

CDON GROUP

THIRD QUARTER AND FIRST NINE MONTHS 2013

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Highlights

- Growth and margin improvements within three of four business segments
- Strong growth and strengthened market positions for the Sports & Health and Fashion segments
- Sports & Health segment continues to deliver solid profitability
- Continued inventory reduction within the Entertainment segment. CDON.com showed underlying operating profit in the quarter



FINANCIALS





Summary

| | Entertainment | | Fashion | | Sport & Health | | Home & Garden | | cdongroup  | |
|----------------|-----------------------------------------------------------------------------------|-------|-----------------------------------------------------------------------------------|--------|------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------|-------|-----------------------------------------------------------------------------------------------|--------|
| |  | |  | |  | |  | | | |
| | Q3 13 | Q3 12 | Q3 13 | Q3 12 | Q3 13 | Q3 12 | Q3 13 | Q3 12 | Q3 13 | Q3 12 |
| Net sales (mn) | 447.1 | 525.0 | 187.9 | 164.2 | 169.0 | 123.5 | 145.5 | 141.6 | 949.6 | 953.3 |
| Growth yoy | -14.8% | 22.1% | 14.4% | 23.0% | 36.9% | 32.2% | 2.7% | -3.0% | -0.4% | 18.9% |
| Sales share | 47.1% | 55.1% | 19.8% | 17.2% | 17.8% | 13.0% | 15.3% | 14.9% | 100.0% | 100.0% |
| EBIT (mn) | -13.0 | 19.6 | -7.1 | -20.2 | 14.8 | 10.6 | -0.8 | -1.3 | -17.9 | 2.6 |
| EBIT margin | -2.9% | 3.7% | -3.8% | -12.3% | 8.8% | 8.6% | -0.5% | -0.9% | -1.9% | 0.3% |
| Visits (mn) | 23.2 | 21.8 | 21.8 | 25.7 | 3.9 | 3.0 | 3.4 | 2.8 | 52.3 | 53.3 |
| Orders (mn) | 1.0 | 1.0 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 1.5 | 1.6 |

Note: Excluding non-recurring items and divested operations



Income Statement

- Q3 net sales growth slightly positive excluding currency effects
- Lower gross margin mainly coming from reduced margin in the entertainment segment
- Financial net of SEK -6.3 (-8.8) mn mainly representing interest expense from the convertible bond
- Positive income tax effect of SEK 3.2 (5.1) mn in the quarter

| | 2013 | 2012 | 2013 | 2012 |
|---------------------------------------------------------|---------|---------|---------|---------|
| | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep |
| (SEK million) | | | | |
| Net Sales * | 949.6 | 953.3 | 2 946.2 | 2 817.6 |
| Gross profit * | 117.0 | 129.5 | 413.8 | 413.7 |
| Gross margin (%) | 12.3% | 13.6% | 14.0% | 14.7% |
| Operating profit * | -17.9 | 2.6 | -28.4 | 10.0 |
| Operating margin * | -1.9% | 0.3% | -1.0% | 0.4% |
| * Excluding divested operations and non-recurring items | | | | |
| Operating profit | -17.9 | -7.6 | -74.6 | -63.2 |
| Financial Net | -6.3 | -8.8 | -28.0 | -19.2 |
| Income before tax | -24.3 | -16.4 | -102.6 | -82.4 |
| Net income | -21.1 | -11.3 | -83.1 | -61.4 |
| Basic earnings per share (SEK) | -0.21 | -0.16 | -1.03 | -0.88 |
| Diluted earnings per share | -0.21 | -0.16 | -1.03 | -0.88 |



Cash Flow

- Less tied up capital in inventories and receivables
- Cash flow from operations increased to SEK 14.6 (-92.4) million
- Net investing activities of SEK -11.4 (-6.1) mn in Q3
- Remaining 2.23% of the shares in NLY Scandinavia AB ("Nelly.com") acquired
- Credit facility amortised by SEK 150 mn

| (SEK million) | 2013 Jul-Sep | 2012 Jul-Sep | 2013 Jan-Sep | 2012 Jan-Sep |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Cash flow from operating activities | -15.2 | 1.2 | -83.6 | -81.7 |
| Changes in working capital | 29.8 | -93.6 | -193.0 | -291.2 |
| Cash flow from operations | 14.6 | -92.4 | -276.6 | -372.9 |
| Cash flow from/to investing activities | -11.4 | -6.1 | -21.3 | -32.7 |
| Cash flow from/to financing activities | -166.2 | 0.0 | 336.0 | 0.0 |
| Change and cash equivalents for the period | -163.0 | -98.5 | 38.2 | -405.7 |
| Cash and cash equivalents at the period's start | 327.2 | 110.4 | 126.1 | 417.4 |
| Translation difference | -0.5 | -2.9 | -0.5 | -2.7 |
| Cash and cash equivalents at the period's end | 163.8 | 9.0 | 163.8 | 9.0 |



Financial Position

- Inventories at SEK 569.5 (682.9) mn, decrease mainly due to lower inventory levels within the entertainment and fashion segments as well as the disposal of Heppo
- Cash and cash equivalents increased to SEK 163.8 (9.0) mn at the end of Q3
- Net debt position of SEK 65.6 (361.9) mn at the end of Q3

| (SEK million) | 2013 30-sep | 2012 30-sep | 2012 31-Dec |
|----------------------------------|----------------|----------------|----------------|
| Total non-current assets | 723.2 | 617.2 | 678.5 |
| Inventories | 569.5 | 682.9 | 609.7 |
| Total receivables | 170.9 | 173.2 | 268.5 |
| Cash and cash equivalents | 163.8 | 9.0 | 126.1 |
| Total assets | 1 627.4 | 1 482.3 | 1 682.8 |
| Total equity | 673.3 | 354.5 | 266.4 |
| Interest bearing liabilities | 229.4 | 370.9 | 373.0 |
| Non-interest bearing liabilities | 724.6 | 757.0 | 1 043.4 |
| Total equity and liabilities | 1 627.4 | 1 482.3 | 1 682.8 |



BUSINESS SEGMENTS

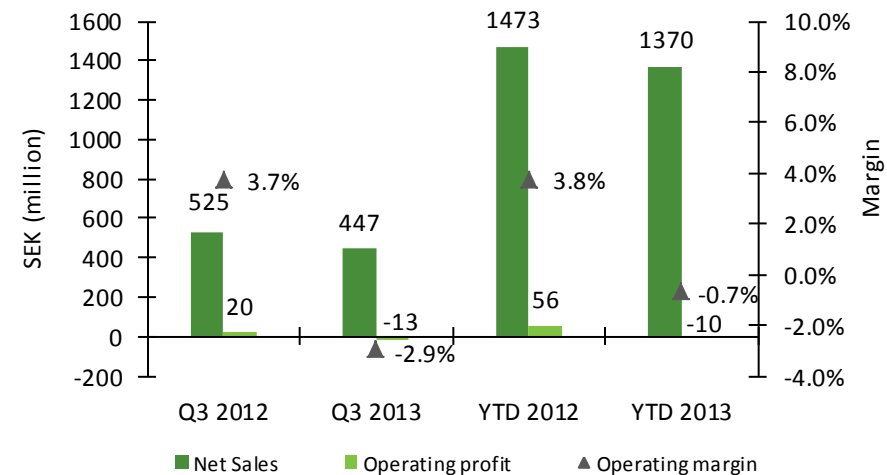




Entertainment

- Segment sales down 14.8% y/y in Q3 and 7.0% y/y YTD
- Development of new product categories continued in Q3 and sales for each new area were in line with company expectations
- The segment's result was weighed down by on-going inventory reduction
- Lekmer.com continued to show solid growth and gained market share
- Operating profit of SEK -13.0 (19.6) mn in Q3 and SEK -9.5 (55.6) mn YTD, excluding non-recurring items
 - Operating margins of -2.9% (3.7%) in Q3 and -0.7% (3.8%) YTD, excluding non-recurring items

Operating development

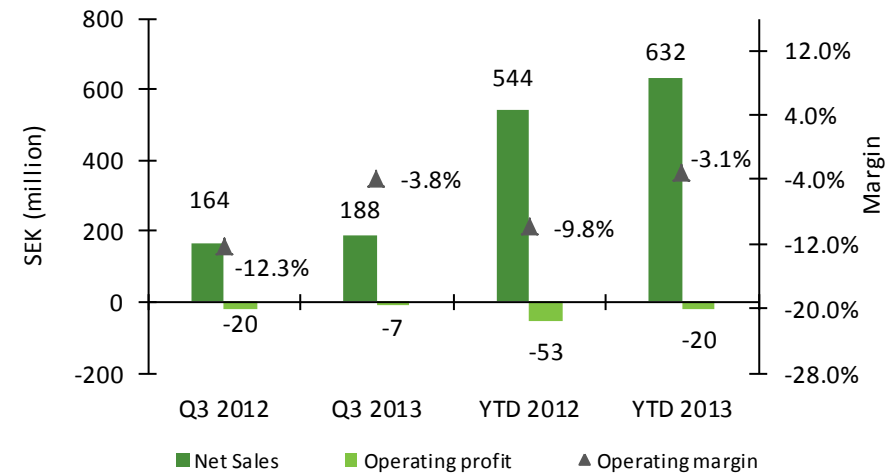




Fashion

- Sales increased by 14.4% y/y in Q3 and by 16.2% y/y YTD, excluding divested entities
- Excluding currency effects and divested business, sales increased by 15.9% y/y in Q3 and by 17.9% y/y YTD
- Increased share of private label product sales (32%) and a product margin of 48% in the quarter
- Nelly.com launched a newly developed web platform and a new graphical interface in Q3
- Operating profit of SEK -7.1 (-20.2) mn in Q3 and SEK -19.9 (-53.1) mn YTD, excluding divested entities and non-recurring costs
 - Operating margins of -3.8% (-12.3%) in Q3 and -3.1% (-9.8%) YTD excluding divested entities and non-recurring costs

Operating development

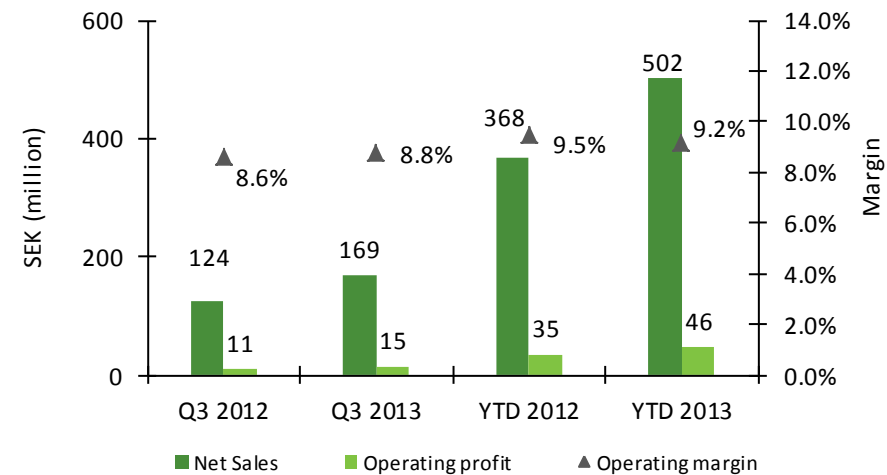




Sports & Health

- Sales up 36.9% y/y in Q3 and 36.6% y/y YTD
- Continued strong profitability
- The segment strengthened its market share in all markets in the period
- New private label brand launched in the quarter
- Operating profit of SEK 14.8 (10.6) mn in Q3 and SEK 46.3 (34.9) mn YTD
 - Operating margins of 8.8% (8.6%) in Q3 and 9.2% (9.5%) YTD excluding divested entities and non-recurring costs

Operating development

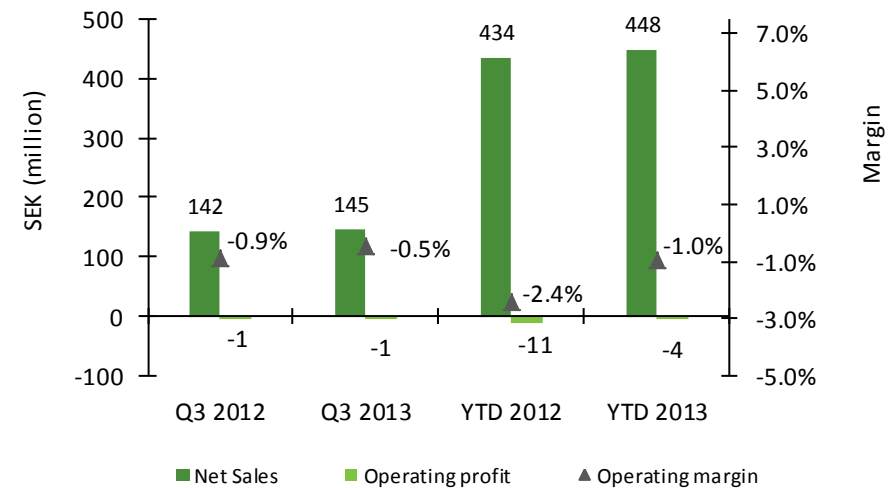




Home & Garden

- Sales up 2.7% y/y in Q3 and 3.1% y/y YTD
- Sales of household and outdoor product categories increased in the quarter
- Continued good development for Room21, partly as a result of successful sales of private label products
- Operating profit of SEK -0.8 (-1.3) mn in Q3 and of SEK -4.4 (-10.6) mn YTD
 - Operating margins of -0.5% (-0.9%) in Q3 and of -1.0% (-2.4%) YTD

Operating development



RUM 21 **tretti.se**
form+funktion+själ



CDON Group Logistics

- Logistics operation mainly operates warehousing for Nelly.com and Lekmer.com
- Continued efficiency improvements in the third quarter
- Re-organisation of operational responsibility



Forward looking statement

- Use strong market positions to capitalize on high online market growth
- Focus on continued balanced sales growth and increased market shares, mainly from Nelly.com & Gymgrossisten.com
- CDON.com expected to weaken Groups total growth
- CDON Group Logistics expected to show break-even in the fourth quarter
- Back to black

THANK YOU!

Next report: 4 February 2014



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