

# cdongroup

CDON.COM

nelly.com

GYMGROSSISTEN.COM

Lekmer.com

bodystore.com

LinusLotto.com

BookPlus  
KIRJAMAAILMA

Heppo.com

## Fourth Quarter and Full Year 2010 Financial Results

2 February 2011

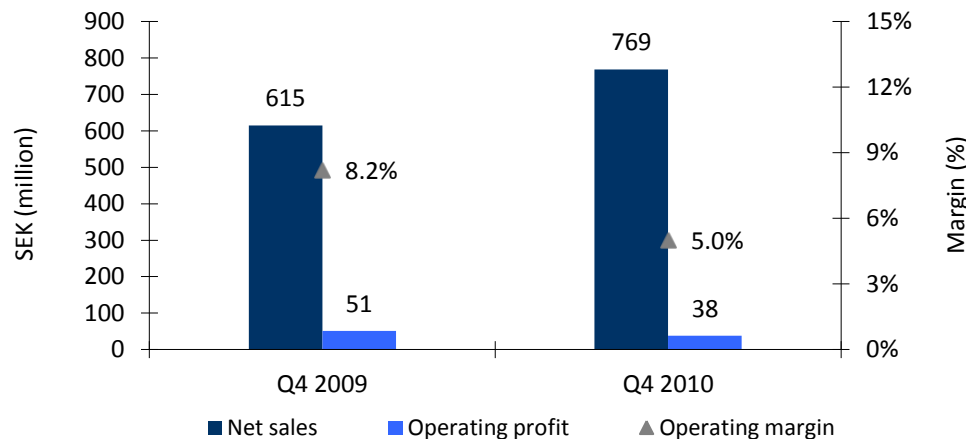


# Record fourth quarter sales & successful demerger & listing

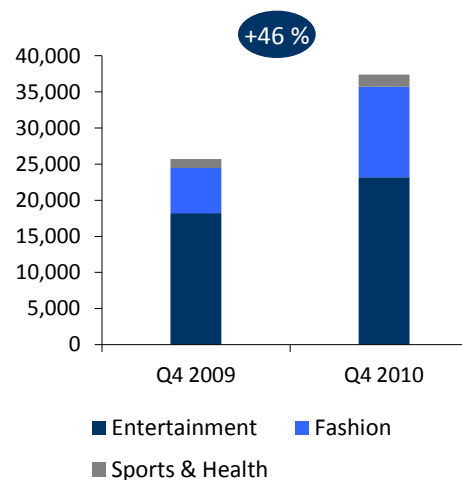
Use of proven & scalable e-commerce platform to capitalise on migration of retail sales from traditional outlets to the internet

- Net sales up 25% y/y to SEK 768.9 mn
- Gross profit up 19% y/y to SEK 139.0 mn
  - Gross margin of 18.1%
- Stable operating profit of SEK 50.7 (50.7) mn when excluding SEK 12.6 mn of non-recurring listing costs generating an operating margin of 6.6%
- Total operating profit of SEK 38.1 (50.7) mn
- Pre-tax profit of SEK 33.4 (49.8) mn
- Net income of SEK 26.0 (35.4) mn
- Demerger from Modern Times Group & listing on Nasdaq OMX Stockholm Mid Cap market
- SEK 250 mn five year convertible bond issued by CDON Group & 100% subscribed by Modern Times Group

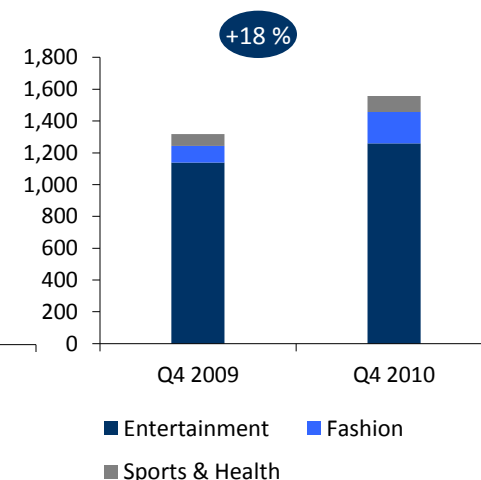
## Operating development



## No. of website visits ('000)



## No. of orders ('000)

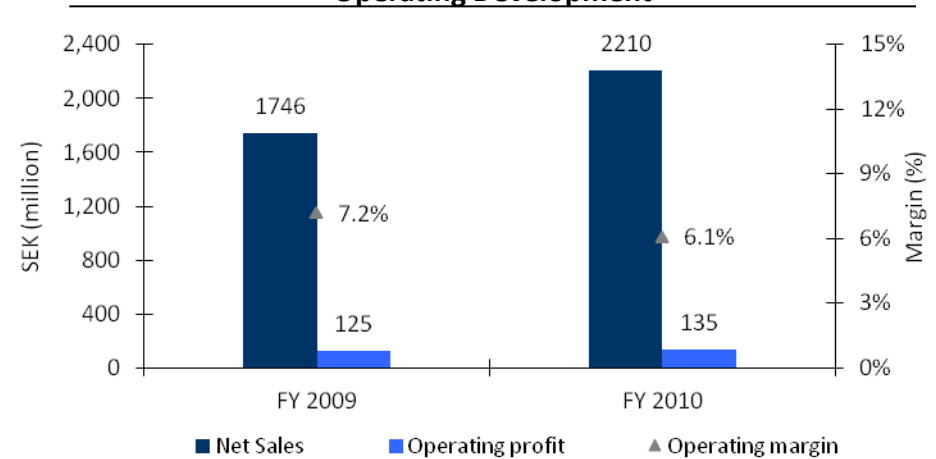


# Full year sales exceed SEK 2 billion for the first time ever

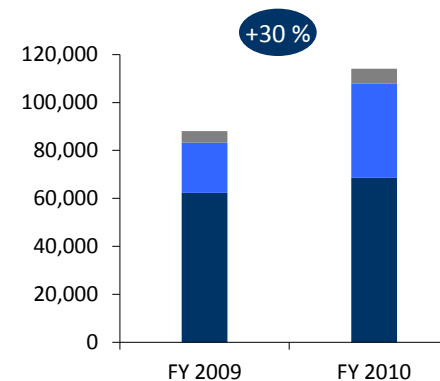
## All segments delivered healthy annual growth & profitability

- Net sales up 27% y/y to SEK 2,210.0 mn
- Gross profit up 21% y/y to SEK 420.0 mn
  - Gross margin of 19.0%
- Operating profit up 18% y/y to SEK 147.3 mn when excluding non-recurring listing costs of SEK 12.6 mn generating an operating margin of 6.7%
- Pre-tax profit up 2% y/y to SEK 115.8 (113.3) mn
- Net income up 12% y/y to SEK 90.2 (80.5) mn
- Acquisition of 90.1% of online toy retailer Lekmer.se for SEK 7.2 mn
- Launch & Pan-Nordic roll-out of online shoe retailer Heppo.com
- Acquisition of 90.1% of online designer brand furniture & interior decoration product retailer Rum21.se, consolidated from 1 February 2011

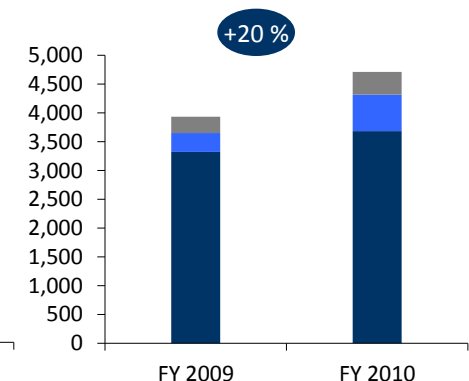
### Operating Development



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



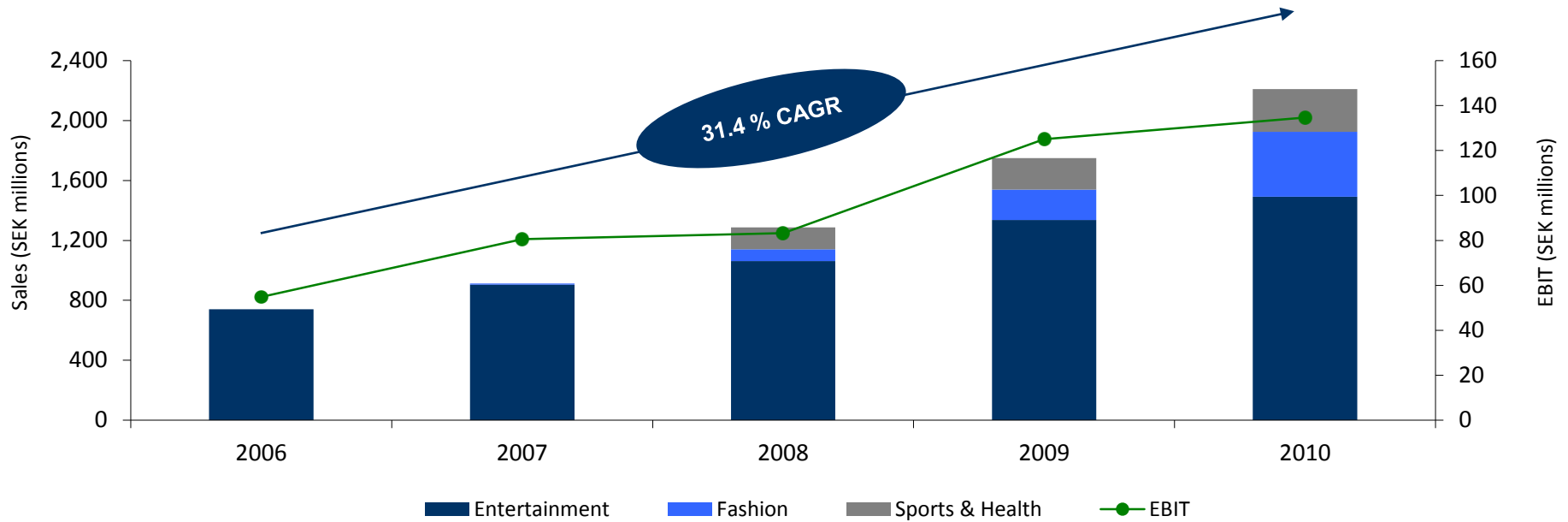
### No. of orders ('000)



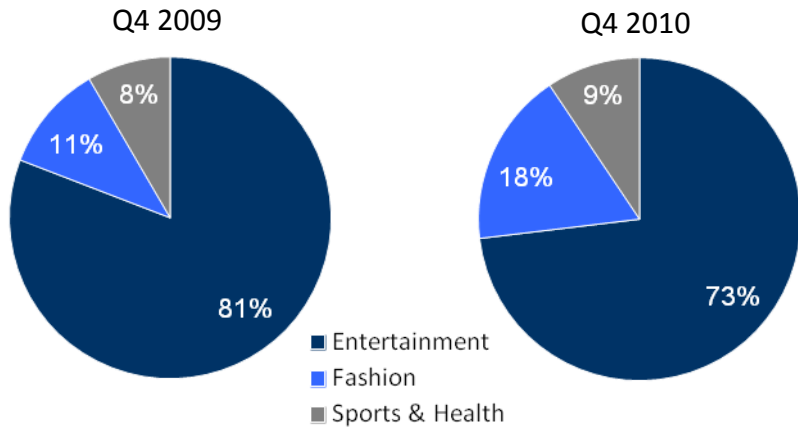
■ Entertainment ■ Fashion  
■ Sports & Health

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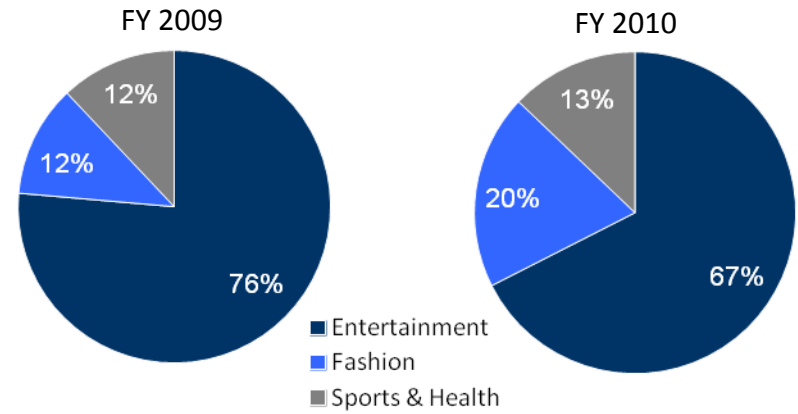
# Track Record of Profitable Growth



Fourth quarter sales by segment



Full year sales by segment

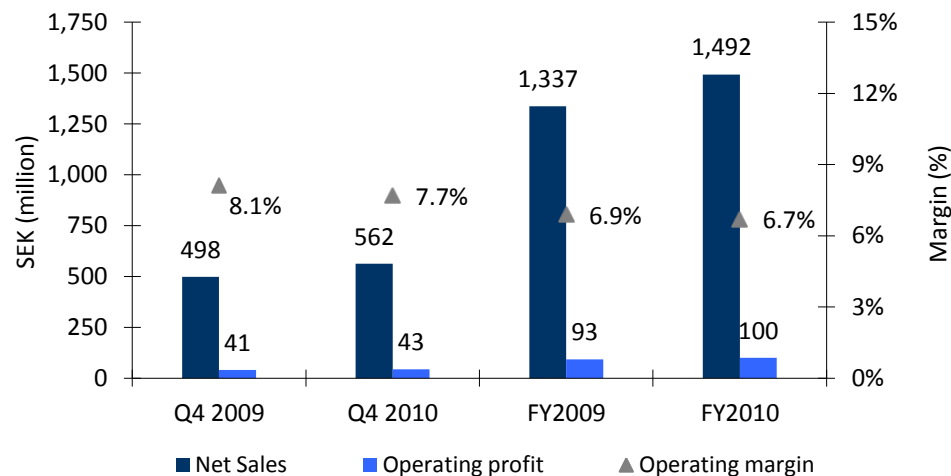


# **Business Profile & Performance**

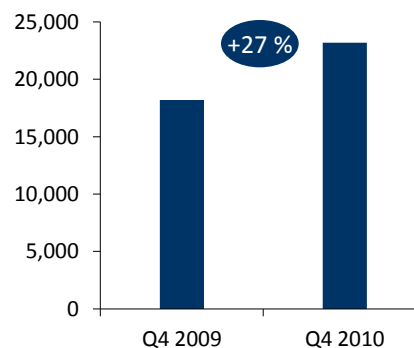
## 13% year on year sales growth in Q4 with 7.7% operating margin

- Sales up 13% y/y in Q4 & 12% for FY
  - Strong growth despite significant ongoing industry-wide decline in CD sales & decline in media products in general
- Entertainment segment represented 73.1% (80.9%) of Group sales in Q4 & 67.5% (76.6%) for FY.
- Operating costs of SEK 519 (457) mn in Q4 & SEK 1,392 (1,244) mn for FY
  - Ongoing shift in product category mix
  - Investments in expansion of both existing and newly acquired businesses
  - Y/y appreciation of the Group's reporting currency (SEK) against other operating currencies
- Operating profits up 7% y/y in Q4 & 8% for FY
- Operating margin of 7.7% (8.1%) in Q4 & 6.7% (6.9%) for FY

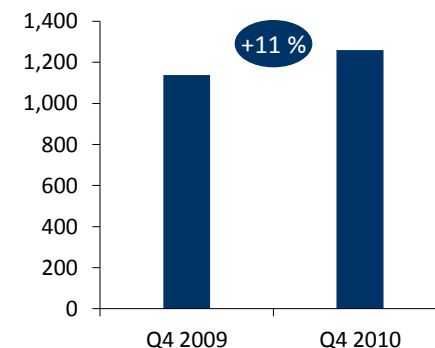
### Operating development



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



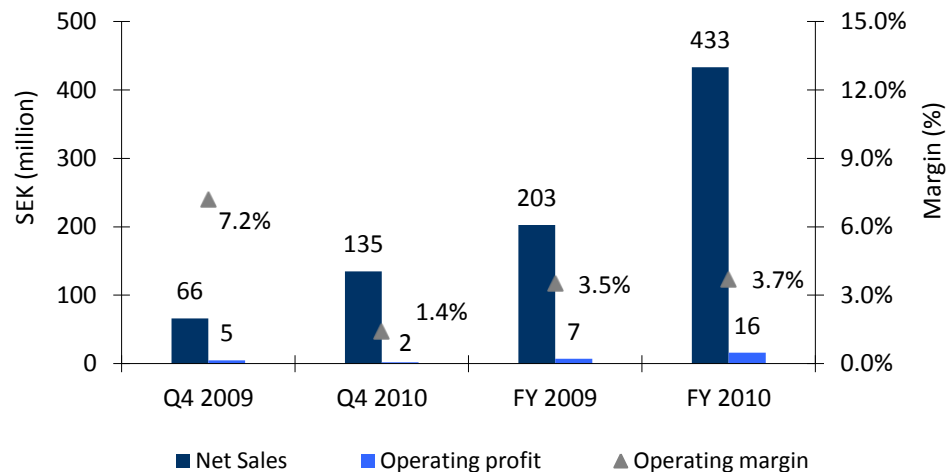
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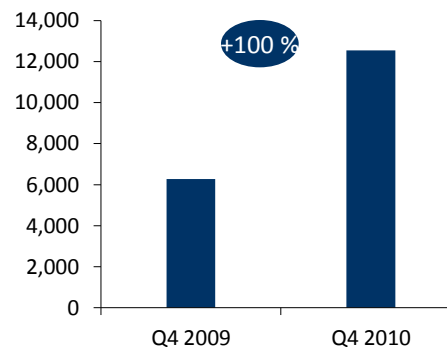
## More than doubled sales year on year in Q4 & 2010

- Sales more than doubled y/y in Q4 & for FY
  - Exponential growth of Nelly.com in all Nordic countries & enlargement of its own-brand and third party assortment
  - Good start for newly launched Heppo.com
- Fashion segment represented 17.5% (10.8%) of Group sales in Q4 & 19.6% (11.6%) of FY sales
- Operating costs of SEK 133 (61) mn in Q4 & SEK 417 (196) mn for FY
  - Investments in Pan-Nordic roll-out of Heppo.com
  - Test launches of Nelly.com in Germany & the Netherlands
- Operating profits down y/y in Q4 but more than double for FY
- Operating margin of 1.4% (7.2%) in Q4 & 3.7% (3.5%) for FY

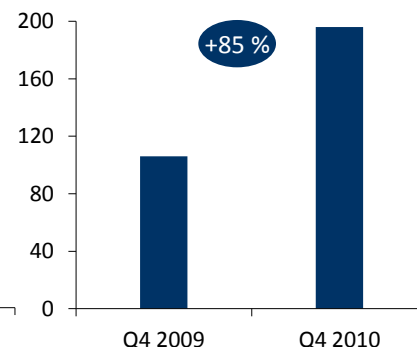
### Operating development



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

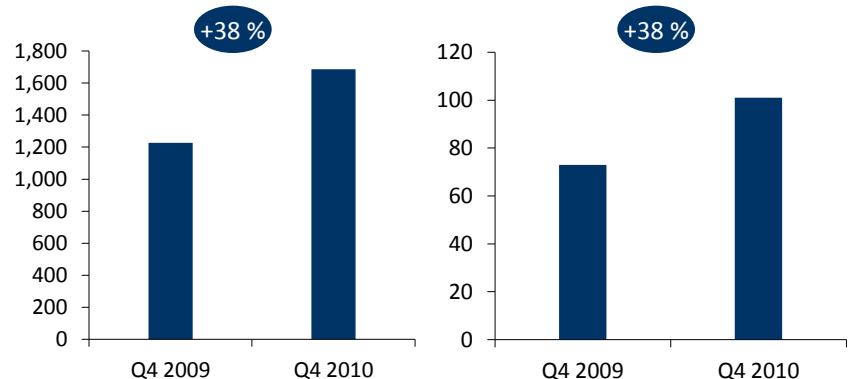
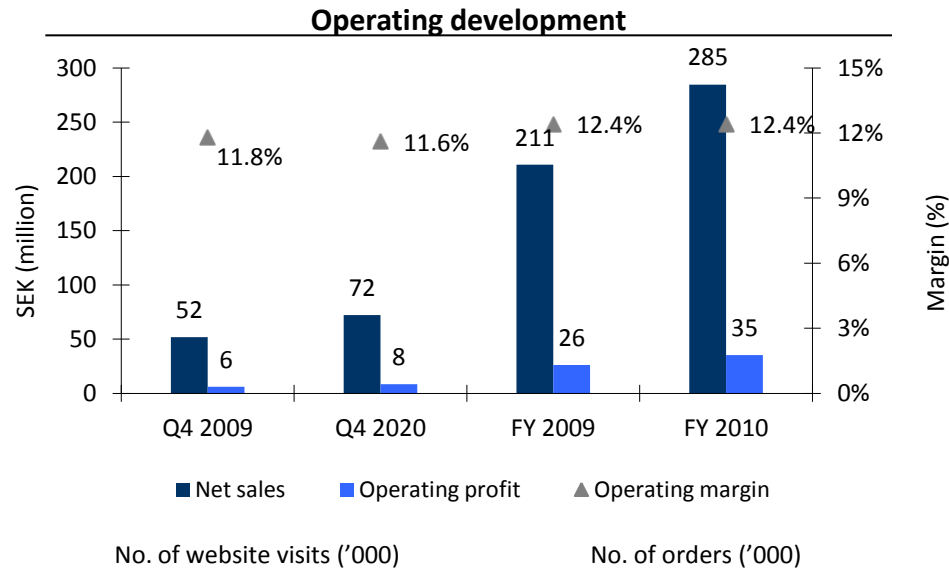


### No. of orders ('000)



## 39.7% year on year sales growth in Q4 with 11.6% operating margin

- Sales up 40% y/y & 35% for FY
  - Market share gains for Gymgrossisten.com in all geographical markets
- Sports & Health segment represented 9.4% (8.4%) of Group sales in Q4 & 12.9% (12.1%) for FY
- Operating costs of SEK 64 (45) mn in Q4 & SEK 249 (185) mn for FY
  - Investments to increase segment market shares in Finland and Norway
- Operating profits up 38% y/y in Q4 & 35% for FY
- Operating margins of 11.6% (11.8%) in Q4 & 12.4% (12.4%) for FY





# Financial Performance & Position

- Net interest & other financial items of SEK -4.6 (-0.9) mn in Q4 & SEK -18.8 (-11.8) mn for FY reflected:
  - Higher borrowing levels during 2010
  - Payment of SEK 150.0 million dividend to MTG in Nov 2009
  - Interest costs related to SEK 250 mn five year convertible bond issued on 2 Dec 2010
- Tax expenses of SEK -7.4 (-14.4) mn in Q4 & SEK-25.6 (-32.8) mn for FY
  - Included recognition of tax loss carry-forwards in Q2, Q3 & Q4 2010
  - Effective tax rate of 22% (29%) in Q4 & 22% (29%) for FY

CONDENSED CONSOLIDATED INCOME STATEMENT (SEK thousand)	2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Net sales	768,933	615,099	2,210,034	1,746,162
Cost of goods and services	-629,899	-498,744	-1,789,814	-1,397,691
<b>Gross profit</b>	<b>139,034</b>	<b>116,355</b>	<b>420,220</b>	<b>348,471</b>
Sales and administration expenses	-103,749	-64,125	-287,382	-224,066
Other operating income and expenses, net	2,798	-1,556	1,790	734
<b>Operating profit</b>	<b>38,083</b>	<b>50,675</b>	<b>134,628</b>	<b>125,139</b>
Net interest & other financial items	-4,647	-901	-18,799	-11,808
<b>Profit before tax</b>	<b>33,436</b>	<b>49,773</b>	<b>115,829</b>	<b>113,331</b>
Tax	-7,434	-14,419	-25,595	-32,835
<b>Net income for the period</b>	<b>26,002</b>	<b>35,354</b>	<b>90,234</b>	<b>80,496</b>
<b>Attributable to:</b>				
Equity holders of the parent	27,265	34,938	90,835	79,554
Non-controlling interests	-1,263	416	-601	942
Net income for the period	26,002	35,354	90,234	80,496
Basic earnings per share (SEK)*	0.41	69.88	5.00	159.09
Diluted earnings per share (SEK)*	0.41	69.88	4.90	159.09
Shares outstanding at period's end*	66,342,124	500,000	66,342,124	500,000
Shares outstanding at period's end, incl convertible*	72,921,071	500,000	72,921,071	500,000
Average number of shares, basic*	66,264,645	500,000	18,153,748	500,000
Average number of shares, diluted*	68,409,954	500,000	18,694,484	500,000

- Cash flow from operating activities before changes in working capital declined y/y to SEK 44.3 (50.9) mn in Q4 & SEK 126.2 (127.7) mn for FY and reflected:

- Increased financial items related to higher financial gearing for the full year.

- SEK 64.7 (72.7) million change in working capital in Q4 reflected:

- Higher accounts payable related to the usual improvement in the Group's payment terms to suppliers in Q4
- Lower relative inventory levels in line with usual seasonal working capital patterns

- SEK -32.9 (91.2) million change in working capital for FY reflected:

- One-off capital release effect in 2009 from permanent decrease in accounts receivable, following outsourced invoice management for CDON.COM from June 2009

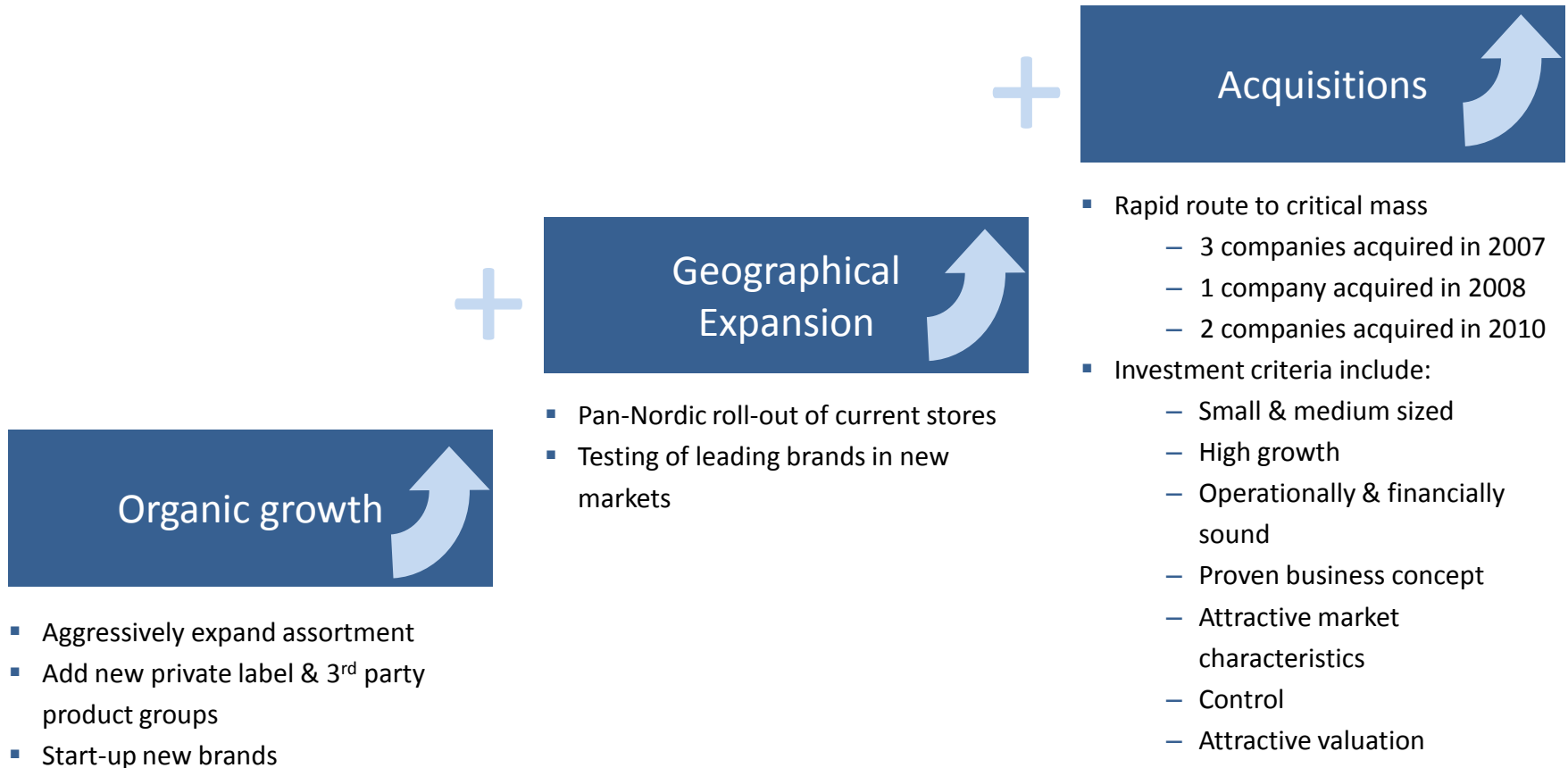
CONSOLIDATED STATEMENT OF CASH FLOWS CONDENSED (SEK thousand)		2010 Oct-Dec	2009 Oct-Dec	2010 Jan-Dec	2009 Jan-Dec
Cash flow from operating activities		44,259	50,909	126,162	127,703
Changes in working capital		64,660	72,715	-32,876	91,235
<b>Cash flow from operations</b>		<b>108,919</b>	<b>123,624</b>	<b>93,286</b>	<b>218,938</b>
Investments in subsidiaries*		596	0	-4,459	-6,231
Investments in other non-current assets		-1,907	-573	-5,373	-3,226
Other cash flow from investing activities		45	-2,114	0	3,861
<b>Cash flow to/from investing activities</b>		<b>-1,266</b>	<b>-2,687</b>	<b>-9,832</b>	<b>-5,596</b>
Shareholder dividends and share buy-backs		0	-150,000	0	-150,000
Acquisition of shares from non controlling interest		-21,033	0	-21,033	0
Other cash flow from/to financing activities		332,354	24,244	374,841	-104,906
<b>Cash flow to/from financing activities</b>		<b>311,321</b>	<b>-125,756</b>	<b>353,808</b>	<b>-254,906</b>
<b>Change and cash equivalents for the period</b>		<b>418,974</b>	<b>-4,819</b>	<b>437,262</b>	<b>-41,564</b>
Cash and cash equivalents at period's start		21,333	3,792	3,045	42,046
Translation difference, cash and cash equivalents		-8,964	4,072	-8,964	2,563
Cash and cash equivalents at period's end		431,343	3,045	431,343	3,045

\* Investments in subsidiaries 2010 comprises 3.392 acquisition of a new subsidiary (Q2) and 1.067 additional purchase price attributable to acquisitions before 1 jan 2010 (Q1).

- Capital employed up by SEK 287.2 mn y/y to SEK 553.7 mn as at 31 Dec 2010 & primarily reflected:
  - SEK 250 mn convertible bond issue
  - Higher inventory levels due to increased proportion of Group sales in more inventory intensive Fashion and Sports & Health segments as well as related to inventory build up in acquisitions and start-ups
- Return on capital employed down to 36.1% (37.5%) as at 31 Dec 10, following the issue of the convertible bond
- Total interest bearing borrowings of SEK 207.2 (258.4) million as at 31 Dec 2010
- Net cash position of SEK 224.1 (SEK 14.7) mn as t 31 Dec 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED (SEK thousand)	2010 31-Dec	2009 31-Dec
<b>Non-current assets</b>		
Goodwill	188,966	189,865
Other intangible assets	65,878	62,696
<b>Total intangible assets</b>	<b>254,844</b>	<b>252,561</b>
Equipment	3,660	1,953
<b>Total non-current assets</b>	<b>258,504</b>	<b>254,514</b>
<b>Current assets</b>		
Inventories	251,284	152,977
Current interest-bearing receivables	0	270,027
Current non-interest-bearing receivables	73,066	60,595
<b>Total receivables</b>	<b>73,066</b>	<b>330,622</b>
Cash and cash equivalents	431,343	3,045
<b>Total current assets</b>	<b>755,693</b>	<b>486,644</b>
<b>Total assets</b>	<b>1,014,197</b>	<b>741,158</b>
<b>Equity</b>		
Equity attributable to owners of the parent	345,664	6,738
Non-controlling interest	879	1,473
<b>Total equity</b>	<b>346,543</b>	<b>8,211</b>
<b>Non-current liabilities</b>		
<i>Non interest bearing</i>		
Deferred tax liability	26,748	15,051
Provisions	2,397	1,217
<i>Interest bearing</i>		
Convertible bond	207,204	0
<b>Total non-current liabilities</b>	<b>236,349</b>	<b>16,268</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	0	258,380
Current non-interest-bearing liabilities	431,305	458,299
<b>Total current liabilities</b>	<b>431,305</b>	<b>716,679</b>
<b>Total equity and liabilities</b>	<b>1,014,197</b>	<b>741,158</b>

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



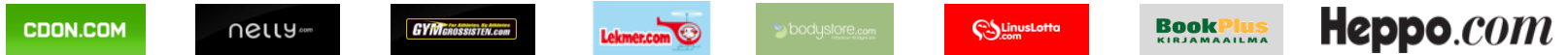
Scale Creates Operating Leverage

## 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



For further information, please visit [www.cdongroup.com](http://www.cdongroup.com) or contact:

**CDON Group Investor Relations**

+ 46 (0) 10 703 21 68

[ir@cdongroup.com](mailto:ir@cdongroup.com)