-109,985	-15,633	93,286
Investments in subsidiaries*	0	0	-322,757	-5,055	-4,459
Investments in other non-current assets	-10,298	-1,640	-13,508	-3,486	-5,373
Other cash flow from investing activities	0	10	0	-45	0
Cash flow to/from investing activities	-10,298	-1,630	-336,265	-8,566	-9,832
Other cash flow from/to financing activities	-35,474	-32,560	150,000	42,487	353,808
Cash flow to/from financing activities	-35,474	-32,560	150,000	42,487	353,808
Change and cash equivalents for the period	-74,204	6,296	-296,250	18,288	437,262
Cash and cash equivalents at period's start	209,310	15,037	431,343	3,045	3,045
Translation difference, cash and cash equivalents	407	0	420	0	-8,964
Cash and cash equivalents at period's end	135,513	21,333	135,513	21,333	431,343

\* Investments in subsidiaries Jan-Sep 2011 comprises SEK 5,303 thousand acquisition of Rum21 AB and SEK 317,454 thousand acquisition of Tretti AB.

- Capital employed increased by SEK 371.5 mn y/y to SEK 766.9 mn as of 30 Sep 2011
  - The acquisition of Tretti AB in June 2011
  - Higher inventory levels due to increase of more inventory intensive Home & Garden and Fashion segments as proportions of total Group revenues as well as the expansion of the Group's categories and assortment
- Return on capital employed of 15.8% (44.1%) as at 30 Sep 2011
- Total interest bearing borrowings of SEK 377.8 (84.9) mn as at 30 Sep 2011
- Net debt of SEK 242.3 (net cash of 81.0) mn as at 30 Sep 2011
- Cash and cash equivalents of SEK 135.5 (21.3) mn as at 30 Sep 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)	2011 30-Sep	2010 30-Sep	2010 31-Dec
<b>Non-current assets</b>			
Goodwill	447,579	192,568	188,968
Other intangible assets	134,837	66,425	66,878
<b>Total intangible assets</b>	<b>582,416</b>	<b>258,993</b>	<b>254,844</b>
Financial non-current assets	1,817	0	0
Tangible non-current assets	8,715	3,404	3,680
<b>Total non-current assets</b>	<b>592,948</b>	<b>262,397</b>	<b>258,504</b>
<b>Current assets</b>			
Inventories	474,946	219,188	251,284
Current interest-bearing receivables	0	144,534	0
Current non-interest-bearing receivables	143,378	82,411	73,068
<b>Total receivables</b>	<b>143,378</b>	<b>226,945</b>	<b>73,068</b>
Cash and cash equivalents	135,513	21,333	431,343
<b>Total current assets</b>	<b>753,837</b>	<b>467,466</b>	<b>755,693</b>
<b>Total assets</b>	<b>1,346,785</b>	<b>729,863</b>	<b>1,014,197</b>
<b>Equity</b>			
Equity attributable to owners of the parent	382,030	308,373	345,665
Non-controlling interest	7,030	2,035	879
<b>Total equity</b>	<b>389,060</b>	<b>310,408</b>	<b>346,544</b>
<b>Non-current liabilities</b>			
<i>Non interest bearing</i>			
Deferred tax liability	40,730	15,870	26,748
Other provisions	4,814	4,515	2,397
<i>Interest bearing</i>			
Long term loans	150,000	0	0
Convertible bond	212,795	0	207,204
<b>Total non-current liabilities</b>	<b>408,339</b>	<b>20,385</b>	<b>236,349</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	15,000	84,907	0
Current non-interest-bearing liabilities	534,386	314,163	431,304
<b>Total current liabilities</b>	<b>549,386</b>	<b>399,070</b>	<b>431,304</b>
<b>Total equity and liabilities</b>	<b>1,346,785</b>	<b>729,863</b>	<b>1,014,197</b>

To become a leading e-commerce player in each of the Group's operating market segments & territories



Scale Creates Operating Leverage

## Objectives

- To generate sustainable and long term shareholder value
- To continue to grow organically at least in line with the growth of each of the Group's operating market segments in each operating territory
- To continue to start-up or acquire new brands
- To generate margins that are in line or above the average of the Group's competitors in each operating market segment, when excluding the impact of new start-ups & acquisitions

## Key Investment Highlights

- 1 Uniquely well-positioned market-leading Nordic online retailer
- 2 Taking advantage of exponential development of e-commerce
- 3 Track record of profitable organic growth
- 4 Successfully entering new markets & integrating acquisitions
- 5 Clear strategy
- 6 Experienced management team



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Lekmer.com

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