Qliro Group

Annual Report 2019

Qliro Group AB (publ)
Nasdaq Stockholm: QLRO

Contents

Qliro Group ready for split up

Last couple of years, Qliro Group has made the transition from being a group of e-commerce and financial services companies to become an owner of three independent companies with better opportunities to focus their operations and enhance their competitiveness.

In 2019, we operated three subsidiaries in Nordic e-commerce and related financial services: Nelly, CDON and Qliro AB. We took several steps to enhance the companies' positions and separate them from each other and the Group. The aim was to give the companies the opportunity to focus fully on their own operations and thereby strengthen their competitiveness. Now, all three companies are independent.

Nelly focuses on the Nordics

Nelly is one of the Nordic countries' strongest fashion brands for young women. At its core is its own brand, NLYbyNelly, complemented by a curated portfolio of fashion from approximately 300 external brands. Growth and profitability are driven by a high proportion of own brands and loyal customers.

Sales for the year rose by 5 percent to SEK 1,456 million, and operating income before depreciation, amortization and impairment was SEK 13 million. We were dissatisfied with profitability and took strong action. This winter we have concentrated operations on the Nordic market, reducing our own sales initiatives outside the Nordic region. Instead, we are promoting sales in Europe via other channels, such as Zalando. We are also working to continue to reduce stock levels and constantly enhance the efficiency of the organization. Our measures will take us back to profitable growth.

Nelly's financial target is to achieve organic growth in net sales of over 10 percent per annum and an operating margin before depreciation, amortization and impairment of over 6 percent per annum. The focus to the Nordic region inhibits sales slightly but is expected to contribute to profitability. Our assessment for 2020 is that net sales will increase, but not in line with the target and that the operating margin before depreciation, amortization and impairment will be 2-4 percent.

Nelly is a pioneer, one of the first fashion companies to focus entirely on digital marketing and sales. The company is highly fashionable, employs innovative marketing and enjoys close relations with its target group. In April, Kristina Lukes will become the new CEO of Nelly. Her focus is to continue to develop Nelly's offering, brand and logistics to drive continued profitable growth.

CDON is the leading marketplace in the Nordics

In recent years, marketplaces have become an increasingly dominant e-commerce channel. We are therefore proud that CDON has become established as the leading marketplace in the Nordic region, with nearly 1.8 million active customers. Consumers turn to CDON to compare and shop on a common site with millions of products, low prices, easy payments and fast delivery. Merchants join CDON to take advantage of its market position, traffic and tools to drive sales. This is supplemented by sales from its own inventories in selected categories.

Marcus Lindqvist

Over several years, CDON has proven its ability to grow the marketplace. In 2019, sales by the over 1,000 external merchants linked to the marketplace rose by as much as 63 percent to SEK 958 million. This drove up commission income, which helped boost the gross margin by 5.6 percentage points to 18.8 percent. The switch to external merchants led to inventory levels being 41 percent lower at the end of 2019 than at the end of 2018. The new business model is thus scalable, profitable and capital efficient.

CDON achieved an operating profit before depreciation of SEK 15 (-19) million for the year. This means that CDON met its financial targets for growth and achieved the previously announced estimate of an operating profit before depreciation for the full year. For full year 2020, the assessment is that the gross merchandise value of the external merchants will increase significantly faster than the target and that the operating margin target will be met.

This has been made possible by investments in the technology platform over several years. Technological developments continue, and the company will launch new services and continue to benefit from automation to enhance efficiency.

Qliro AB ready to be listed

Qliro AB was founded in 2014 to offer online payments to the Group's own e-merchants. The company now has over 40 e-merchants linked to it and offers a wide range of financial services designed to facilitate digital commerce and make things easier for consumers. The company ensures that merchants provide effective payment methods with good conversion and credit options. The company offers savings accounts and personal loans to take advantage of these relationships and volume.

In the past year, total operating income rose by 17 percent to SEK 345 million, and operating profit before depreciation, amortization and impairment was SEK 33 million. At the year-end, the loan book was over SEK 2 billion, a significant part of which was personal loans in Sweden.

As previously announced, we plan to list Qliro AB on Nasdaq Stockholm's main list. Qliro AB is currently well-established as a provider of financial services to e-merchants and consumers in the Nordics. Today, the company has a relationship with 2.1 million consumers in the Nordics. The company has a well-functioning engine for deepening relationships with consumers by gradually offering more comprehensive financial services.

Given the company's strong position, our assessment is that an initial public offering provides a good basis for future opportunities, including access to the capital market. We will take this step when we find that the timing is correct.

Sustainability initiatives

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

Qliro Group

SEK million	2019	2018
Net sales	2,938.6	3,257.7
Gross profit	803.4	782.5
Gross margin, %	27.3	24.0
Operating profit before depreciation, amortization and impairment	4.7	19.0
Operating margin before depreciation, amortization and impairment	0.2	0.6
Operating profit	-94.3	-52.2
Operating margin	-3.2	-1.6

Operations are recognized excluding the effects of IFRS 16. Some revenue has been reclassified from interest income to commission income in Qliro AB, and commission income is now included in consolidated net sales. The comparative figures have been adjusted by SEK 31.7 million for the full year. Lekmer and HSNG are recognized as discontinued operations in the consolidated comparative figures for 2018.

Qliro Group ready to split-up

All our subsidiaries are now independent so I will be leaving the Group after four intensive years. All three subsidiaries are well positioned with strong management groups and clear plans. I look forward to following their progress in the coming years.

In 2020 the world has had to deal with the outbreak of the Corona virus. Our total sales had until March 20 not been negatively affected by the outbreak of Covid-19. CDON had seen an increased demand and Nelly's sales in the Nordic countries were higher than the same period last year, but lower outside the Nordic region in line with previous communication to focus on the Nordics. Qliro AB developed in accordance with plan.

In the market situation, the board postponed listing of Qliro AB. The process to distribute CDON to Qliro Group's shareholders and list the company on First North continued. The board remains dedicated to complete the split up of the group, but the process might be delayed.

Finally, I would like to thank all employees for your enthusiasm and efforts in 2019. I would also like to say thank you for the confidence shown in us by our customers and shareholders.

Stockholm, April 2020

Marcus Lindqvist
President and CEO

Five-year summary

Continuing operations

SEK million	2019	2018	2017	2016	2015
Operating income and earnings					
Net sales	2,939	3,258	3,417	3,171	3,074
Gross profit	803	782	782	578	468
Operating profit before depreciation, amortization and impairment	5	19	90	13	-55
Operating profit	-94	-52	21	-61	-88
Profit before tax and group contributions	-106	-85	13	-61	-91
Profit before tax	-106	-85	38	-63	-132
Profit for the period	-110	-136	29	-50	-103
Profitability and related key ratios					
Gross margin, %	27.3	24.0	22.9	18.2	15.2
Operating margin, %	-3.2	-1.6	0.6	-1.9	-2.9
Operating margin before depreciation, amortization and impairment, %	0.2	0.6	2.6	0.4	-1.8
Return on capital employed, %	neg	neg	1.6	neg	neg
Return on equity, %	neg	neg	2.9	neg	neg
Qliro AB net lending to the public	2.070	1.493	1.028	738	509
Qliro AB external financing	2.211	1.426	936	512	328
Gross debt excl. Qliro AB	0	250	250	0	0
Capital structure					
Equity/assets ratio, %	22.2	28.9	31.1	40.5	45.5
Operating ratios					
No. of visits, thousands	214,607	211,871	200,671	192,767	220,150
No. of orders, thousands	6,018	6,405	6,248	6,109	6,266
No. of customers, thousands	3,070	3,129	2,989	2,869	2,972
Average shopping basket, SEK	681	653	665	624	595

Nelly

Nelly is one of the Nordic countries' strongest online fashion brands for young women. At its core is its own brand, NLYbyNelly, complemented by a curated portfolio of fashion from approximately 300 external brands. From the start, the focus has been on digital sales. Growth and profitability are driven by a high proportion of own brands and loyal customers.

Nelly has one of the strongest online fashion brands for young women in the Nordic region. Its success is based on the ability to inspire its target group with fashion and generate commitment by building relationships on social media. The company has offices in Borås, Falkenberg and Stockholm.

History

Nelly.com was launched in 2004 and acquired in 2007. Since then, Nelly.com has expanded and the range has been broadened from lingerie and swimwear for women to clothing, accessories, beauty products and sportswear. From the very start, success was achieved by inspiring customers with local fashion trends. The men's department at Nelly.com was spun off in 2014 to form the men's store NLY Man.

Growth in a weak market

Sales last year rose by 5 percent to SEK 1,456 million, and operating profit before depreciation, amortization and impairment was SEK 13 million. Several measures were taken after the year-end to boost profitability. The range of own brands is united under the name NLYbyNelly and accounted for 43 percent of sales. The own brand range is being expanded in clothing, shoes, accessories, lingerie and swimwear.

In 2019, Nelly continued to break new ground in digital marketing to inspire its customers. Nelly also began to reach its target group through other channels such as Zalando, primarily outside the Nordic region.

During the year, the number of visits increased by 2 percent to 118 million, and the average shopping basket increased by 6 percent to SEK 736. The returns process was digitized, which helped stabilize returns levels.

Business model

Nelly's business model is based on a core of its own designs and brands and a supplementary range of curated fashion and beauty products from 300 other brands. The clothing and accessories are purchased from manufacturers. Relationships with manufacturers are governed in part by the code of conduct for business partners. The clothing is transported to the logistics center in Falkenberg, marketed digitally and sold on Nelly.com and NLYman.com.

Financial target

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

Increased focus on the Nordic region

Our assessment for the full year 2020 is that net sales will increase, but not in line with the target and that the operating margin before depreciation, amortization and impairment will be 2-4 percent. Growth is somewhat hampered by the transition to the Nordic region, which together with adaptation of the organization is expected to make a positive contribution to profitability.

Next step

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

In 2021, Nelly will move its warehouse from Falkenberg to Borås, closer to its head office. Borås is strategically located for distribution, providing access to more transport options and possibilities for offering faster deliveries. Co-locating operations will also simplify collaboration throughout the company.

Nelly has also focused its operations on the Nordic market, and outside the Nordics sales will be driven through other channels, such as Zalando. The company also intends to enhance the efficiency of its organization and invest in logistics.

Investments in brands, assortment and logistics have created the right conditions for profitable growth. Nelly's strong own brand has appeal in an increasing number of contexts, including through other channels, such as Zalando.

Nelly

SEK million	2019	2018	Change, %
Net sales	1,456.0	1,391.0	5
Gross profit	336.7	370.5	-9
Gross margin, %	23.1	26.6	
Operating profit before depreciation, amortization and impairment	**13.2**	**56.8**	**-77**
Operating margin before depreciation, amortization and impairment, %	0.9	4.1	
Operating profit	**-5.8**	**36.2**	
Operating margin, %	-0.4	2.6	
Investments	-12.8	-7.5	
Opening inventory balance	241.6	193.0	-25
Closing inventory balance	245.9	241.6	2
Active customers, last 12 months, thousands	1,298	1,354	-4
Visits, thousands	118,414	116,230	2
Orders before returns, thousands	2,946	3,072	-4
Average shopping basket, SEK	736	693	6
Percentage of own brand sales, %	43	45	-2
Return ratio, last 12 months, %	38	39	-1
Product margin, %	47	49	-2
Fulfillment and distribution costs, %	21	19	2

Strategy

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

Achieved 2019

- Increased sales by 5 percent to SEK 1,456 million
- Digitized the returns process
- Prepared to become an independent company

Focus 2020

- Inspire customers with NLYbyNelly in our own and other channels
- Enhance efficiency to generate profitable growth
- Develop logistics ahead of move to Borås

1.5
SEK billion in net sales

2.9
million orders

118
million visits

1.3
million customers

The leading Nordic online marketplace

CDON is the leading online Nordic marketplace, offering a wide range of consumer electronics, mobile phones, books, media, sports and leisure articles, clothing, shoes, furnishings and toys from over 1,000 merchants.

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

CDON offers external merchants the opportunity to sell their products via the site, supplemented by sales of products from its own inventories. The marketplace is appreciated by consumers and is an effective sales channel for external merchants.

History

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

Established position as the leading Nordic marketplace

CDON has established itself as the leading Nordic marketplace, with 1.8 million customers. In 2019, sales by the over 1,000 external merchants linked to the marketplace rose by as much as 63 percent to SEK 958 million. The external merchants and drop shipping partners (sales directly from suppliers' warehouses) accounted for 42 percent of total CDON sales. This means that the marketplace has now achieved significant scale. The number of visits increased to 96 million.

Growth of the marketplace drove up commission income, which helped boost the gross margin by 5.6 percentage points to 18.8 percent. CDON achieved positive operating profit before depreciation of SEK 15 (-19) million for the year. A driving force for investments in the marketplace and drop shipping is to generate growth with lower inventory levels over time. At year-end, inventory levels were 41 percent lower than last year. The new business model is thus scalable, profitable and capital efficient.

Over several years CDON has invested in automation of the marketplace and making it easier for new merchants to drive sales. The company is now benefiting from these investments and the scalability of the platform is the key to building a profitable, independent company. The aim is to continue increasing commission revenues and to operate more efficiently than before.

Business model

CDON's business model is to offer external merchants the opportunity to drive sales on CDON on payment of commission. The marketplace model offers the opportunity to grow without stocking additional inventory, which reduces capital requirements. The range is also being expanded, producing a better customer offering at competitive prices. In addition, CDON buys products for its own inventories for resale, primarily to consumers. These products are mainly purchased from well-known brands and suppliers.

Marketplaces have a very strong position in e-commerce worldwide. In the Nordic region, marketplaces still have a smaller market share than in other countries. The marketplace is an attractive model for buying and selling online. Consumers appreciate being able to buy multiple items and compare prices in the same place. At the same time, e-merchants benefit from the traffic and services generated by other merchants. E-commerce in the Nordic region is expected to grow dramatically in the next few years. The marketplace has an opportunity to benefit from this growth.

Financial target

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

For full year 2020, the assessment is that the gross merchandise value of the external merchants will continue to increase significantly faster than the target and that the operating margin target will be met.

Next step

CDON will continue to reinforce its position as the leading Nordic marketplace. The company aims to connect e-merchants that have strong positions in their respective categories and small niche e-merchants for breadth. CDON combines sales from external merchants with own sales to optimize the product range and drive traffic. CDON's investments in technology permit both new services and higher efficiency.

63 percent growth for external merchants

3.1 million orders

96 million visits

1.8 million customers

CDON

SEK million	2019	2018	Change, %
Gross merchandise value, external merchants	958.1	589.2	63
Total gross merchandise value[1]	1,977.2	2,082.0	-5
Net sales	1,111.7	1,560.2	-29
Gross profit	209.5	206.6	1
Gross margin, %	18.8	13.2	
Operating profit before depreciation, amortization and impairment	**14.7**	**-18.7**	
Operating margin before depreciation, amortization and impairment, %	1.3	-1.2	
Operating profit	**-1.7**	**-30.4**	
Operating margin, %	-0.2	-2.0	
Investments	-28.5	-22.7	
Opening inventory balance	176.7	254.5	-31
Closing inventory balance	103.7	176.7	-41
Active customers, last 12 months, thousands	1,771	1,775	0
Visits, thousands	96,194	95,640	1
Orders, thousands	3,072	3,333	-8
Average shopping basket, SEK	627	616	2

[1] Total of own and external merchants' sales.

Strategy

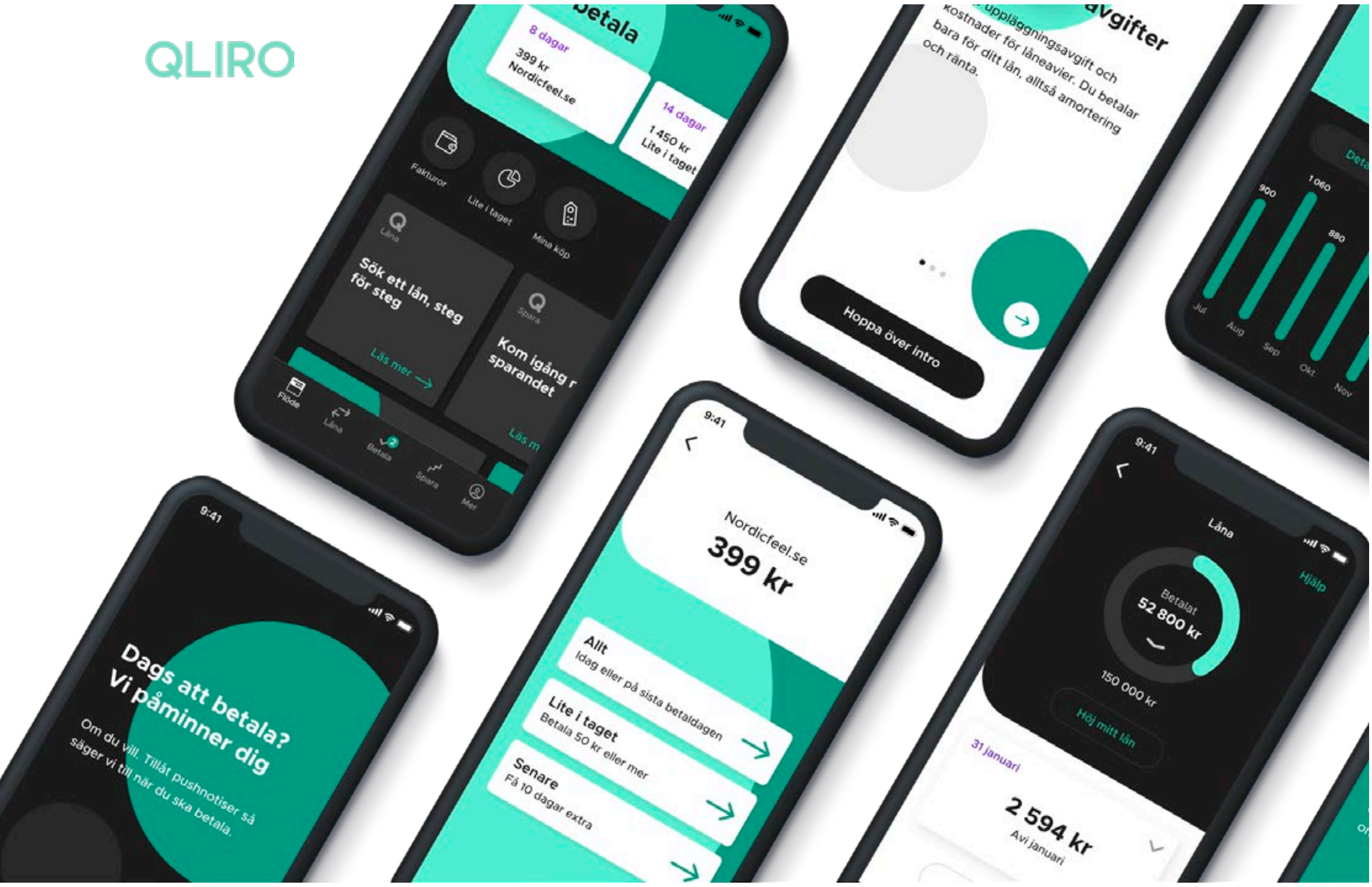
- Be the leading Nordic online marketplace
- Invest in technology for new services and better efficiency
- Strengthen and develop the brand and the range

Achieved 2019

- External merchant sales reached SEK 958 million
- Completed the switch to a marketplace combined with own sales
- Prepared the company for independence

Focus 2020

- Develop position as the leading Nordic marketplace
- Attract new e-merchants with strong positions in their categories
- Leverage investments in technology to launch new services



Qliro AB

Qliro Financial Services is well established as a financial services provider to e-merchants and consumers in the Nordics. The company currently has business relationships with 2.1 million consumers in the Nordics.

Qliro AB offers digital financial services to merchants and consumers. The strategy is to offer a payment solution to merchants while utilizing transaction volume and customer relationships to offer digital financial services to consumers. The payment solution ensures that the company's roughly 40 connected e-merchants offer their customers a better buying experience, secure payments and financial services.

Qliro AB offers deferred payment for online purchases as part of its payment service, which drives growth in invoicing, partial payments and installments. This builds up a loan book that generates returns. Growth in personal loans is driven by digital marketing to existing customers. The company is gradually expanding its offering of financial services to consumers, partly in partnership with other financial players.

Qliro AB conducts data-driven credit assessments to lend money to consumers with good potential to repay. Credit assessments are automated and based on a combination of internal and external data that is analyzed in real time. The lending business is conducted in the Nordics, which is an attractive market for lending with good access to individual financial information and established credit recovery processes.

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

For further information about Qliro AB, see www.qliro.com.

History

Qliro AB was launched in 2014 to simplify online payments. In 2015, the rollout of the payment solution continued in Sweden and was also introduced in Finland and Denmark. In 2017 we launched a secure, mobile-friendly savings account for consumers, personal loans in Sweden, an app for consumers and the full payment service in Norway. Qliro AB became a credit market company in March 2017. In 2019, the company worked to reinforce its offering, position and governance.

Growth in the loan book in 2019

Growth was strong in 2019 with total operating income increasing by 17 percent to SEK 345 million and operating profit before depreciation, amortization and impairment totaling SEK 33 million.

Net lending to the public increased by 39 percent to SEK 2,070 million at the year-end. SEK 1,343 million of this comprised invoices, partial payments and installments, and SEK 727 million comprised personal loans. Lending was financed with SEK 1,819 million via savings accounts, SEK 292 million via a credit facility, SEK 100 million via a bond loan and the remainder with own funds. During the year, business volume increased by 8 percent to SEK 5.3 billion and the number of transactions by 7 percent to SEK 5.5 million.

Business model

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

The loan book's development and composition are the main drivers of revenue and earnings. Credit through installment payments and partial payments generates revenue for up to three years. These revenues are shared with the e-merchants. This is supplemented by personal loans with longer terms and savings accounts for consumers, which contribute to effective financing of the loan book. Qliro AB conducts data-driven credit assessments to lend money to consumers with good potential to repay. The need for digital payment services is growing as a result of e-commerce. The market for personal loans is significant but is growing more slowly.

Achieved 2019

- Increased loan book by 39 percent to SEK 2.1 billion
- Increased personal loans by 130 percent to SEK 727 million
- Prepared the company to be independent and listed on Nasdaq Stockholm

Qliro AB

SEK million	2019	2018	Change, %
Interest income	198.9	153.1	30
Interest expense	-28.6	-17.4	64
Net interest income	**170.2**	**135.7**	**25**
Net commission income	172.1	157.4	9
Other operating income	2.9	2.1	39
Total operating income	**345.2**	**295.2**	**17**
Operating expenses excluding depreciation, amortization and impairment	-238.6	-216.4	10
Depreciation, amortization and impairment	-63.2	-38.1	66
Total operating expenses	**-301.8**	**-254.5**	**19**
Operating profit before credit losses	43.4	40.7	7
Net credit losses	-73.4	-57.3	28
Operating profit	**-30.0**	**-16.6**	
Operating profit before depreciation, amortization and impairment	33.1	21.5	
Net lending to the public (loan book)	2,070	1,493	39
of which payment services	1,343	1,176	14
of which personal loans, digital banking services	727	317	130
External financing	2,211	1,426	55
of which deposits from the public[1]	1,819	968	88
of which secured credit facility	292	458	-36
of which bond loans	100	0	
Payment Services			
Business volume handled, pay after delivery (PAD)	5,325	4,940	8
Orders, thousands	5,462	5,084	7
Average shopping basket, SEK	975	972	0

[1] Of which accrued interest was SEK 0.0 (2.7) million.

Sustainability report

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

In 2019, Qliro Group's sustainability initiatives focused on the four areas defined in 2017; co efficiency, responsible value chain, attractive employer and trusted business partner. Through these efforts we aim to take even more responsibility for sustainable development.

The 2019 sustainability report covers Qliro Group AB (publ) and its subsidiaries. This is Qliro Group's third sustainability report prepared in pursuance of Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core level. The auditor's opinion on the statutory sustainability report is on page 22.

Business model

In 2019, Qliro Group engaged in digital commerce and provided related financial services through its subsidiaries CDON, Nelly and Qliro AB. Nelly is described on page 6, CDON on page 8 and Qliro AB on page 10.

Values

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

Collaboration

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

Innovation

- We strive to be at the forefront by being innovative, nimble and smart.

Results

- We focus on results. Results that benefit our customers and others around us.

Sustainability management

Qliro Group AB is the parent company and manages group-wide functions. The three subsidiaries operate and develop their own businesses, including their sustainability initiatives. Management is responsible for sustainability initiatives.

Qliro Group's management team consists of the CEO, the CFO and the CEOs of the subsidiaries. The CEO is responsible for administrative compliance with the Board's guidelines. The CEO and management are responsible for strategy, financing, financial control, risk management, internal and external communication, reports etc. For more information, please see page 35.

Guidelines

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

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

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

The code of conduct for business partners stipulates that relationships should be characterized by honesty and ethical principles. The Group strives to enter business relationships with companies whose activities are consistent with its own ethical principles regarding human rights, working conditions, occupational health and safety, and freedom of association.

The whistleblower policy aims to ensure that employees and business partners feel confident about raising suspicions of impropriety. Whistleblowing is expected of employees when necessary. Suspicions can be reported anonymously, and the information will be investigated.

Qliro Group and its subsidiaries are also members of several trade associations that place demands on its operations. Qliro AB is a member of Compliance Forum (www.complianceforum.se). Nelly is a member of Stica (Swedish Textile Initiative for Climate

Sustainability initiatives aim to boost competitiveness

Action), Amfori BSCI, Textilimportörerna (www.textileimporters.se) and Scandinavian Shoe Environmental Initiative (www.ssei.se) and has signed the initiative Pälsfri Handel Djurens Rätt (fur-free trade, Swedish Animal Rights Association) (www.djurensratt.se/palsfri-handel). CDON is a member of the trade association Lek och Baby, which works in part to ensure that only safe toys are on the market.

Four focus areas for our sustainability initiatives

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

In the first stage, representatives from management and the subsidiaries participated. Several areas were selected with the guidance of megatrends, international sustainability initiatives, standards such as the UN Global Compact and its global sustainability goals, as well as concepts like the circular economy. A competitor analysis was also conducted.

At the second stage, interviews and surveys were conducted with stakeholders who directly or indirectly affect or are affected by our business. These included customers, employees, shareholders, board members, trade associations, partners, financial analysts and suppliers.

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

The focus is on developing sustainability initiatives with guidelines, procedures, goals and follow-ups as well as continued dialogs with stakeholders. Sustainability risks are considered an integral part of risk management. The four focus areas also describe how the initiatives promote the goals of the UN's 2030 Agenda for Sustainable Development.

Qliro Group will be unbundled into three separate companies in 2020. Each company will continue to work on sustainability.

Four focus areas

Focus area	Aspects	Principle
Eco efficiency	· Logistics and packaging · Transportation · Energy and climate · Pollution · Waste	Work to minimize resource consumption and environmental impact related to manufacturing, warehousing and transportation
Responsible value chain	· Human rights · Supply chain · Product safety and quality · Responsible and sustainable products	Require suppliers to consider working conditions and human rights in the manufacturing chain and take responsibility for the safety and quality of the offering
Attractive employer	· Working conditions and employee well-being · Diversity and equality	Ensure a healthy workplace where employees are happy and develop, work for equality and diversity of skills, gender, experience and cultures
Trusted business partner	· Business ethics · Management team composition · Cyber security	Act in an ethical manner, counteract corruption and protect customer data and privacy

Eco efficiency

Qliro Group works to minimize resource consumption and climate impact related to manufacturing, warehousing and transportation. This promotes cost-effectiveness, environmental consideration and satisfied customers.

Nelly and CDON have large warehouses that use energy for heating. The CDON warehouse is handled by Postnord TPL AB, while Nelly has its own warehouse in Falkenberg. Both are heated by district heating, which for CDON is mainly from waste incineration.

CDON makes its outsourced warehouse more efficient through dialogs with the warehouse supplier to identify saving initiatives. In Nelly's warehouse, daily monitoring is done to make processes more efficient, reduce energy consumption and ensure efficiency in fork-lift usage, time use and filling of trucks. Some of Nelly's clothing production for its own brands is done through contract manufacturers. Nelly requires the manufacturers to comply with current environmental and chemical legislation.

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

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

CDON offers customers an opportunity to make more sustainable purchases by donating SEK 20 to Save the Rain Forest Sweden, which generated SEK 2.0 (1.9) million for the organization during the year.

Risk management in eco efficiency

Qliro Group's eco efficiency risks include:

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

Minimizing climate impact helps achieve global sustainability goals.

Production, warehousing and transportation affect the environment through energy consumption, resource use, waste and carbon dioxide emissions. To prevent this, the Group has looked at risks in production including supplier agreements and procedures for supplier review.

Qliro Group will prioritize freight forwarders who actively work to reduce environmental impact. The transportation market continuously develops more eco efficient alternatives. Limiting environmental impact in logistics and packaging materials often leads to increased cost-effectiveness. Qliro Group aims to do more recycling. Waste is sorted into several categories and hazardous waste is sorted in accordance with the law.

Increased demands from customers or legislators for reducing greenhouse gas emissions may entail increased costs or other obstacles. For example, attitudes toward e-commerce could change and legislators could make decisions that change shipping conditions. These risks are monitored continuously and are managed through business development.

During the year, Nelly joined the new Swedish Textiles Initiative for Climate Action (STICA). The aim of STICA is to help the Swedish fashion and textiles industry reduce its impact on the climate. This is done by creating a platform for collaboration, knowledge sharing and developing shared tools.

Results in eco efficiency

Packaging and transportation

Optimized use of packaging materials is important for cost-effectiveness, profitability and environmental impact. This means that packages are tailored to the size of the product to minimize packaging materials and air.

Qliro Group works extensively with freight forwarders that work actively with sustainability to achieve environmentally efficient transportation. The Group has measured emissions from shipments as a first step in reducing climate impact. Emissions from business travel and shipments between warehouse and customer are reported according to the Greenhouse Gas (GHG) Protocol's Scope 3. Greenhouse gas emissions declined during the period, mainly due to improved fuel mix and transportation efficiency measures. Nelly measures CO2 emissions from shipments from suppliers to its own warehouse and has a restrictive policy on flying incoming shipments.

Environmental initiatives to reduce impact

Qliro Group has a long-term goal of increasing control over shipments from suppliers to warehouses to work with their environmental impact.

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

Greenhouse gas emissions, metric tons CO_2

	2019	2018
Business travel		
Train travel	2	2
Car travel	2	8
Air travel	172	232
Shipment from warehouse to customer	1,704	1,506
Total	**1,880**	**1,748**

Waste management

Waste is mainly generated from packaging materials in deliveries from suppliers. To minimize the environmental impact of waste, established providers with pronounced sustainability initiatives are used for waste disposal. Waste is separated into hazardous and non-hazardous waste.

Hazardous waste is primarily electronic waste, toner cartridges and fluorescent tubes etc. that are recycled. In 2019, 1.0 (1.0) metric tons were recycled.

Non-hazardous waste is primarily wood, cardboard and plastic packaging. In 2019, 609 (707) metric tons were handled, mainly sent for recycling and recovery.

During the year, Nelly upped its ambitions for handling garments that were unsold, returned or defective. The procedures for repairing and cleaning returned garments were also improved. Nelly continuously donates clothes to Human Bridge, which distributes them for charitable purposes or sells them and uses the profits for charitable purposes.

CDON extended its reuse partnership with GIAB in 2019. GIAB mainly received clothing and electronics and was able to reuse 99 percent of the products it handled. Products that could not be reused were sent for recycling or donated for charitable purposes. The partnership mainly concerns defective returns, plus lower value products that would otherwise have been sent for recycling.

Ambition in eco efficiency

Qliro Group will work to minimize resource consumption and climate impact related to manufacturing, warehousing and transportation. Our ambition for the full year 2020 is to reduce harmful impact on the environment and climate by further developing procedures and streamlining processes.

The following activities are planned for 2020:

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

Responsible value chain

Qliro Group's value chain includes suppliers, employees and other stakeholders. The Group works with its suppliers to safeguard human rights and sound working conditions in manufacturing, handling and recycling.

Qliro Group will manufacture and buy products as sustainably as possible. The Group is responsible for ensuring that products and services meet safety and quality requirements and places requirements on suppliers through its Business Partners Code of Conduct.

Qliro Group's code of conduct was adopted by the Board in 2017 and is part of the Group's purchasing agreement. All suppliers are encouraged to sign the code, or similar agreements, and act in accordance with its principles. If the code is not followed, cooperation with the supplier can be terminated. The code is based on the Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Global Compact, applicable conventions of the International Labor Organization and legislation, and includes the following areas:

- Legal requirements
- Prohibition of child labor
- Prohibition of forced labor and disciplinary action
- Prohibition of discrimination
- Freedom of association and the right to collective bargaining
- Employment conditions
- Salaries and benefits
- Working hours
- Occupational health and safety
- Environmental consideration
- Business ethics

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

Nelly also has special provisions regarding flammability and chemicals in manufacturing. The contract manufacturing process is controlled to ensure that suppliers comply with quality and chemical requirements through on-site visits, external lab tests and in-house tests. During the year, more resources were put into assuring quality and chemical content with more chemical tests and greater quality control in production and checks on arrival at the warehouse. Nelly is a member of Amfori BSCI (The Business Social Compliance Initiative) and has adopted its code of conduct.

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

Qliro AB conducts data-driven credit assessments to lend money to consumers with good potential to repay. Qliro AB's operations are governed by extensive regulations on the range of services offered, lending and financing.

Risk management in responsible value chain

CDON and Nelly have similar value chains and sustainability risks, while it is different for Qliro AB. Qliro AB's suppliers are largely Swedish, and the risks are considered low. Qliro AB is also under the supervision of the Financial Supervisory Authority with external controls on lending and risk management. Nelly and CDON buy from manufacturers in other countries where the risks are deemed higher.

Qliro Group evaluates collaborations with manufacturers to reduce risks in production. Certain risks are higher in some countries, such as discrimination against workers, lack of freedom of speech and association, limitations on collective bargaining, corruption and invasion of privacy.

Qliro Group's value chain risks include:

- Risk of violations of human rights or working conditions in the supply chain
- Risk of quality and safety shortfalls in product range

The Group has many suppliers. There is a risk of violations of human rights and working conditions in the supply chain or that the products are not manufactured in a responsible and eco-friendly way. Therefore, there is also a risk that people or the environment may be hurt during manufacturing or consumption. This can lead to reputational risks and, in the long run, profitability risks.

Operational sustainability risks are prevented through on-site visits, internal controls and procedural descriptions. The Business Partners Code of Conduct describes expectations and requirements for compliance with human rights and working conditions.

Human rights in the value chain

If supplier deficiencies are discovered, such as human rights violations or non-compliance with product safety, cooperation with the supplier may be terminated.

In contract manufacturing, Nelly follows up sustainability risks in a structured manner. Trends and demand for responsible and sustainable products are monitored through customer surveys and stakeholder dialogs.

Results in responsible value chain

Every year, Qliro Group and its subsidiaries enter many supplier and partnership contracts that are deemed material and/or of strategic importance. In 2018 and 2019, over 90 percent of these contracts contained clauses about human rights or had been examined in respect of human rights. The objective is to continue to increase this percentage.

Qliro Group adheres to health and safety regulations for products and services. No breach of the code of conduct was reported in 2019.

Qliro AB works actively to promote a well-functioning consumer credit market. Excessive consumer debt is counteracted in part by means of responsible lending. Qliro AB's lending is also in line with the Swedish Bankers' Association's code for responsible lending on the consumer credit market. Qliro AB's net credit losses increased by just over 28 percent to SEK 73 million, which can be compared with the growth in the loan book of 39 percent.

Ambition in responsible value chain

Qliro Group will require suppliers to comply with human rights and proper working conditions in the manufacturing chain and take responsibility for the safety and quality of the offering. The ambition for the full year 2020 is to reduce risks in the value chain by further developing product safety efforts and improving control over the supply chain.

The following activities are planned for 2020:

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

Attractive employer

Qliro Group works to foster a productive and healthy workplace. A good working environment is a prerequisite for good health among employees, higher employee satisfaction and better performance.

The Group maintains a healthy workplace through systematic work environment initiatives, promoted by consideration and sound values. Processes for employee evaluations and professional development are well established. Examples of benefits include flexible working hours, supplementation of parental leave pay, salary switching opportunities, agreements with occupational health service providers and preventive health care allowance.

It was estimated that about 40 percent of the employees were covered by union agreements.

The Group is observant of risks in the workplace and takes measures to prevent accidents and occupational injuries. There are established processes for rehabilitation and prevention of long-term sick leave. The workplace is drug-free.

Diversity

Qliro Group's ability to attract, develop and retain employees with the right skills is a prerequisite for running a profitable business. Good working conditions, together with clear equality and diversity initiatives, make for a healthy workplace where employees are happy and can progress.

When recruiting, the Group strives for a variety of skills and other qualities in terms of gender, age etc. The Equal Treatment Plan provides the same opportunities for work and development regardless of gender, age, origin, religion, sexual orientation or disability. The Group does not tolerate any type of discrimination or harassment.

As part of the onboarding plan, employees will be informed of the Group's values regarding gender equality, diversity and discrimination. All employees are informed of and are expected to follow the code of conduct.

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

Employee Code of Conduct

The Employee Code of Conduct clarifies the obligations of employees and covers the following:

1. Relationships with customers
2. A healthy workplace
3. Relationships with suppliers, other business partners and competitors
4. Conflicts of interest
5. External communication
6. Whistleblowing
7. Consequences of violating the code

Qliro Group and its employees are together responsible for a healthy work environment and that every employee is appreciated and respected. Each employee is responsible for acting in a correct manner and for being aware of how one's actions may be perceived.

Risk management in attractive employer

Qliro Group's risks concerning attractive employer include:

- Risk of not being perceived as an attractive employer
- Risk that gender equality and diversity initiatives are not successful

Being an attractive employer is of great importance to Qliro Group. The Group works with initiatives for personnel development and succession planning for key functions. Working conditions and remuneration help attract and retain staff.

For Qliro Group, diversity and equality are important, partly to offer an attractive workplace, partly to ensure knowledge and understanding of customer needs. Lack of gender equality and diversity may lead to insufficient ability to understand the market. The Group has guidelines for gender equality and diversity that complement the Code of Conduct, which include following up on related indicators.

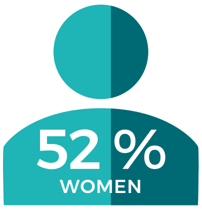
Qliro Group has a whistleblower function for reporting cases of discrimination or harassment. The purpose of the whistleblower function is that all employees should be able to report violations without fear of repercussion. Employees should also feel assured that reports are handled professionally. The whistleblower policy is available on the intranet and website.

A workplace in which employees perform well and thrive

Staff distribution

New employees 2019

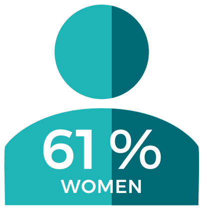
Total	275
Women	144
Men	131



Women Men

New employees 2018

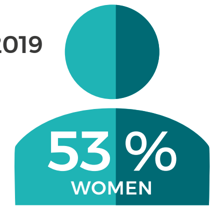
Total	319
Women	196
Men	123



	2019			2018		
New employees	No.	Of whom women	Women, %	No.	Of whom women	Women, %
Total	275	144	52	319	196	61
Under 30 years	173	101		229	150	
30–50 years	96	39		89	46	
Over 50 years	6	4		1	0	

Terminated employment 2019

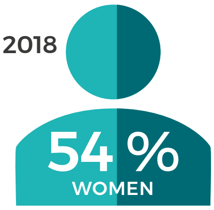
Total	316
Women	168
Men	148



Women Men

Terminated employment 2018

Total	282
Women	151
Men	131



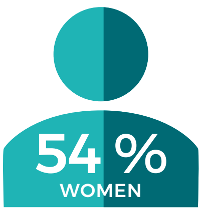
	2019			2018		
Terminated employment	No.	Of whom women	Women, %	No.	Of whom women	Women, %
Total	316	168	53	282	151	54
Under 30 years	178	107		174	108	
30–50 years	127	55		104	42	
Over 50 years	11	6		6	2	

Qliro Group strives for even gender and age distribution. Gender distribution is even in the Group, but the proportion of men is greater in senior positions. Nelly is an exception. Equality at the management level continues to be an important issue.

Gender distribution, total number of employees excluding terminated employments

Gender distribution 2019

Total	750
Women	405
Men	345



Women Men

Gender distribution 2018

Total	886
Women	484
Men	402

	2019			2018		
Gender distribution, employees	No.	Of whom women	Kvinnor, %	No.	Of whom women	Kvinnor, %
Total	750	405	54	886	484	55
Under 30 years	297	176		487	300	
30–50 years	406	206		364	166	
Over 50 years	47	23		33	17	

Staff distribution cont.

Diversity, Board	2019 No.	2019 Of whom women	2019 %	2018 No.	2018 Of whom women	2018 %
Total	6	2		6	2	33
Under 30 years	0	0		0	0	
30–50 years	5	2		5	2	
Over 50 years	1	0		1	0	
Diversity, Group management						
Total	4	1		5	2	40
Under 30 years	0	0		0	0	
30–50 years	3	1		5	2	
Over 50 years	1	0		0	0	

Qliro Group primarily has full-time, permanent employees. Less than 15 percent of employees were temporary in 2018 and 2019, and the number of consultants was not significant.

Results in attractive employer

The ability to attract new employees and offer an attractive workplace where people thrive, remain and progress is a success factor. The Group strives for a sound employee turnover. Employee turnover was highest for persons under 30. This is natural since Qliro Group employs many young people at the beginning of their careers who move on to further education or other challenges.

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

Ambition in attractive employer

Qliro Group will ensure a healthy workplace where employees thrive and progress, as well as work for equality and diversity of skills, gender, experience and cultures. The ambition for the full year 2020 is to continue to work systematically for a healthy workplace, gender equality and diversity.

The following activities are planned for 2020:

- Implement health and safety initiatives
- Pursue work on values and culture along with leadership development
- Measure and analyze engagement using pulse surveys

Trusted business partner

Qliro Group creates value by being a trusted business partner. Initiatives in this focus area aim to create an open and responsible culture with clear, established policies and practices that ensure ethical and secure business relationships. The Group has zero tolerance for corruption and bribery.

The Employee Code of Conduct lays the foundation for establishing good business relationships. It also clarifies principles regarding bribery and corruption, stock exchange rules, conflicts of interests etc. Employees are expected to adhere to the code in their work and make sure that business partners know our principles. Any suspicions are followed up and investigated.

Qliro Group works with many suppliers and partners where good business relationships are crucial. As an e-commerce company and financial partner, data security and privacy protection are also business critical. Nelly and CDON use personal data to fulfill their obligations to customers and for billing, customer surveys, marketing etc. Qliro AB uses personal data to fulfill its obligations to customers but also for credit checks, marketing and compliance with regulatory requirements.

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

Ethical conduct is supported by management leading by example. It is important to understand customer needs and employee expectations. The Group is highly focused on the composition of management teams in terms of background, competence, gender and age.

Ethical behavior and countering corruption help achieve global sustainability goals.

Risk management in trusted business partner

Qliro Group's trusted business partner risks include:

- Risk of corruption and bribery
- Risk of data breaches and loss of customer data, and failure to comply with the GDPR
- Risk of violating legislation or internal regulations
- Risk of lack of diversity on Board of Directors and in management

Qliro Group has zero tolerance for bribery and corruption. The risk of corrupt behavior occurs mainly in connection with purchasing and sales but is considered relatively low. The code of conduct covers issues of bribery and corruption and has been shared with all employees. The Business Partner Code of Conduct must be attached to new agreements with suppliers. Breaches of the code may result in termination of business dealings with the supplier. The Group has a whistleblower function where employees and business partners can report suspicions of corrupt behavior.

Qliro Group is engaged in digital operations. Data protection and customer privacy are paramount. Data breaches and loss of customer data may affect confidence in security and adversely affect business. They can also pose a risk of exposure of individual customer data. The Group works in a structured manner with data security issues and safe handling of personal data.

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

Qliro Group's operations are governed by regulations, especially regarding financial services. Violations of laws and regulations may endanger our reputation and lead to fines and other penalties. The Group has developed a policy framework and procedures to minimize the risk of non-compliance. The company's lawyers prevent and minimize risks of violations of laws and regulations.

Qliro AB is under the supervision of the Swedish Financial Supervisory Authority (FI), which means that the company regularly undergoes controls to conduct its business. The company has independent control functions for compliance, risk control and internal auditing. The functions for compliance and risk control set the limits and principles for risk management and compliance, carry out independent follow-ups and train employees in these issues.

Trust is key

Understanding customer needs and employee expectations is crucial to the Group's success. The risk of insufficient understanding and incorrect business decisions decreases if the Board and management teams are composed of people with different skills and backgrounds.

Qliro Group adheres to the Swedish Corporate Governance Code, including its provisions on the composition of the Board. The parent company and all subsidiaries are domiciled in Nordic countries and pay taxes according to current legislation.

Trusted business partner results in 2019

Qliro Group follows up on any incidents regarding customer privacy or loss of customer data. In 2019, Qliro AB reported two incidents and Nelly three incidents to the Swedish Data Protection Authority. The incidents were dealt with according to the guidelines, and no negative impact was observed. No cases of confirmed or suspected corruption have occurred in 2019.

Ambition in trusted business partner

Qliro Group will act in an ethical manner, counteract corruption and protect customer data and privacy. The ambition for the full year 2020 is to further develop the procedures for ethical and secure business relationships.

The following activities are planned for 2020:

- Further development of guidelines for IT security
- Employee training in code of conduct and IT security
- Clarify goals and follow-up of sustainability aspects

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Qliro Group AB,
corporate identity number 556035-6940

Engagement and responsibility

The board of directors is responsible for the sustainability report for 2019 on pages 12–22 and for preparing it in accordance with the Annual Accounts Act.

Focus and scope of the review

Our review has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with a basis for our opinione.

Opinion

A statutory sustainability report has been prepared.

Stockholm, April 6, 2020
KPMG AB

Mårten Asplund
Authorized Public Accountant

Directors' report

Qliro Group AB (publ) engages in digital commerce and provides related financial services in the Nordic region. The company's registered office is at Sveavägen 151, Box 19525, SE-104 32 Stockholm, Sweden. The corporate identity number is 556035-6940. The share is traded on the Nasdaq Stockholm Mid Cap list under the ticker symbol QLRO.

Operations

In 2019, Qliro Group engaged in digital commerce and provided financial services through three subsidiaries: Nelly, CDON and Qliro AB. Qliro Group's strategy since June 2018 has been to unbundle the Group into three separate companies. The aim is to give the companies the opportunity to focus fully on their own operations and thereby strengthen their competitiveness.

Qliro Group's net sales were SEK 2,939 million and operating profit before depreciation, amortization and impairment amounted to SEK 5 million. Qliro Group had 691 full-time employees on average during the year.

Three independent subsidiaries

Qliro Group's subsidiaries are referred to as segments in the financial reporting: CDON, Nelly and Qliro AB. CDON and Nelly make up the e-commerce business.

Nelly in 2019

Nelly offers fashion to trend-conscious young consumers through Nelly.com and NLYMan. In 2019, 1.3 million customers completed 2.9 million purchases. Net sales increased by 5 percent to SEK 1,456 (1,391) million, representing 50 (43) percent of consolidated sales.

The sale of own brands amounted to 43 (45) percent of sales. The return rate fell slightly to 38 (39) percent. Operating profit before depreciation, amortization and impairment was SEK 13.2 (56.8) million.

Nelly had 340 full-time employees on average during the year.

CDON under 2019

CDON is the leading Nordic online marketplace. In 2019, 1.8 million customers completed 3.1 million purchases. Net sales amounted to SEK 1,112 (1,560) million, representing 38 (48) percent of consolidated sales.

External merchant sales on CDON increased by 63 percent to SEK 958 (589) million, while sales from the company's own inventories were phased out to accelerate the transition to a marketplace. Operating profit before depreciation, amortization and impairment increased to SEK 14.7 (-18.7) million.

CDON had 144 full-time employees on average during the year.

Qliro AB in 2019

Qliro AB offers merchant services that facilitate digital commerce and consumer financial services to simplify everyday living. During the year, 2 million customers completed 5.5 million purchases. Total operating income increased by 17 percent to SEK 345 million, representing 12 (9) percent of consolidated sales.

Business volume increased by 8 percent to SEK 5,325 million and net lending to the public increased by 39 percent to SEK 2,070 (1,493) million at year-end. Lending was financed by a contracted borrowing facility in the amount of SEK 292 (458) million, SEK 1,819 (968) million in savings accounts, SEK 100 (0) million through a bond and the balance with own funds. Operating profit before depreciation, amortization and impairment was SEK 33.1 (21.5) million. Qliro AB is a credit market company under the supervision of the Swedish Financial Supervisory Authority (FI).

Qliro AB had 199 full-time employees on average during the year.

Discontinued operations

Lekmer AB was divested in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018. Tretti AB had been divested in the third quarter of 2016. These companies are recognized as discontinued operations in the Group. Continuing operations are recognized in this annual report (including historical comparative figures in income statements and cash flow reports) unless otherwise stated.

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

Profit after tax for discontinued operations amounted to SEK 0.0 (138.6) million for the year.

Sustainability report 2019

For the 2019 financial year, Qliro Group prepared its third sustainability report separately from the annual report in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core option. The sustainability report is found on pages 12-22.

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

Significant events in 2019

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

On May 7, the Annual General Meeting was held in Stockholm, where all proposals from the Board and the Nomination Committee were approved.

On August 28, 2019, Qliro AB issued SEK 100 million in subordinated Tier 2 bonds (Tier 2 capital) to diversify its funding. The bonds have a variable interest rate of Stibor 3 months +6.75 percent per annum with maturity in September 2029 and the first opportunity for redemption in September 2024.

On October 10, 2019, it was announced that the Finnish Supreme Administrative Court rejected CDON Alandia's application for leave to appeal in a tax case in Finland. This means that the Helsinki Administrative Court's decision of May 2018 gained legal force.

On October 15, Anna Ullman Sersé announced her intention to leave her position as Nelly's CEO. Marcus Lindqvist, CEO of Qliro Group, takes a more active role in the company and complements the existing management group as working chairman of the board.

On October 21, it was announced that Qliro Group had started the process of listing Qliro AB on Nasdaq Stockholm's main list in the first half of 2020. This also means that Qliro AB has retracted its 2019 financial target since it is no longer able to achieve it.

On October 25, Qliro AB published a prospectus for listing SEK 100 million in subordinated Tier 2 bonds with Nasdaq Stockholm. The bonds have a variable interest rate of Stibor 3 months +6.75 percent per annum, maturing on September 4, 2029, with the first opportunity for redemption in September 2024.

On December 17, it was announced that Nelly was expected to achieve an operating profit before depreciation and amortization for the full year, but a loss for the fourth quarter. It was determined that Nelly's inventory levels were high, so clearance sales were conducted, while at the same time selling expenses increased in a declining clothing market. It was reiterated that Qliro Group's fourth quarter results were also affected by the cost of preparing Group subsidiary Qliro AB for listing.

Significant events in 2020

On January 2, it was announced that Kristina Lukes will become the new CEO of Nelly. Kristina has extensive international experience in development and change management for fast-moving consumer goods. Most recently she worked for Paulig. Kristina is resumed her new position in April.

On February 3, it was announced that Nelly would focus its operations on the Nordics, take steps to reduce inventories and eliminate about 25 positions in the administrative organization to have the right foundation for profitable growth.

On February 4, it was announced that Qliro Group will be unbundled during the first half of the year in accordance with the previously announced plan. The plan was to list Qliro AB on Nasdaq's main list. A process was also being initiated to distribute shares in CDON to Qliro Group's shareholders and admit the company's shares for trading on the First North exchange. In this plan means that Nelly will remain in the Group. It was also announced that Marcus Lindqvist, CEO of Qliro Group since 2016, has thereby fulfilled his mandate and will leave his position when the unbundling takes place.

On February 4, new financial targets for Qliro AB were announced prior to the planned listing. Financial developments for all three subsidiaries in 2020 were also commented on.

Qliro Group held an Extraordinary General Meeting on March 6. It resolved that the Group would change its name from Qliro Group to Nelly Group and that a share warrant program will be introduced in the subsidiary Qliro AB given that Qliro AB becomes listed.

On March 20, Qliro Group commented on the effects of the Corona virus during the first quarter 2020 and postponed the listing of its subsidiary Qliro AB. Qliro Group's total sales had until this date not been negatively affected by the outbreak of Covid-19. CDON had seen an increased demand and Nelly's sales in the Nordic countries were higher than the same period last year, but lower outside the Nordic region in line with previous communication to focus on the Nordics. The fashion market was characterized by a high level of campaign activity, which negatively affected Nelly's margins.Qliro AB developed in accordance with plan. The company was positively affected by changed capital requirements. However, a generally weaker economy was expected lead to increased provisions for future expected credit losses in accordance with IFRS9 regulations. In the market situation, the board postponed the new share issue and listing of Qliro AB. The process to distribute CDON to Qliro Group's shareholders and list the company on First North continued. The board remained dedicated to complete the split up of the group, but the process might be delayed.

Financial position and earnings

SEK million	2019	2018
Net sales	2,938.6	3,257.7
Gross profit	803.4	782.5
Gross margin, %	27.3	24.0
Operating profit before depreciation, amortization and impairment	**4.7**	**19.0**
Operating margin before depreciation, amortization and impairment, %	0.2	0.6
Operating profit	**-94.3**	**-52.2**
Operating margin, %	-3.2	-1.6
Net financial items	-12.9	-32.3
Profit before tax	-105.5	-84.5
Profit after tax for continuing operations	-110.2	-136.0
Profit after tax for discontinued operations	–	138.6
Profit after tax for continuing and discontinued operations	-110.2	2.6
Basic and diluted earnings per share excluding discontinued operations	-0.74	-0.91
Basic and diluted earnings per share excluding discontinued operations	-0.74	0.02
Total assets	4,010.0	3,440.2

Sales

Continuing operations are recognized in this report (including historical comparative figures) unless otherwise stated. Tretti, Lekmer and HSNG are recognized as discontinued operations. Consolidated figures and tables include the effects of IFRS 16.

To better reflect the business, certain revenues previously reported as interest income have been reclassified to commission income in Qliro AB. In connection with this, commission income in the consolidated financial statements has been reclassified from other operating income to net sales. The comparative figures have been adjusted by SEK 31.7 million for the full year.

Net sales decreased by 9.8 percent to SEK 2,938.6 (3,257.7) million. Exchange rate fluctuations had a positive effect of 0.9 percent for the year.

Operating expenses

Cost of goods sold totaled SEK 2,135.2 (2,475.2) million. The gross margin increased to 27.3 (24.0) percent. The gross margin increased for CDON and decreased for Nelly.

Selling and administrative expenses amounted to SEK 872.7 (835.4) million. Operating profit before depreciation, amortization and impairment was SEK 34.7 (19.0) million. Operating profit totaled SEK -92.7 (-52.2) million.

Net financial items

Net financial items totaled SEK -12.9 (-32.3) million. In the second quarter of 2018, an interest expense of SEK 13 million (paid in 2017 or earlier) was recognized due to the tax ruling of the Helsinki Administrative Court.

Tax

Recognized tax expense totaled SEK 4.7 (51.5) million. In the second quarter of 2018, a tax expense of SEK 57 million (paid in 2017 or earlier) was recognized due to the tax case referred to above.

Net profit and earnings per share

Profit after tax amounted to SEK -110.2 (-136.0) million. Profit after tax for continuing and discontinued operations amounted to SEK -110.2 (2.6) million.

The impact on earnings from the divestment and operating profit of HSNG are recognized as profit from discontinued operations. The corresponding earnings impact totaled SEK 0.0 (138.6) million. Consolidated profit after tax for continuing and discontinued operations amounted to SEK -110.2 (2.6) million.

The number of ordinary shares issued amounted to 149,269,779. Basic and diluted earnings per share for continuing and discontinued operations amounted to SEK -0.74 (0.02), based on the weighted average number of shares during the year.

Cash flow and financial position

Cash flow from operating activities before changes in working capital was SEK 28.8 (-28.0) million. CDON reduced its inventory during the year.

Consolidated cash flow from operations after changes in working capital amounted to SEK 183.6 (-234.0) million. Investments in non-current assets totaled SEK -138.9 (-90.9) million. The investments were made mainly in technology platforms for Qliro AB and CDON.

Cash flow from divestment of operations amounted to SEK 0.0 (387.2) million. Last year, this consisted mainly of payment for HSNG in the first quarter and the final payment for Lekmer in the second quarter.

Cash flow from financing activities totaled SEK -183.6 (0.0) million. During the third quarter, Qliro AB raised a bond loan of SEK 100 million and, during the first quarter, Qliro Group repaid a bond loan of SEK 250 million.

Cash and cash equivalents amounted to SEK 553.9 (691.8) million at the year-end. Cash and cash equivalents from e commerce operations amounted to SEK 313.7 (670.0) million. In 2019, the parent company, which is recognized in the e commerce business, invested SEK 138 million in Qliro AB and repaid the bond loan (see the paragraph above).

Total assets amounted to SEK 4,010.0 (3,440.2) at the year-end. The divestments of Lekmer in 2017 and HSNG in 2018 decreased consolidated assets compared with the previous year, which was offset by Qliro AB's increased lending to the public. Equity amounted to SEK 888.5 (994.5) million.

Acquisitions and divestments

Qliro Group divested Tretti AB in the third quarter of 2016, Lekmer AB in the third quarter of 2017 and Health and Sports Nutrition Group HSNG AB in the first quarter of 2018.

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

Financial targets

Qliro Group's financial targets for subsidiaries are:

CDON

Financial targets

Achieve a growth rate in external merchants' gross merchandise value above 20 percent per year.

Achieve an operating margin before depreciation, amortization and impairment above 3 percent of net sales per year.

Outlook for 2020

For full year 2020, the assessment is that the gross merchandise value of the external merchants will continue to increase significantly faster than the target and that the operating margin target will be met.

Nelly

Financial targets

Achieve organic growth in net sales above 10 percent per year.

Achieve an operating margin before depreciation, amortization and impairment above 6 percent per year.

Outlook for 2020

The assessment for the full year 2020 is that net sales will increase, but not in line with the target and that the operating margin before depreciation, amortization and impairment will be 2-4 percent. Growth is somewhat hampered by the transition to the Nordic region, which together with adaptation of the organization is expected to make a positive contribution to profitability.

Qliro AB

Financial targets

Growth. In the medium term, Qliro AB:s target is to achieve an income growth of 20-25 per cent on average per annum.

Cost. By growing income and increase its operational efficiency, Qliro AB shall become more cost-effective. Qliro AB:s target is to reach a cost to income ratio of 50 percent by 2023.

Capital. In the medium term, Qliro AB shall remain adequately capitalized to support strong growth opportunities. In the longer term, Qliro AB:s target is to maintain capital buffers of at least 150 bps over the regulatory requirements.

Outlook

Credit Quality. Qliro AB shall maintain a strong asset quality as the business continues to grow. For the financial year 2020, Qliro AB:s target is a net loan loss level below 1.25 percent of managed PAD volumes (total payment volume with Qliro AB:s own payment methods invoice, and fixed and flexible part payments) and below 2.5 percent of average lending volumes for personal loans.

Profit before tax. Qliro AB has a strong focus on continued fast growth in payment solutions and financial services for consumers. In 2019, the company entered into many new partnerships with merchants which are expected to contribute with significant volumes and income in the years ahead. In the near term, the positive impact on operating profit is however limited as the new merchants are onboarded and volumes gradually build up. As a result, Qliro AB expects a negative profit before tax for the full-year in 2020, mainly related to the first half of the year, until the full effect from new partnerships are materialized.

Risk factors

Qliro Group is exposed to several risk factors. Some of the risks considered significant to the Group's future development are summarized below, in no relative order.

Industry and market risks

- Market trend for e-commerce
- Competition
- Seasonal variations
- Risks related to fashion trends
- Economic situation and consumer purchasing power

Operational risks

- Disturbances in IT and control systems
- Supplier relationships
- Warehousing and distribution
- Expansion into new markets and new segments
- Ability to recruit and retain staff

Financial risks

- Currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

Legal risks

- Legislation, regulations and compliance
- Intellectual property rights

In addition to the above, there are specific risks for Qliro Financial Services. See pages 29-30.

Industry and market risks

The market

The market for e-commerce is undergoing change with continuous growth in recent years. There are no guarantees that the e-commerce market will continue to grow or that Qliro Group's products will continue to benefit from positive market developments.

Competition

Qliro Group's operations are highly competitive, and the actions of other players could affect demand and the requirements placed on our business. The Group has a strong position in selected segments of Nordic e-commerce and is continuously working to strengthen its competitiveness.

Seasonal variations

CDON is exposed to seasonal variations because a large portion of sales occur during the fourth quarter. Nelly also exhibits seasonal variations, where the second and fourth quarters are the strongest. Lower demand during a single quarter can significantly affect sales and earnings negatively.

Risks related to fashion trends

Nelly is exposed to fluctuations in trends and fashion, as well as consumer preferences in terms of design, quality and price. Misconceptions of consumer preferences can lead to lower sales, surpluses of certain products and price cuts.

Economic situation and consumer purchasing power

Qliro Group's sales are affected by business cycles, developments in e-commerce and demand for the Group's products and services, especially in the Nordic region. The economy and consumers' purchasing power are affected by factors that are beyond the Group's control, such as interest rates, exchange rates, inflation levels, taxes, unemployment levels and other economic factors. A weakening of the economy with lower consumption may reduce demand for the Group's products, which could adversely affect financial position and earnings.

Operational risks

Disturbances in IT and control systems

Qliro Group's operations are dependent on reliable IT and control systems that are well suited to the business. The Group has made significant investments in IT and control systems. Even though improvements, maintenance, upgrades and support for these systems and processes are ongoing, it is not inconceivable that the systems may suffer malfunctions that could have a negative impact on financial position and earnings.

Supplier relationships

Qliro Group is dependent on hundreds of external suppliers. There are, however, alternatives to most of the current suppliers, which means that if the company loses one or more suppliers it will only have a limited negative impact.

Warehousing and distribution

Qliro Group has one warehouse of its own as well as several others that are operated by external suppliers. If a warehouse were to be destroyed or to close, or if its equipment were to be damaged, the company might not be able to deliver products to its customers. The Group is dependent on transportation to and from the warehouses and is exposed to disruptions in its distribution network. In the event of a malfunction, the Group will attempt to repair the warehouse or use alternative warehouses or transportation. If this cannot be guaranteed, it could have a negative effect on financial position and profit.

Qliro Group works continuously with risk prevention. The Group has insurance policies for property damage and production stoppages, but there is no guarantee that such amounts can be recovered in full or that the amounts recovered would cover potential losses.

Expansion into new markets and new segments

Qliro Group's long-term strategy is to grow. A careful analysis is made prior to each investment but any establishments in new geographic markets or segments may lead to unforeseen costs or lower sales than expected.

Ability to recruit and retain staff

Qliro Group's success is highly dependent on its ability to recruit, retain and develop senior executives and other key individuals. The Group works with programs and initiatives for staff development, talent identification and succession planning for key individuals.

Financial risks

Currency risk

Currency risk consists of risks in transactions in various currencies (transaction exposure) and risks when translating foreign operations into the Swedish krona (translation exposure).

The Group's reporting currency is the Swedish krona. A significant portion of sales are from outside Sweden, which gives rise to transaction exposure. Translation of foreign operations into the Swedish krona means that the Group is also somewhat vulnerable to translation exposure.

Currency risk is not hedged using financial instruments, however natural hedges are sought, for example by purchasing and selling in the same currency. The most important currencies are NOK, DKK and EUR for sales, and NOK, DKK, EUR, USD and GBP for purchases.

Credit risk

Credit risk is defined as exposure to losses resulting from one party failing to fulfill its obligations. Exposure is based on the carrying amount of financial assets, of which the majority comprises accounts receivable and cash and cash equivalents.

Credit risk related to accounts receivables is spread over many customers in small amounts, mainly private individuals. Accounts receivable are sold both to the subsidiary Qliro AB and to external factoring companies. Most of these accounts receivable are sold to external factoring companies with full transfer of the credit risk to the counterparty.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Group's financing costs since fair value or future cash flows may fluctuate due to changes in market interest rates. Qliro AB manages this risk through diversified financing. At the end of 2019, Qliro AB was financed by an outstanding bond for SEK 100 million, deposits from consumers (savings accounts), a short-term revolving credit facility and equity.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill its commitments associated with financial liabilities. This risk is managed by ensuring that there is enough cash and cash equivalents and the ability to increase available financing.

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

Legal risks

Legislation, regulations and compliance

Qliro Group pursues operations in several countries with different legislation, fiscal regulations and regulations governing some of the goods that the Group sells. If the business is spread to new customers, services or markets, it may be subject to new regulatory requirements. The Group endeavors to comply with laws and regulations and enlists the help of external expertise when required.

Intellectual property rights

Qliro Group is proactive about protecting its brands, name and domain name in the jurisdictions in which the Group operates. It may nevertheless transpire that the measures the Group takes are insufficient, which may have an adverse effect.

Disputes, claims and litigations

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

Qliro AB

Qliro AB is a credit market company registered with the Swedish Financial Supervisory Authority. Qliro AB offers invoices and partial payments for purchases via the Group's and external e-merchants' Swedish, Finnish, Norwegian and Danish online shops. In addition, other digital financial services are offered to e-merchants and consumers, such as savings accounts that are covered by the government deposit guarantee and unsecured personal loans. The operations are exposed to several risks as listed below.

Qliro AB should always be well-capitalized. The Board of the subsidiary has established capital targets aimed at meeting regulatory minimum requirements, buffer requirements and managing risk exposures in financial stress situations. See Note 21 for more information.

Currency risk

Qliro AB manages currency risk by matching the currency exposure of the loan book with financing in the same currencies. There is also the possibility of hedging currency risks with futures.

Credit risk

Qliro AB manages credit risk through its credit organization as well as its credit policies, rules and regulations. The risk is monitored, controlled and reported regularly to the CEO and Board. Good credit risk management can optimize the profitability of lending activities.

Interest rate risk

Qliro AB manages interest rate risk by matching the interest rate horizon on assets and liabilities as far as possible. The lending rate can also be adjusted if borrowing costs increase.

Liquidity risk

Qliro AB manages liquidity risk by ensuring that there is enough cash and cash equivalents and an ability to increase available financing. See Note 21 for more information.

Business and strategic risk

Business and strategic risk is the risk of losses due to changes in market conditions (changes in volume, interest rate margins and other price changes regarding credit granting), failed business decisions and consumers choosing other payment solutions. It could damage Qliro AB's reputation if its services are not perceived as safe, economical and easy to use.

Operational risks

Operational risk is the risk of losses resulting from an inappropriate organization, human error, failed internal processes, defective systems or external events. The definition includes legal risks and IT risks. Qliro AB is primarily exposed to the following operational risks:

- Internal fraud
- External fraud
- Interruptions and disturbances

Qliro AB has an internal regulatory framework to ensure the effective management of operational risks. This includes documentation of processes and analysis of its risks. To minimize the effects of disturbances, internal rules for continuity management and contingency plans are available. Staff are trained in operational risks to promote a healthy risk culture.

Environmental initiatives

Qliro Group's ability to take responsibility for sustainable development is the key to strengthening our customers' and the public's confidence in us. The business requires warehousing, packaging and transportation. Customers, owners and the public expect environmentally conscious choices and that the business is operated in a manner that is sustainable in the long term. The Group is constantly searching for new ways to further reduce its environmental impact.

Qliro Group's sustainability efforts focus on four selected areas. Through these efforts we aim to take even more responsibility for sustainable development. The sustainability report is prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and the Global Reporting Initiative (GRI) Standards, Core option (see page 12).

Employees

Qliro Group recognizes that its employees are crucial to its operations. Attracting, developing and retaining employees is necessary to achieving success and meeting established targets for growth and business development.

The average number of employees was 691 during the year. The sustainability report contains more information (see page 18). Information on average number of employees and payroll expenses is available in Notes 23 and 24.

Proposal for guidelines for remuneration of senior executives

The current guidelines for remuneration of senior executives in Qliro Group are described in the Corporate Governance Report. For further information on remuneration of the CEO and senior executives, see Note 24.

The Board proposes that the 2020 Annual General Meeting resolves to adopt the following guidelines for remuneration to senior executives in Qliro Group. Currently, Qliro Group's CEO and CFO as well as the CEOs of the subsidiaries Qliro, CDON and Nelly (in total five persons) are considered senior executives in Qliro Group.

The guidelines shall apply to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting on 12 May 2020. These guidelines do not apply to any remuneration decided by the General Meeting, such as ordinary Board remuneration and long-term share and share price-related incentive plans.

The guidelines' promotion of the Qliro Group's business strategy, long-term interests and sustainability

Qliro Group's strategy since June 2018 is to operate Qliro, CDON and Nelly as three separate companies.

Qliro offers digital financial services to merchants and consumers. Qliro's business strategy is, in short, that Qliro, through further product development and further expansion on the Nordic e-commerce market, shall strengthen its position as one of the main players within payment solutions to large e-merchants in the Nordics. In parallel with payment solutions, Qliro shall also continue to develop the digital banking platform and offerings to consumers.

CDON is a leading Nordic marketplace online with a very wide range of products from over 1,000 merchants. CDON's business model is to offer external merchants to sell their products through CDON for a commission. This is supplemented by that CDON purchases products in its own inventory, which are subsequently sold, mainly to consumers. CDON will continue to strengthen its position as the leading Nordic marketplace, inter alia by connecting e-merchants who have strong positions in their respective category as well as niche smaller e-merchants, for the wide range.

Nelly has one of the leading Nordic online fashion brands among young women. Nelly's business model is based on a core of its own designs and labels and a complementary range of selected clothing and beauty products from 300 brands. Nelly shall continue to strengthen its own brands and constantly be at the forefront of digital marketing and sales. The company shall continue to inspire with selected trends and clothing for its target group.

A prerequisite for the successful implementation of the Qliro Group's business strategy and the safeguarding of the Group companies' long-term interests, including their sustainability, is that Qliro Group is able to attract, motivate and retain senior executives in competition with comparable Nordic companies, primarily Nordic companies which are operating within e-commerce and retailing with consumer brands and products, as well as Nordic credit market companies and banks specialized in e-commerce payment solutions, digital consumer financing, personal loans and savings accounts. These guidelines shall therefore enable for senior executives to be offered a competitive total remuneration. At the same time, Qliro Group's remuneration system shall be in line with and promote sound and effective risk management and counteract excessive risk-taking behavior.

The remuneration to the senior executives in Qliro Group shall both short-term and long-term reflect the individual's performance and responsibilities and the results in Qliro Group, including in its subsidiaries, and shall also link the senior executives' interests and rewards with the shareholders'. Therefore, the remuneration to the senior executives shall be based on the pay for performance principle.

The Board considers that the possibility of variable remuneration and participation in any long-term incentive plans together with a well-balanced fixed remuneration provides the conditions for Qliro Group to be a competitive employer, while the design of and conditions for the variable remuneration support a responsible and sound risk management as well as the company's growth strategy, long-term interests and sustainability.

Types of remuneration

The remuneration shall be on market terms and may consist of the following components:

- fixed cash salary,
- variable cash remuneration,
- the possibility of participating in (i) share-related and share price-related incentive plans resolved upon by the General Meeting and/or (ii) cash-based incentive plans,
- pension benefits, and
- other customary benefits.

Fixed cash salary

The senior executives' fixed cash salary is revised each year and shall be competitive and based on the individual's competence, responsibilities and performance. The fixed remuneration shall also represent a sufficiently large portion of the senior executives' total remuneration to enable that the variable components can be set at zero.

Variable cash remuneration

Currently, Qliro Group's CEO and CFO do not have the right to short-term variable cash remuneration. The other senior executives' variable cash remuneration shall be based on fulfilment of established targets relating to growth and value creation for the subsidiary they are responsible for. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual) which shall be measured over a year. The targets within the senior executives' respective area of responsibility are defined to promote Qliro Group's development both in the short-term and long-term, and thus promote Qliro Group's business strategy and long-term interests, including the company's sustainability. Variable cash remuneration may not exceed 100 per cent of the senior executive's fixed annual salary.

Additional variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual level and either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performances in addition to the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the fixed annual cash salary. Any resolution on such remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

The Board shall also consider to resolve that a part of the senior executives' variable cash remuneration shall be invested in shares or share price-related instruments in Qliro Group.

Long-term share-related and cash-based incentive plans

Senior executives may be offered to participate in incentive plans which shall generally be share-related or share price-related and shall therefore not be covered by these guidelines, but may also be cash-based. Long-term share-related or share price-related incentive plans shall be designed to ensure the participants' long-term commitment to the value growth in Qliro Group and/or its subsidiaries, and align the senior executives' interests with the shareholders. The long-term cash-based incentive plans shall be linked to pre-determined levels for the value growth in Qliro Group's subsidiaries and promote the implementation of Qliro Group's strategy to split the Group and may annually not exceed 100 per cent of the fixed annual salary.

Establishment of criteria for payment of cash variable remuneration and long-term cash-based incentive plans and claw-back rights in certain cases

When the measurement period for fulfilling the criteria for payment of variable cash remuneration and long-term cash-based incentive plans ends, the extent to which the criteria have been met shall be assessed/determined. The Remuneration Committee is responsible for the evaluation. With regard to financial criteria, the assessment shall be based on Qliro Group's most recently published financial information. In the assessment, the Remuneration Committee shall ensure that there is a link between the remuneration and Qliro Group's results. When determining the remuneration, the Remuneration Committee shall also take into account relevant circumstances relating to the environment, social conditions as well as corporate governance and anti-corruption (so-called ESG).

To ensure that performances on which the remuneration have been based are sustainable over time, Qliro Group shall have the right, pursuant to applicable law or contractual provisions, subject to any restrictions that may apply under law or contract, to in whole or in part reclaim remuneration other than fixed cash salary, pension and other customary benefits which have been paid on incorrect grounds, as a result of information which turns out to be apparently incorrect ("claw-back").

Pension and other customary benefits

Pension commitments are premium defined and are secured through premiums paid to insurance companies. The size of the pension premiums shall be in accordance with Qliro Group's pension plan and shall in all material respects correspond to the provision levels that apply pursuant to the ITP 1 plan and thus have the limitations in relation to the fixed annual salary as stated therein. No provisions are made for salary components exceeding 60 income base amounts calculated on an annual basis. Variable cash remuneration shall, in general, not qualify for pension benefits. Under normal circumstances the retirement age is 65 years.

Other benefits shall be customary and facilitate that the senior executives can carry out their duties, for example a company car, company health care and health care insurance. Such benefits shall in aggregate not exceed 30 per cent of the fixed annual cash salary.

Notice of termination and severance pay

Upon termination of employment the notice period may not exceed 12 months. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for 18 months for the CEO and 12 months for other senior executives. When the termination is initiated by the senior executive, the notice period may not exceed six months, without any right to severance pay.

Remuneration to senior executives covered by the remuneration rules for credit market companies

For senior executives covered by the remuneration rules for credit market companies, special remuneration rules apply pursuant to laws and regulations issued by the Swedish Financial Supervisory Authority and EBA's guidelines on sound remuneration policies. The Boards of Qliro Group and Qliro AB have established a remuneration policy that covers all employees in each respective company (including the CEO and the CFO in the parent company Qliro Group) and, on the one hand, is compatible with and promotes sound and efficient risk management and, on the other hand, counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied in relation to remuneration for senior executives covered by the remuneration rules:

- Qliro Group and Qliro will conduct an analysis annually to identify employees whose duties have a significant impact on the company's risk profile based on a number of different criteria.
- The performance assessment shall, in case of variable remuneration, be set in a multi-year framework in order to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are taken into account when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance and the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be taken into account in the assessment of the employee's performance.
- At least 40-60 per cent of the variable remuneration shall be deferred at least three to five years before it is paid or the right of ownership passes to the employee.
- Variable remuneration shall only be paid or passed to the employee to an extent justifiable by the company's financial situation and justified based on the performance of the company, the business unit and the employee. The deferred portion of the remuneration may be cancelled in full for these reasons.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for Qliro Group's employees have been taken into account. The guidelines do not differ from the remuneration systems which are generally applied in Qliro Group for other employees (with the exception that the CEO and CFO are not entitled to short-term cash remuneration). In other respects, the remuneration, the types of remuneration and the salary development for senior executives are considered to be in line with the salaries and employment conditions of other employees in Qliro Group. The development of the gap between the remuneration to the senior executives and remuneration to other employees will be presented in the remuneration report.

Remuneration to Board members

Board members in the parent company, elected at General Meetings, may in certain cases receive compensation for services performed within their respective areas of expertise, but which are outside of their Board duties in the parent company. Compensation for such services shall be paid on market terms and be approved by the Board.

The decision-making process

The Board has established a Remuneration Committee. The Committee's tasks include preparing the Board's decision to propose guidelines for remuneration to senior executives. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting.

The Remuneration Committee shall also monitor and evaluate plans for variable remuneration for the executive management, the application of these guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company.

The members of the Remuneration Committee are independent of the company and its executive management. The senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviations from the guidelines

The Board may, if it considers that special circumstances are at hand and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial position, deviate from the guidelines in such respects where the deviation is not covered by provisions in the Swedish Financial Supervisory Authority's regulations or in EBA's guidelines. In such a case the Board shall explain the reason for the deviation at the following Annual General Meeting.

Share-based long-term incentive plans

Qliro Group has three outstanding share-based long-term incentive programs decided on at the AGMs in 2017, 2018 and 2019. See Note 24 for more information.

The total cost of the share-based incentive program proposed to the 2020 AGM is estimated to be approximately SEK 5.2 million excluding social security contributions in accordance with IFRS 2. The cost will be distributed over the years 2020–2023. The estimated expenses for social security contributions will also be expensed as employee benefit expenses through regular provisions. The maximum cost for the incentive program is estimated at approximately SEK 7.1 million (excluding social security contributions).

Parent company

The parent company of the Qliro Group is Qliro Group AB (publ), which owns and manages financial assets in the form of shares in the Group's subsidiaries. The parent company holds shares in the subsidiaries, as specified in Note 12.

The parent company has the same risks and uncertainties as the Group.

Parent company sales totaled SEK 7.4 (18.0) million. Administrative expenses totaled SEK -56.4 (-55.7) million and consist of costs of a recurring nature, primarily related to Group-wide functions but also related to operating Qliro Group AB as a publicly listed company with expenses for central functions, board fees, auditing services etc.

Earnings from participations in subsidiaries were SEK 0.0 (237.7) million. Other net financial items totaled SEK -7.7 (14.8) million and is mainly costs related repaying bond loan. The parent company paid Group contributions to subsidiaries of SEK -10 million. Profit before tax was SEK -66.6 (217.0) million.

The parent company's cash and cash equivalents amounted to SEK 8.3 (431.0) million at year-end. During 2019, the parent company has invested SEK 138 million in the subsidiary Qliro AB, and repaid the bond loan with SEK 250 million.

The parent company made a total investment of 139.0 (359.9) million in fixed assets.

Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at December 31, 2019 (SEK):

Share premium reserve	1,231,530,096
Retained earnings	-196,710,456
Profit for the year	-81,632,450
Total	**953,187,190**

The Board proposes that the retained earnings, share premium reserve and profit for the year for a total of SEK 953,187,190 be carried forward. The share premium reserve amounts to SEK 1,231,530,096. As regards the company's earnings and position in general, please refer to the following financial statements with accompanying notes and comments.

Share data

Qliro Group's share is listed on the Nasdaq Stockholm Mid Cap under the ticker symbol QLRO. Qliro Group's market capitalization at the close of trading on Nasdaq Stockholm on the last trading day of 2019 was SEK 1.1 billion.

Shareholders on December 31, 2019

	Capital, %	Votes, %	No. of shares
Kinnevik	27.5	28.5	42,613,642
Rite Ventures	6.7	6.9	10,321,494
Avanza Pension	6.0	6.2	9,237,804
Qliro Group, C-aktier	3.4		5,220,000
Humle Fonder	3.2	3.3	4,889,043
Nordnet Pension	3.0	3.1	4,581,614
Lancelot Asset Management	2.3	2.3	3,500,000
Wellington Management	1.8	1.8	2,749,943
Origo Capital	1.6	1.7	2,525,000
Öhman Fonder	1.6	1.7	2,492,264
eQ Asset Management	1.4	1.5	2,185,786
Thomas Krishan	1.4	1.4	2,151,978
Länsförsäkringar	1.4	1.4	2,097,500
Dimensional Fund	1.2	1.2	1,835,998
Treasurer of North Carolina	0.9	0.9	1,399,237
Total 15 largest owners	**63.1**	**65.3**	**94,801,303**
Other shareholders	36.9	34.7	57,193,476
Total shares issued[1]	**100**	**100**	**154,994,779**

[1] Includes 5,220,000 C shares held by Qliro Group. Own shares that are held by the company may not be represented at general meetings of shareholders. In practice this means that shareholders' share of ownership as a percentage of votes is slightly higher than their share of ownership as a percent of capital.

Source: Modular Finance

Share capital
As of December 31, 2019, the number of shares issued was 154,994,779, of which 149,774,779 were ordinary shares and 5,220,000 were C shares. Ordinary shares and C shares have a quotient value of SEK 1. Each ordinary share and C share entitle the holder to one (1) vote. C shares are not entitled to dividend payments. The C shares are held in full by Qliro Group AB.

Share capital in the Group amounted to SEK 1,009.6 million at the year-end. For changes in the share capital between 2018 and 2019, see page 75.

As of December 31, 2019, there were 1,833,834 outstanding share rights attributable to the company's share-based incentive programs. In addition, there were 660,000 synthetic call options attributable to the company's synthetic call option programs for management and key employees in Qliro. See Note 24 for more information.

The company is not aware of any agreements between shareholders that would limit rights to transfer shares.

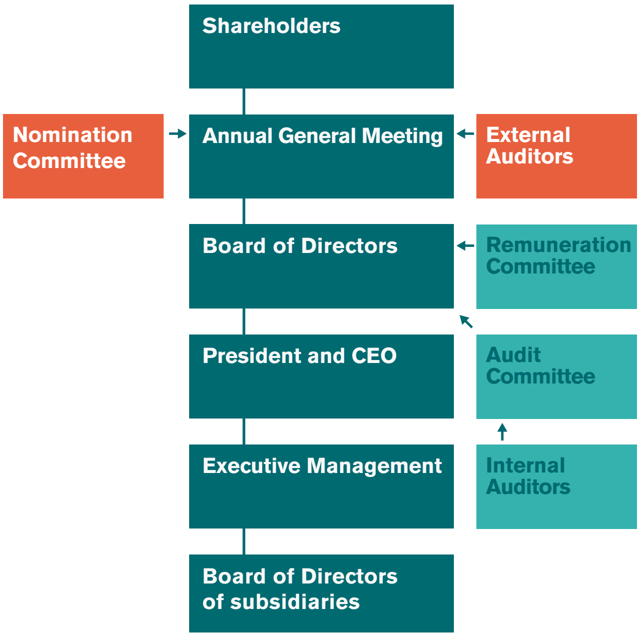
Dividend
The parent company paid no dividend in 2019 and the board proposed no dividend for the fiscal year 2019.

Share price trend
The share price at the beginning of the year was SEK 9.18. On the last trading day of the year, the share price closed at SEK 7.04.

Corporate governance report

This report describes Qliro Group AB's policies for corporate governance. Qliro Group is a Swedish public limited liability company. The company's governance is based on its Articles of Association, the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for listed companies and other relevant regulations. The company also applies the Swedish Code of Corporate Governance (the Code).

Qliro Group is governed by several bodies. At the Annual General Meeting, the shareholders exercise their voting rights by electing the Board of Directors and external auditors. Some of the Board's duties are prepared by the President and CEO of Qliro Group. The CEO oversees the day-to-day management of the Group in accordance with guidelines from the Board.



Shares and shareholders

According to the share register held by Euroclear Sweden AB, there were 16,546 shareholders at the end of 2019. Shareholdings by its 15 largest shareholders correspond to some 63.1 percent of the share capital and a somewhat lower percentage of votes. Swedish institutions and mutual funds own approximately 47 percent of the share capital, international investors hold about 8 percent and Swedish private investors own around 33 percent.

The share capital consists of two share types: ordinary shares and C shares. There are no restrictions on the number of votes each shareholder can cast at the AGM. For more information, please see page 32.

On May 7, 2019, the Annual General Meeting resolved that Qliro Group's share capital would be reduced from SEK 309,989,558 by a total of SEK 154,994,779. The purpose of the share capital reduction was that the amount by which the share capital was reduced should be allocated to a special reserve to be used as resolved by a future Annual General Meeting. The reduction concerned all shares in the company (i.e. both ordinary shares and C shares) and was implemented without withdrawing shares. As a result, the quotient value of the shares was reduced from SEK 2 to SEK 1. Qliro Group's share capital thus amounts to SEK 154,994,779.

Shareholders are regularly provided with information, including interim and full-year financial reports, financial statements and press releases on significant events during the year. All reports, press releases and other information can be found on the website at www.qlirogroup.com.

Annual General Meeting

The Annual General Meeting (AGM) is a limited company's highest decision-making body. It is there that all shareholders can exercise their voting rights to decide on issues affecting the company and its operations. The Swedish Companies Act and the Articles of Association detail procedures on how notice is given of the AGM and Extraordinary General Meetings, along with who is entitled to participate and vote at the meetings.

The authority of the AGM and its rules of procedure are primarily based on the Swedish Companies Act and the Swedish Corporate Governance Code, as well as on the Articles of Association adopted by the AGM. The AGM must be held within six months of the end of the financial year. The AGM makes decisions on adoption of the income statement and balance sheet, consolidated income statement and statement of financial position, appropriation of the company's earnings according to the adopted balance sheet, discharge of liability for the Board and CEO, appointment of the Board, its chairman, the company's auditors, and certain other matters provided for by law and the Articles of Association. The AGM for the 2019 financial year will be held on May 12, 2020, in Stockholm, Sweden.

Nomination Committee

Tasks of the Nomination Committee include:

- Evaluating the Board's work and composition
- Submitting proposals to the AGM regarding the election of Board members and the Chairman of the Board
- Preparing proposals for the election of auditors in consultation with the Audit Committee (when appropriate)
- Presenting proposals for the setting of remuneration for the Board and the auditors
- Preparing proposals for the Chairman of the Annual General Meeting
- Preparing proposals to the AGM regarding the Nomination Committee's composition and work during the following year.

In accordance with the Nomination Committee Rules adopted at the 2018 AGM, a representative for the largest shareholder, Kinnevik, convened a nomination committee to prepare proposals for Qliro Group's 2020 AGM.

The Nomination Committee for the 2020 AGM consists of Samuel Sjöström (chairman), appointed by Kinnevik, Christoffer Häggblom appointed by Rite Ventures and Thomas Krishan, representing his own holdings. The members of the Nomination Committee do not receive any separate remuneration for their work.

The Nomination Committee will submit draft resolutions regarding the election of Board members and Chairman of the Board, auditors, remuneration of the Board and Chairman of the Board etc. at the company's 2020 AGM.

In its work, the Nomination Committee applies Rule 4.1 of the Swedish Corporate Governance Code and the company's policy regarding the diversity and suitability of board members. The Nomination Committee considers the importance of increased diversity on the Board, in terms of gender, age and nationality, as well as experience, occupational background and business areas. As part of its efforts to find the most competent Board members, the Nomination Committee strives for an even gender balance.

Board of Directors

Qliro Group's Board of Directors is elected at the AGM for the period up to and including the end of the following AGM. Qliro Group's Articles of Association do not include any restrictions regarding the eligibility of Board members. According to the Articles of Association, the Board should consist of a minimum of three and a maximum of nine members.

Responsibilities and duties of the Board

The Board has overall responsibility for the organization and management of Qliro Group. The Board has adopted working procedures for its internal activities that include rules pertaining to the number of regular Board meetings, which issues are to be handled at regular Board meetings, the duties of the Chairman and instructions regarding division of duties between Qliro Group's Board, the CEO and the boards of the subsidiaries.

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

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

The Board has also issued instructions to be followed by the CEO. The instructions require that major investments in fixed assets must be approved by the Board. The Board must also approve major transactions, including acquisitions and divestments or closure of businesses. In addition, the Board has also issued written instructions specifying when and how information that is required for the Board to evaluate the Group's and its subsidiaries' financial positions should be reported.

The rules of procedure that are adopted annually by the Board include instructions on which financial reports and what financial information shall be submitted to the Board. In addition to the year-end report, interim reports and the annual report, the Board also examines and evaluates extensive financial information related to both the Group and various entities within the Group. The Board also examines, primarily through the Audit Committee, the most significant accounting policies applied in the Group regarding financial reporting, as well as any key changes to these policies. The Audit Committee is also tasked with examining reports on internal controls and the processes for financial reporting, along with internal audit reports compiled by the Group's external function for internal auditing. The Group's auditor reports to the Board as required, but at least once a year. At least one of these reporting occasions occurs without the CEO or any other member of executive management being present. The Group's auditor also participates in the meetings of the Audit Committee. The Audit Committee meetings are minuted and the minutes are made available to all Board members and the auditors.

Composition of the Board

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

Remuneration Committee

The Remuneration Committee consists of Daniel Mytnik, Chairman, Christoffer Häggblom and Jessica Pedroni Thorell.

The Remuneration Committee's tasks are described in section 9.1 of the Code. The main tasks of the Remuneration Committee are to: (i) prepare decisions for the Board on matters regarding remuneration principles, remuneration and other employment terms for the CEO and senior executives; (ii) monitor and evaluate ongoing programs and programs concluded during the year for variable remuneration (e.g. long-term share-based incentive programs) for the CEO, senior executives and other key individuals within Qliro Group; and (iii) monitor and evaluate application of the guidelines for remuneration of senior executives that the AGM, in accordance with the law, shall decide upon, along with applicable remuneration structures and remuneration levels in the company.

Composition of the Board as of December 31, 2019

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

Qliro Group's Board composition during the year has fulfilled the requirements of Nasdaq Stockholm and the Code on the independence of board members. This means that most Board members appointed by the AGM are independent of the company and its management. At least two of these members are also independent of the company's major shareholders.

Audit Committee

The Audit Committee consists of Erika Söderberg Johnson, Chairman, Daniel Mytnik and Jessica Pedroni Thorell. The Audit Committee's tasks are described in Chapter 8, Section 49b of the Swedish Companies Act. The Audit Committee's responsibilities are to: (i) monitor the company's financial reporting, make recommendations and suggestions to ensure reporting accuracy; (ii) in respect of the financial reporting, monitor the efficiency of the company's internal controls, internal audits and risk management; (iii) stay informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountants' quality control; (iv) inform the Board about the results of the audit and the manner in which the audit contributed to the reliability of financial reporting as well as on the role the Committee had; (v) review and monitor the impartiality and independence of the auditor, and therewith, paying special attention to whether the auditor provides the company with services other than auditing; and (vi) assist with preparation of proposals to the AGM's resolution on election of an auditor. The Audit Committee's work focuses on evaluating the quality and accuracy of the financial reporting, internal controls, internal audits and risk assessments.

The Consolidated Situation Committee

The joint Consolidated Situation Committee was established by the boards of directors of Qliro Group AB and its subsidiary Qliro AB to improve the governance and reporting capabilities in relation to the consolidated situation (comprising Qliro Group AB and Qliro AB). The Committee consists of two members appointed by the board of Qliro Group AB (Lennart Jacobsen and Erika Söderberg Johnson) and two members appointed by the board of Qliro AB (Lennart Francke and Helena Nelson). Lennart Francke was appointed as the chairman of the Committee and Lennart Jacobsen was appointed as the vice chairman of the Committee. The Consolidated Situation Committee held four meetings in 2019.

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

Remuneration of Board members

The fixed remuneration for the Board for the period until the close of the 2020 AGM totals SEK 3,046,000, of which:

- SEK 670,000 to the Chairman of the Board
- SEK 325,000 to each of the five other Board members,
- SEK 150,000 to the chairman and SEK 75,000 to each of the two other members of the Audit Committee,
- SEK 75,000 to the chairman and SEK 38,000 to each of the two other members of the Remuneration Committee,
- SEK 75,000 to each of the two members of the Consolidated Situation Committee appointed by Qliro Group, and
- SEK 75,000 to each of the two members of the Consolidated Situation Committee appointed by Qliro Group who worked in this committee in the period before the 2019 AGM (i.e. retroactive payment of the fee).

The remuneration of the Board members is proposed by the Nomination Committee, which represents the company's largest shareholders, and approved by the AGM. The Nomination Committee's proposal is based on benchmarking of peer group company remuneration and company size.

The Board's work in 2019

During the year the Board regularly reviewed Qliro Group's consolidated earnings, financial position, organization and administration. During its meetings the Board dealt with matters involving Qliro Group's strategy, including budget and other financial forecasting, capital structure and financing, investments in fixed assets, potential establishment of new operations and divestments and continued streamlining of internal procedures and control processes. An annual structured evaluation of the Board's work is conducted with the aim of further developing the Board's effectiveness and proactive involvement in the company. The result of this evaluation was also reported to the Nomination Committee.

The Board had a total of ten meetings in 2019, including seven ordinary meetings, one organizational meeting and two extraordinary meetings.

Presence at board and committee meetings in 2019

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings up to 5/7/2019	3	2	3
Number of meetings since 5/7/2019	7	3	5
Total meetings in 2019	**10**	**5**	**8**
Christoffer Häggblom	10/10		8/8
Daniel Mytnik	9/10	4/5	8/8
Jessica Pedroni Thorell	10/10	5/5	8/8
Erika Söderberg Johnson	10/10	5/5	
Andreas Bernström	8/10		
Lennart Jacobsen	10/10		

External auditors

KPMG AB was elected as Qliro Group AB's auditor at the 2019 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Mårten Asplund, Authorized Public Accountant at KPMG, has overseen the company's audits since May 2017. An auditor election will take place at the 2020 AGM.

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

KPMG also provided certain additional services in 2018 and 2019. These services comprised consultation on accounting and tax issues and other audit-related engagements.

Audit engagements involve examination of the annual report and financial accounting, administration by the Board and CEO, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other engagements. See Note 25 for more information.

CEO and executive management

The Group's executive management includes the Chief Executive Officer, the Chief Financial Officer and managing directors of Qliro Group's operating subsidiaries. For more information, please see page 44.

The CEO is responsible for the ongoing administration of the company in accordance with the guidelines and directions established by the Board.

The CEO and executive management team, supported by various staff functions, are responsible for adhering to the Group's overall strategy, financial and business controls, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports, communication with the investors etc.

Subsidiary boards

Qliro Group operates Qliro AB, CDON and Nelly as three entirely independent companies. The subsidiaries have separate boards with representatives from the parent company's board and management as well as external board members for Qliro and Nelly. This means that the subsidiaries are operated independently of each other.

As of December 31, 2019, the subsidiary boards had the following composition:

- Qliro AB – Lennart Jacobsen (chairman and board member of Qliro Group), Andreas Bernström (also a board member of Qliro Group), Marcus Lindqvist (also CEO of Qliro Group), Robert Burén (external member), Lennart Francke (external member), Helena Nelson (external member) and Monica Caneman (external member).
- Nelly NLY AB – Mathias Pedersen (chairman, also CFO of Qliro Group), Marcus Lindqvist (also CEO of Qliro Group), Christoffer Häggblom (also board chairman of Qliro Group), Jessica Pedroni Thorell (also board member of Qliro Group), Louise Nylén (external member), Stina Westerstad (external member) and Maj-La Pizzelli (external member).
- CDON AB – Marcus Lindqvist (chairman, also CEO of Qliro Group), Christoffer Häggblom (also board chairman of Qliro Group), Andreas Bernström (also board member of Qliro Group) and Mathias Pedersen (also CFO of Qliro Group).

Each of the subsidiaries' boards has adopted working procedures for its internal activities that include rules pertaining to the number of regular Board meetings, which issues are to be handled at regular Board meetings, the duties of the Chairman and instructions regarding division of duties between the boards of the subsidiaries and their CEOs and Qliro Group's Board and CEO. Instructions to be followed by the CEOs of the subsidiaries have also been adopted.

Applicable guidelines for remuneration of senior executives

At the Annual General Meeting held on May 7, 2019, it was resolved to adopt the following guidelines for determining remuneration of senior executives in Qliro Group and Board members of the parent company, to the extent to which they are remunerated outside their directorship.

Remuneration guidelines

The Qliro Group should endeavor to offer total remuneration that will enable the Group to attract, develop and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating in e commerce and retail with consumer brands and products, as well as Nordic credit market companies specializing in e commerce payments, digital consumer financing, personal loans and savings accounts.

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

Remuneration of senior executives shall consist of:

- Fixed salary
- Short-term variable cash remuneration
- Opportunities to participate in long-term incentive plans
- Pension and other customary benefits.

Fixed salary

Senior executives' fixed salaries are revised each year. They should be competitive and based on the individual's competence, responsibilities and performance.

Variable remuneration

Senior executives' short-term variable remuneration paid in cash shall be based on performance in meeting established targets for their areas of responsibility and for Qliro Group and its subsidiaries. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility are intended to promote Qliro Group's performance both in the short and long term. The cash-based variable remuneration shall generally not exceed 100 percent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Long-term incentive programs should include a personal investment and be linked to certain predetermined value-creating and/or share- or share-price-related performance criteria and should be designed to ensure a long-term commitment to the value growth of Qliro Group and/or its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders by principally paying the participants in shares.

Pension and other customary benefits

Pension commitments are secured through premiums paid to insurance companies. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties, for example company car, occupational health services and medical expense insurance.

Notice of termination and severance pay

The maximum notice period in senior executive contracts is generally 12 months, and in exceptional cases 18 months, during which time salaries will continue to be paid.

Remuneration of Board members

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

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

For senior executives who are subject to the remuneration rules for credit market companies, special remuneration rules apply pursuant to laws and regulations issued by the Swedish Financial Supervisory Authority. The boards of Qliro Group AB (publ) and Qliro AB have established a remuneration policy that covers all employees in each company, including the CEO and CFO of the parent company, Qliro Group AB (publ), and that is compatible with and promotes sound and efficient risk management and counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied to remuneration of senior executives who are subject to the remuneration rules:

- Qliro Group AB (publ) and Qliro AB will conduct an analysis annually to identify employees whose duties have a significant impact on the company's risk profile based on several different criteria.
- The performance assessment shall, in the case of variable remuneration, be set in a multi-year framework to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are considered when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance as well as the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be considered when assessing the employee's performance.
- At least 40-60 percent of the variable remuneration shall be deferred at least three to five years before it is paid, or the right of ownership passes to the employee.
- Variable remuneration shall only be paid or passed to the employee if justifiable by the company's financial situation and motivated by the performance of the company, the business unit and the employee. The variable portion of the remuneration may be omitted for these reasons.

Deviations from the guidelines

Under special circumstances, the Board may deviate from the guidelines if it is deemed necessary. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-based long-term incentive plans

Qliro Group has three outstanding share-based long-term incentive programs decided on at the Annual General Meetings in 2017, 2018 and 2019, as well as an outstanding synthetic call option plan for senior executives and key employees in Qliro (launched in 2017). See Note 24 for more information.

Evaluation of the guidelines and auditor's opinion on whether the guidelines have been complied with

In accordance with the Swedish Corporate Governance Code, the Board's Remuneration Committee follows and evaluates the application of the AGM's guidelines for remuneration of executives. The company's auditor has, in accordance with Chapter 8, Section 54 of the Companies Act, provided an opinion on whether the remuneration guidelines for executives in force in 2019 were adhered to. The Remuneration Committee's evaluation and the auditor's review have concluded that in 2019 Qliro Group followed the guidelines adopted by the AGM. The opinion and the Board of Directors' report on the outcome of the Remuneration Committee's evaluation are available on the company's website at www.qlirogroup.com, and at company headquarters at Sveavägen 151 in Stockholm, and are sent to the shareholders who request them, stating their mailing or e-mail address.

Internal control of financial reporting etc.

The processes for internal control, risk assessment, control activities and monitoring regarding financial reporting are designed to ensure reliable overall and external financial reporting in accordance with International Financial Reporting Standards (IFRS), applicable laws, regulations and other requirements for listed companies on Nasdaq Stockholm. This work involves the Board, executive management and other staff.

Control environment

In addition to the Board's rules of procedure and instructions to the CEO, Board committees and the boards of the subsidiaries, there is a clear division of roles and responsibilities for effective management of operational risks. The Board also has several established basic guidelines that are important to its work with internal control activities. This includes control and monitoring of results as compared with plans and prior years. The Audit Committee assists the Board in overseeing various issues such as internal audit and accounting policies applied by the Group.

The responsibility for maintaining an effective control environment with risk assessment of ongoing activities and internal control over financial reporting is delegated to the CEO. The boards of the subsidiaries and managers at different levels in the Group have this responsibility in their areas of responsibility. Executive managers regularly report to the Board according to established procedures and in addition to the Audit Committee's reports. The control environment is made up of defined responsibilities and authority, instructions, guidelines, manuals and policies, together with laws and regulations. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The company has prepared a model for assessing risks in all areas, in which several parameters are identified and measured. These risks are reviewed regularly by the Board and the Audit Committee and include both the risk of loss of assets as well as irregularities and fraud. Special attention was paid to designing controls for preventing and discovering shortcomings in these areas. There is regular monitoring of important areas such as purchasing, logistics, and inventory processes, development and performance of the web platform, and IT security.

Information and communication

Guidelines, manuals and the like that are significant for financial reporting are regularly updated and distributed to the employees concerned. There are formal as well as informal information channels to the executive management and Board for employees to transmit information of significance. Guidelines for external communication ensure that the company applies the highest standards for providing accurate information to the financial market.

Monitoring

The Board continuously evaluates the information submitted by company management and the Audit Committee. The Board receives regular updates between meetings as to the Group's development. The Group's financial position, strategies and investments are discussed at every ordinary Board meeting. The Audit Committee reviews all quarterly reports prior to publication. The Audit Committee is also responsible for monitoring internal control activities. This work includes ensuring that action is taken to deal with any deficiencies and to implement proposed measures emerging from the internal and external audits. The external auditors participate in the regular meetings of the Audit Committee.

During the year, Qliro AB, CDON and Nelly have had independent internal audit functions that are responsible for monitoring and evaluating risk management and internal control activities. Internal auditing has been performed by external parties whose work includes scrutinizing the application of established guidelines.

Board of Directors

Christoffer Häggblom
Chairman of the Board
Finnish, born 1981

Christoffer Häggblom is the founder and Managing Partner of Rite Ventures and has 20 years of experience with technology-focused growth companies, both as an entrepreneur and investor. Christoffer is chairman of Verkkokauppa.com, Finland's largest e-commerce company, which is listed on Nasdaq First North Helsinki, and is also a board member of SaaS company Lemonsoft and Acervo, an investment company focused on listed stocks and bonds. Christoffer also sits on the boards of Qliro Group's subsidiaries Nelly and CDON.

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

Member of the Remuneration Committee.

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

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

Daniel Mytnik
Board member
Swedish, born 1971

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

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

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

Independent of the company, executive management and major shareholders.

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

Erika Söderberg Johnson
Board member
Swedish, born 1970

Erika Söderberg Johnson is Chief Financial Officer at Kinnevik. Prior to joining Kinnevik in 2020, Erika was Chief Financial Officer of Biotage from 2012 to 2020, Karo Bio from 2007 to 2011, Affibody from 2005 to 2007, and Global Genomics from 2002 to 2005, and she also worked with investment banking and corporate finance at SEB Enskilda from 1993 to 2002. Erika sits on the board of Saab AB, which is listed on Nasdaq Stockholm.

Erika holds an MSc in Economics and Business Administration from the Stockholm School of Economics.

Chairman of the Audit Committee.

Member of the Consolidated Situation Committee.

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

Shareholdings (including related parties): 1,300.

Jessica Pedroni Thorell
Board member
Swedish, born 1983

Jessica Pedroni Thorell has been Investment Manager at Kinnevik since 2014, focusing on identifying and leading new investments in Europe and managing several consumer-focused investments in e-commerce and financial services. Prior to joining Kinnevik, Jessica spent four years as Senior Associate at the international risk capital company General Atlantic, where she managed the company's investment in Klarna. From 2008 to 2010, Jessica worked at Goldman Sachs' Nordic investment banking department. Jessica also sits on the board of Qliro Group's subsidiary Nelly.

Jessica holds an MSc in Economics and Business Administration from the Stockholm School of Economics and a CEMS master's in international management from the University of St. Gallen.

Member of the Remuneration Committee and Audit Committee.

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

Shareholdings (including related parties): 0 shares.

The current Board was elected at the AGM on May 7, 2019 for the period until the end of the next AGM, which will be held on May 12, 2020.

Andreas Bernström
Board member
Swedish, born 1974

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

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

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

Shareholdings (including related parties): 0 shares.

Lennart Jacobsen
Board member
Swedish, born 1966

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

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

Member of the Consolidated Situation Committee.

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

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

Executive Management

Marcus Lindqvist
President and CEO
Born 1970

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

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

Mathias Pedersen
Chief Financial Officer
Born 1971

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

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

Kristoffer Väliharju
CEO of CDON
Born 1975

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

Shareholdings (including related parties): 28,240 shares.

Kristina Lukes
CEO of Nelly
Born 1977

Kristina Lukes took over as CEO of Nelly in April 2020. Kristina has a solid background in business development, marketing, sales, innovation and product development of fast-moving consumer goods, primarily with Unilever and Orkla, where she held executive positions over the past 15 years. She was also CEO of one of McCann's communication and advertising agencies in Göteborg. Her most recent position was with Paulig, where she held global responsibility for business development, marketing and innovation of Santa Maria and Risenta. Kristina holds an MSc in Business Administration from the University of Gothenburg.

Shareholdings (including related parties): 0 shares.

Carolina Brandtman
CEO of Qliro AB
Born 1974

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

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

Consolidated income statement

(SEK million)	Note	Qliro Group Total 2019	2018
Net sales	4	2,938.6	3,257.7
Cost of goods sold	16	-2,135.2	-2,475.2
Gross profit		**803.4**	**782.5**
Sales & administrative expenses		-872.7	-835.4
Other operating income	7	16.0	3.3
Other operating expenses	7	-39.4	-2.6
Operating profit		**-92.7**	**-52.2**
Financial income	8	0.4	0.7
Financial expenses	8	-13.2	-33.1
Profit before tax		**-105.5**	**-84.5**
Tax	9	-4.7	-51.5
Profit/loss after tax for continuing operations		**-110.2**	**-136.0**
Profit after tax for discontinued operations	5	**-**	**138.6**
Profit after tax for continuing and discontinued operations		**-110.2**	**2.6**
Attributable to:			
Parent company shareholders		-110.2	2.6
Non-controlling interest		-	-
Profit for the year		**-110.2**	**2.6**
Basic and diluted earnings per share (excluding discontinued operations), SEK		-0.74	-0.91
Basic and diluted earnings per share (including discontinued operations), SEK		-0.74	0.02

Consolidated statement of comprehensive income

		Qliro Group Total	
(SEK million)	Note	2019	2018
Profit for the year		-110.2	2.6
Other comprehensive income			
Items that have been or can be reclassified to profit/loss for the year			
Translation differences for foreign operations for the year		1.5	3.2
Other comprehensive income for the year	17	**1.5**	**3.2**
Comprehensive income for the year		**-108.7**	**5.9**
Comprehensive income for the year attributable to:			
Parent company shareholders		-108.7	5.9
Non-controlling interest		-	-
Comprehensive income for the year		**-108.7**	**5.9**

Consolidated statement of financial position

(SEK million)	Note	Qliro Group Total 2019 Dec 31	Qliro Group Total 2018 Dec 31
ASSETS			
Non-current assets			
Intangible assets	10		
Ongoing projects		23.6	76.7
Development expenses		244.9	155.1
Domains		1.1	1.4
Goodwill		64.4	64.0
Total intangible assets		**333.9**	**297.2**
Property, plant and equipment			
Leasehold improvements	11	0.5	0.4
Equipment	11	27.6	23.4
Construction in progress	11	-	0.8
Lease assets	22	81.4	-
Total property, plant and equipment		**109.5**	**24.6**
Other financial assets		-	25.1
Deferred tax asset	9	111.0	113.1
Total non-current assets		**554.5**	**459.9**
Current assets			
Inventories	16		
Finished goods and merchandise		**333.7**	**394.6**
Advances to suppliers		**15.9**	**23.8**
Total inventory		**349.6**	**418.4**
Current receivables			
Accounts receivable	13	78.4	54.9
Loans to the public	14	2,070.4	1,492.9
Current investments		255.0	172.1
Other current receivables, non-interest-bearing		41.2	82.0
Prepaid expenses and accrued income	15	107.2	68.3
Total current receivables		**2,552.2**	**1,870.0**
Cash and cash equivalents	21		
Cash and bank balances		**553.9**	**691.8**
Total cash and cash equivalents		**553.9**	**691.8**
Total current assets		**3,455.6**	**2,980.2**
Total assets		**4,010.0**	**3,440.2**

Consolidated statement of financial position, continuing

		Qliro Group Total	
(SEK million)	Note	2019 Dec 31	2018 Dec 31
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	17		
Share capital		155.0	310.0
Reserves		1,233.2	1,076.6
Retained earnings including profit for the year		-499.6	-392.1
Total equity attributable to parent company shareholders		**888.5**	**994.5**
Non-current liabilities			
Interest-bearing			
Borrowing facilities	21	292.4	457.9
Bond loan	21	100.0	250.0
Lease liabilities	22	53.6	0.4
Total non-current interest-bearing liabilities		**445.9**	**708.3**
Non-interest-bearing			
Other provisions	18	0.7	1.6
Total non-current non-interest-bearing liabilities		0.7	1.6
Total non-current liabilities		**446.6**	**710.0**
Current liabilities			
Interest-bearing			
Deposits from the public	21	1,819.1	966.3
Lease liabilities	22	29.1	2.2
Total current interest-bearing liabilities		**1,848.2**	**968.5**
Non-interest-bearing			
Accounts payable		316.3	360.2
Other liabilities		190.5	169.9
Accrued expenses and prepaid income	19	319.9	237.0
Total current non-interest-bearing liabilities		**826.7**	**767.1**
Total current liabilities		**2,674.9**	**1,735.6**
Total liabilities		**3,121.5**	**2,445.6**
Total equity and liabilities		**4,010.0**	**3,440.2**

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

Consolidated statement of changes in equity

(SEK million)	Note 17	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit for the year	Total equity
		Equity attributable to parent company shareholders				
Opening balance, January 1, 2018		**300.9**	**1,077.4**	**-3.9**	**-364.7**	**1,009.6**
Comprehensive income for the year						
Profit for the year					2.6	2.6
Other comprehensive income for the year				3.2		3.2
Comprehensive income for the year		**-**	**-**	**3.2**	**2.6**	**5.9**
Divestment of minority					-18.5	-18.5
Effect of transition to IFRS 9 after tax		9.1			-9.1	-
Share savings plan					-2.5	-2.5
Closing balance, December 31, 2018		**310.0**	**1,077.4**	**-0.7**	**-392.1**	**994.5**
Opening balance, January 1, 2019		**310.0**	**1,077.4**	**-0.7**	**-392.1**	**994.5**
Comprehensive income for the year						
Profit for the year					-110.2	-110.2
Other comprehensive income for the year				1.5		1.5
Comprehensive income for the year		**-**	**-**	**1.5**	**-110.2**	**-108.7**
Share savings plan					2.7	2.7
Effect of reduction of share capital		-155.0	155.0			-
Closing balance, December 31, 2019		**155.0**	**1,232.4**	**0.9**	**-499.6**	**888.5**

Consolidated statement of cash flows

(SEK million)	Note	Qliro Group Total 2019	Qliro Group Total 2018
Operating activities			
Profit before tax		-105.5	53.4
Adjustments for items not included in cash flow	26	133.6	-93.1
Income tax paid		0.7	11.7
Cash flow from operating activities before change in operating profit/loss		**28.8**	**-28.0**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		68.8	29.1
Increase (-)/decrease (+) in lending to the public		-537.8	-467.7
Increase (-)/decrease (+) in other current receivables		-121.6	-89.3
Increase (+)/decrease (-) in accounts payable		-43.9	-125.5
Increase (+)/decrease (-) in deposits from the public		852.8	354.5
Increase (+)/decrease (-) in other current liabilities		104.5	-33.7
Increase (+)/decrease (-) in borrowing facility		-168.0	126.5
Total cash flow from changes in working capital		**154.8**	**-206.0**
Cash flow from operating activities		**183.6**	**-234.0**
Investing activities			
Sales of operations	5	-	387.2
Investments in intangible assets		-121.0	-79.9
Investments in property, plant and equipment		-17.9	-10.9
Cash flow from investing activities		**-138.9**	**296.4**
Financing activities			
Bond loans redeemed/issued[1)]		-156.0	-
Lease liabilities paid		-27.6	-
Cash flow from financing activities		**-183.6**	**0.0**
Change in cash and cash equivalents from continuing operations		**-138.9**	**62.4**
Cash flow from discontinued operations	5		
Cash flow from operating activities		-	13.9
Cash flow from investing activities		-	-0.6
Cash flow from financing activities		-	0.0
Change in cash and cash equivalents from discontinued operations		**-**	**13.3**
Change in cash and cash equivalents		**-138.9**	**75.7**
Cash and cash equivalents, start of year		**691.8**	**631.1**
Exchange rate difference for cash and cash equivalents		**0.9**	**-0.2**
Less cash from discontinued operations	5	**-**	**-14.7**
Cash and cash equivalents, end of year		**553.9**	**691.8**

[1)] Premature redemption of all Qliro Group AB's bond loans for an amount corresponding to 102.4 percent of the nominal amount of SEK 250 million. The subsidiary Qliro AB issued subordinated Tier 2 bonds for SEK 100 million.

Income statement – parent company

(SEK million)	Note	2019	2018
Net sales		7.4	18.0
Gross profit		**7.4**	**18.0**
Administrative expenses		-56.4	-55.7
Operating profit		**-49.0**	**-37.7**
Profit from shares in subsidiaries		-	237.7
Interest income and similar items		0.7	1.1
Interest expenses and similar items		-8.4	-16.0
Profit/loss after financial items	8	**-56.7**	**185.2**
Group contributions received		0.0	34.1
Group contributions paid		-10.0	-2.3
Profit before tax		**-66.6**	**217.0**
Tax	9	-15.0	3.3
Profit for the year		**-81.6**	**220.3**

Statement of comprehensive income – parent company

(SEK million)	2019	2018
Profit for the year	-81.6	220.3
Other comprehensive income		
Items that have been or can be reclassified to profit/loss for the year	-	-
Other comprehensive income for the year	**-**	**-**
Comprehensive income for the year	**-81.6**	**220.3**

Balance sheet – parent company

(SEK million)	Note	2019 Dec 31	2018 Dec 31
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment	11	0.4	0.8
Total property, plant and equipment		**0.4**	**0.8**
Financial assets			
Participations in Group companies	12	1,068.9	929.9
Deferred tax asset	9	94.7	109.6
Total financial assets		**1,163.5**	**1,039.5**
Total non-current assets		**1,163.9**	**1,040.3**
Current assets			
Current receivables			
Receivables in Group companies		5.8	14.4
Other receivables		3.0	1.7
Prepaid expenses and accrued income	15	0.6	2.9
Total current receivables		**9.4**	**19.0**
Cash and bank balances	21	8.3	431.0
Total cash and cash equivalents		**8.3**	**431.0**
Total current assets		**17.7**	**450.0**
Total assets		**1,181.5**	**1,490.3**

Balance sheet – parent company, continuing

(SEK million)	Note	2019 Dec 31	2018 Dec 31
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		155.0	310.0
Statutory reserve		0.8	0.8
Total restricted equity		**155.8**	**310.8**
Non-restricted equity			
Share premium reserve		1,231.5	1,076.5
Retained earnings		-196.7	-419.7
Profit for the year		-81.6	220.3
Total non-restricted equity		**953.2**	**877.1**
Total equity		**1,109.0**	**1,187.9**
Provisions			
Other provisions	18	0.7	1.6
Total provisions		**0.7**	**1.6**
Non-current liabilities			
Bond loan	21	-	250.0
Total non-current liabilities		**-**	**250.0**
Current liabilities			
Accounts payable		3.7	0.9
Loans to Group companies		50.2	30.0
Liabilities to Group companies		10.9	13.7
Other liabilities		0.4	1.6
Accrued expenses and prepaid income	19	6.7	4.6
Total current liabilities		**71.9**	**50.8**
Total liabilities		**72.5**	**302.4**
Total equity and liabilities		**1,181.5**	**1,490.3**

For information on pledged assets and contingent liabilities for the parent company, see Note 20.

Statement of changes in equity – parent company

	Restricted equity		Non-restricted equity			
(SEK million)	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
Opening balance, January 1, 2018	**300.9**	**0.8**	**1 076.5**	**-358.7**	**-49.4**	**970.1**
Comprehensive income for the year						
Profit for the year					220.3	220.3
Comprehensive income for the year	-	-	-	-	**220.3**	**220.3**
Appropriation of profits				-49.4	49.4	-
New share issue of c-shares	9.1			9.1		-
Share savings plan				-2.5		-2.5
Closing balance, December 31, 2018	**310.0**	**0.8**	**1,076.5**	**-419.7**	**220.3**	**1,187.9**
Opening balance, January 1, 2019	**310.0**	**0.8**	**1,076.5**	**-419.7**	**220.3**	**1,187.9**
Comprehensive income for the year						
Profit for the year					-81.6	-81.6
Comprehensive income for the year	-	-	-	-	**-81.6**	**-81.6**
Appropriation of profits				220.3	-220.3	-
Effect of reduction of share capital	-155.0		155.0			-
Share savings plan				2.7		2.7
Utgående eget kapital 31 december 2019	**155.0**	**0.8**	**1,231.5**	**-196.7**	**-81.6**	**1,109.0**

Cash flow statement – parent company

(SEK million)	Note	2019	2018
Cash flow from operations			
Profit/loss after financial items		-56.7	185.2
Adjustments for items not included in cash flow	26	6.9	-241.3
Cash flow from operating activities before change in working capital		**-49.8**	**-56.1**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		1.0	27.4
Increase (+)/decrease (-) in accounts payable		2.8	-4.2
Increase (+)/decrease (-) in other current liabilities		2.7	-326.7
Total cash flow from changes in working capital		**6.5**	**-303.5**
Cash flow from operating activities		**-43.3**	**-359.6**
Investing activities			
Investment in shares in subsidiaries		-	0.1
Sales of shares in subsidiaries	5	-	387.2
Investments in intangible assets		-	0.1
Investments in property, plant and equipment	11	-	-
Cash flow from investing activities		**-**	**387.4**
Financing activities			
Dividend from subsidiaries		-	100.0
Shareholder contribution paid out	12	-139.0	-310.4
Group contributions paid out		-2.3	-48.1
Group contributions made/received		-9.9	99.3
Internal loans, net		27.8	17.3
Bond loan		-256.0	-
Cash flow from financing activities		**-379.5**	**-141.9**
Cash flow for the year		**-422.8**	**-114.1**
Cash and cash equivalents, start of year		431.0	545.1
Cash and cash equivalents, end of year		**8.3**	**431.0**

Notes

Note 1 General information

Qliro Group AB has its registered office in Stockholm, Sweden. The company's address is Sveavägen 151, Box 195 25, SE-104 32 Stockholm, Sweden. The consolidated income statements and balance sheets as at December 31, 2019 include the parent company and its subsidiaries. Qliro Group is listed on the Nasdaq Stockholm exchange under the ticker symbol "QLRO".

This annual report was approved for publication by the Board and CEO on April 6, 2020.

Note 2 Accounting policies and valuation principles

2.1 Compliance with standards and laws

The consolidated accounts were prepared per International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as well as interpretive statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved for application within the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups has also been applied when preparing the consolidated accounts.

The parent company applies the same accounting policies as the Group, except where otherwise stated below in the parent company accounting policies section.

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. The financial statements are therefore presented in the Swedish krona. All amounts are rounded off to the nearest million, unless otherwise specified.

The accounting policies specified below, with their detailed exceptions described below, were applied consistently to all periods presented in the consolidated financial statements.

2.1.1. Information on IFRS standards or interpretations that have come into effect in 2019

IFRS 16 Leases

In January 2016, the IASB published a new lease standard, IFRS 16 Leases, which will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, except for leases with a maximum term of 12 months and those of low value, must be recognized as a liability and asset in the balance sheet. In the income statement, amortization is recognized separately from interest expenses related to the lease liability.

Accounting is based on the view that the lessee has a right to use an asset for a specific period and at the same time an obligation to pay for this right. Accounting for the lessor will essentially remain unchanged.

The standard is applicable for financial years commencing January 1, 2019 or later. Early application is allowed. Qliro Group has chosen not to apply early adoption of IFRS 16. Effects in connection with the transition to IFRS 16 are recognized as at January 1, 2019.

The Group's leases that are capitalized are mainly for leased premises. The lease liability was calculated as the present value of outstanding lease payments discounted by the marginal lending rate as at January 1, 2019. The Group applied a weighted average marginal lending rate of 2.5 percent to determine the lease liability in the opening balance sheet as at January 1, 2019.

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

No changes in IFRS with future application are expected to have any significant effect on the consolidated accounting.

2.1.3 Valuation methods used in preparing the financial statements

Assets and liabilities are recognized at historical cost, except for financial assets and financial liabilities, which are recognized at amortized cost.

2.2 Classification

Non-current assets and non-current liabilities are essentially expected to be recovered or paid 12 months or more after the end of the reporting period. Current assets and current liabilities essentially comprise amounts expected to be recovered or paid within 12 months of the end of the reporting period.

2.3 Operating segment reporting

An operating segment is a Group entity that engages in activities that may generate income and incur expenses, and for which separate financial information is available. An operating segment's earnings are regularly reviewed by the company's chief operating decision maker to assess performance and allocate resources to the operating segment. See Note 4 for further information on the division and presentation of operating segments.

2.4 Consolidation principles and business combinations

Subsidiaries

Subsidiaries are companies over which Qliro Group AB has a controlling interest. Controlling interest means, directly or indirectly, the right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When assessing whether there is a controlling interest, potential voting shares that can be used or converted immediately are considered.

Acquisitions

Subsidiaries are recognized using the acquisition method. With this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for those transaction expenses attributable to issued equity or debt instruments, are recognized directly in profit/loss for the year.

In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized directly in profit/loss for the year.

Compensation transferred in connection with the acquisition does not include payments for the settlement of past business relationships. This type of settlement is recognized in profit/loss.

Contingent considerations are recognized at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done, and adjustments are made in equity. Other contingent considerations are revalued at each

Note 2, continuing

reporting date and the change is recognized in profit/loss for the year.

Non-controlling interest arises in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognizing non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognize non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognizing non-controlling interest can be done individually for each acquisition.

For step acquisitions, goodwill is determined on the date control is taken. Previous holdings are assessed at fair value and changes in value are recognized in profit/loss for the year.

Disposals leading to loss of controlling interest but where holdings are retained are assessed at fair value and the change in value is recognized in profit/loss for the year.

Acquisition of non-controlling interest

Acquisitions of non-controlling interest are recognized as a transaction in equity, that is, between the parent company's owners (in retained earnings) and the non-controlling interest. Therefore, no goodwill arises in these transactions. The change in non-controlling interest is based on its proportional share of net assets.

Transactions eliminated at consolidation

Intra-group receivables and liabilities, income or expenses, and unrealized gains or losses that arise from intra-group transactions between Group companies are eliminated in the preparation of the consolidated accounts.

2.5 Foreign currency

2.5.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate that applied on the transaction date. The functional currency is the currency used in the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate applicable at the end of the reporting period. Exchange differences arising from the translations are recognized in profit/loss for the year.

2.5.2 Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the Group's reporting currency, the Swedish krona, at the exchange rate applicable at the end of the reporting period. Income and expenses in foreign operations are translated to the Swedish krona at an average rate that approximates the exchange rates on the respective transaction date. Translation differences that arise from currency translation of foreign operations are otherwise recognized in comprehensive income and are accumulated in a separate component of equity called the translation reserve. If the foreign operation is not wholly owned, the translation difference is allocated to non-controlling interest based on its proportional participating interest. When divesting foreign operations, they are realized in the operation for accumulated translation differences, where they are reclassified from the translation reserve in equity to profit/loss for the year. In cases where divestment occurs but controlling interest is retained, the proportional share of cumulative translation differences is transferred from other comprehensive income to non-controlling interest.

2.6 Revenue

2.6.1 Sale of goods and rendering of services

Revenue from the sale of goods is recognized in accordance with the terms of sale, that is, when the goods are submitted to the transport agent, net of returns. Since most sales are made to consumers who, depending on the country, most often have a legal right to return goods in connection with distance selling, the deduction for returns is a relatively significant item. Consolidated revenue reflects seasonal variations. Fourth-quarter revenue significantly exceeds the other quarters due to Christmas shopping.

Revenue from the sale of services is recognized when services are delivered.

2.6.2 Bartering

Bartering refers to the exchange of gift vouchers for other goods or services. Bartering is recognized at the fair value of the goods or services. The fair value is determined from existing contracts for the same type of services with other customers. Revenue from bartering is recognized when the gift voucher is redeemed; the expense is booked when the goods or services are used.

2.6.3 Revenue from Qliro AB

Interest and commission income that is attributable to the operations of the subsidiary Qliro AB is recognized under consolidated net sales.

2.7 Leases

2.7.1 Operating leases

Expenses pertaining to operating leases are recognized in profit/loss for the year on a straight-line basis over the lease term. Incentives received in conjunction with signing a lease are recognized in profit/loss for the year as a reduction of the lease payments on a straight-line basis over the lease term. Variable charges are expensed in the periods in which they arise. This is relevant for comparative figures. See Note 22.

2.7.2 Finance leases

In reporting finance leases, the asset is recognized as property, plant and equipment in the consolidated statement of financial position and measured initially at cost, which consists of the initial value of the lease liability plus lease payments paid on or before the start date plus any initial direct expenses.

The lease liability, which is divided into a non-current part and a current part, is measured initially at the present value of outstanding lease payments during the estimated lease term. The lease liability comprises the present value of the following payments during the estimated lease term:

- Fixed payments
- Variable lease payments linked to an index or price (rate)
- Any residual value guarantees that are expected to be paid

The value of the debt increases by the interest expense for each period and decreases by the lease payments. The interest expense is calculated as the value of the debt multiplied by the discount rate. The lease liability for the Group's premises with index-linked rent is calculated on the rent payable at the end of each reporting period. At this time, the debt is adjusted by the corresponding adjustment of the carrying amount of the right of use asset.

The lease payments are discounted by the Group's marginal borrowing rate. However, where implicit interest can easily be established, that rate is used, and this is the case for some of the Group's vehicle leases.

Note 2, continuing

The Group presents right of use assets that do not meet the definition of investment properties and lease liabilities as separate items in the statement of financial position. No right of use asset or lease liability is recognized for leases that have a term of 12 months or less or an underlying asset of low value, under SEK 50,000. Lease payments for these leases are recognized as an expense in a straight line over the lease term.

2.8 Financial income and expenses

Financial income comprises interest income on invested funds.

Financial expenses comprise interest expenses on loans. Borrowing costs are recognized in profit/loss using the effective interest method. Interest expenses that are attributable to liabilities that finance the activities of Qliro AB are also recognized under consolidated cost of goods sold.

Exchange gains and exchange losses are recognized net, with operating-related in operating profit/loss and finance-related with financial items.

Effective interest is the interest that discounts estimated future payments and disbursements during a financial instrument's expected term at the financial asset's or liability's recognized net value. The calculation includes all fees paid or received by the parties to the contract, transaction costs and all other surplus and deficit values.

2.9 Taxes

Income taxes comprise current and deferred tax. Income taxes are recognized in profit/loss for the year, except when the underlying transaction is recognized in other comprehensive income or equity, in which case the related tax effect is recognized in other comprehensive income or equity.

Current tax is tax that is payable or receivable for the current year, according to the tax rates enacted or for all practical purposes enacted at the end of the reporting period. Current tax also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not considered in consolidated goodwill or for differences that arise in initial recognition of assets and liabilities that are not business combinations, which at the time of the transaction affect neither recognized nor taxable earnings.

Also not considered are temporary differences that are attributable to interests in subsidiaries that are not expected to be reversed within the foreseeable future. Measurement of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and regulations enacted or for all practical purposes enacted at the end of the reporting period.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognized if it is deemed probable that they can be used. The value of deferred tax assets is reduced when their use is no longer deemed probable.

Any additional income tax that arises in conjunction with dividends is recognized as a liability when the dividend is recognized.

2.10 Financial instruments

Financial instruments recognized in the statement of financial position include cash and cash equivalents, loans receivable, and accounts receivable among the assets and accounts payable and loans payable among the liabilities.

2.10.1 Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to the contractual provisions of the instrument. A receivable is carried when the company has rendered a service or supplied a product and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been sent. Accounts receivable are carried in the statement of financial position when an invoice is sent. Liabilities are carried when the counterparty has rendered a service or supplied a product and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are carried when an invoice is received.

Financial assets are removed from the statement of financial position when the entitlements of agreements are realized, fall due, or the company loses control of them. The same applies to part of a financial asset. Financial liabilities are removed from the statement of financial position when contractual obligations are fulfilled or are otherwise extinguished. The same applies to part of a financial liability.

In some cases, the Group sells receivables to external factoring companies. Normally, a full transfer of credit risk occurs, which means that all significant risks and rewards are transferred to the external party. The sold receivables are then derecognized from the statement of financial position. The difference between the carrying amount of the sold receivable and the price paid for the receivable by the factoring company is recognized in the income statement.

Financial assets and financial liabilities are offset and recognized at the net amount in the statement of financial position only when there is a legal offset right for the amounts and the intention is to (1) settle the items at a net amount, or (2) realize the asset and settle the liability simultaneously.

Acquisitions and disposals of financial assets are recognized on the settlement date, which is the date the asset is delivered to or from the company.

2.10.2 Classification and measurement

Financial instruments that are not derivatives are initially recognized at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments apart from those in the category of financial assets at fair value through profit or loss; these are recognized at fair value excluding transaction costs. A financial instrument is classified at initial recognition based in part on the purpose for which it is acquired. The classification determines how the financial instrument is valued after initial recognition, as described below.

Cash and cash equivalents consist of cash resources.

2.10.3 Loans receivable and accounts receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortized cost, which is determined based on the effective rate as calculated at acquisition. Accounts receivable are recognized at the amounts expected to be received, that is, less bad debts.

2.10.4 Other financial liabilities

This category contains loans and other financial liabilities, such as accounts payable. Liabilities are valued at amortized cost.

Consolidated financial assets and liabilities are allocated to the categories described in Note 20 Financial instruments and financial

Note 2, continuing

risk management. Recognition of financial income and expenses is also described in section 2.8 above.

2.11 Property, plant and equipment
Property, plant and equipment are recognized in the consolidated accounts at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to ensuring the asset is in place and in the right condition to be used as intended. Borrowing costs that are directly attributable to the purchase, construction, or production of assets that require a substantial amount of time to ready for their intended use or sale are included in the cost.

The carrying amount of an item of property, plant or equipment is derecognized from the statement of financial position upon retirement or sale or when no future economic benefits are expected from the asset's retirement/sale. Gains or losses that arise from an asset's retirement or sale comprise the difference between the selling price and the carrying amount, less direct selling expenses. Gain and loss are recognized as other operating income/expense.

2.11.1 Depreciation principles for property, plant and equipment
Depreciation occurs on a straight-line basis over the estimated useful life of the asset. Depreciation methods, residual values and useful lives are reassessed at each year-end.
Estimated useful lives:

Equipment	3–5 years

2.12 Intangible assets
2.12.1 Intangible assets with indefinite useful lives
2.12.1.1 Goodwill
Goodwill is valued at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested at least once a year for impairment (see accounting policy 2.15).

2.12.1.2 Trademarks
Trademarks are carried at cost, less any accumulated impairment losses. Trademarks are allocated to cash-generating units and are tested at least once a year for impairment (see accounting policy 2.15).

2.12.2 Intangible assets with defined useful lives
2.12.1.1 Development expenses
Development expenses for creating new or improved products or processes are recognized as assets in the statement of financial position if the product or process is technically and commercially viable and the Group has the resources to complete the development. The carrying amount includes direct costs and, where applicable, expenses for salaries and share of indirect expenses. Other expenses are recognized in the income statement as expenses when they arise. In the statement of financial position, capitalized development expenses are carried at cost, less accumulated amortization and any impairment losses. Capitalized expenses refer mainly to software and software platforms.

2.12.2.2 Domains
Domains are recognized at cost less accumulated amortization (see below) and impairment loss (see accounting policy 2.15).

2.12.2.3 Customer relationships
Customer relationships are recognized at cost less accumulated amortization (see below) and impairment loss (see accounting policy 2.15).

2.12.3 Amortization method for intangible assets
Amortizations are recognized in profit/loss for the year on a straight-line basis over the estimated useful life of the intangible asset, provided such useful life is indefinite. Useful lives are reassessed at least once a year. Goodwill and trademarks with indefinite useful lives are tested for impairment annually and when there are indications that the asset has lost value. Intangible assets with determinable useful lives are amortized from the date on which they become available for use.
Estimated useful lives:

Development expenses	5 years
Domains	5 years
Customer relationships	4–5 years

2.13 Inventories
Inventories are valued according to the lowest value principle, which means the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventory is based on weighted averages and includes expenses incurred in the acquisition of goods and bringing the goods to their present state and location. Provisions for obsolescence are included in cost of goods sold.

2.14 Cost of goods sold related to Qliro AB
Credit losses, commission fees and postage charges attributable to the activities of Qliro AB are recognized in the consolidated income statement under cost of goods sold.

2.15 Impairment losses
The Group's recognized assets are assessed at the end of every reporting period to determine whether indications of impairment exist. IAS 36 is applied to impairment of assets other than financial assets, which are recognized as per IAS 39.

2.15.1 Impairment of tangible and intangible assets
The recoverable amount of the asset is calculated if there is indication of impairment (see below). The recoverable amount is also calculated annually for goodwill, trademarks and intangible assets that are not yet ready for use. If substantially independent cash flows to an individual asset cannot be established, and if the asset's fair value less selling expenses cannot be used, then assets are grouped in impairment testing at the lowest level at which substantially independent cash flows can be identified – this grouping is called a cash-generating unit (CGU).

An impairment charge is recognized when the carrying amount of an asset or CGU (group of units) exceeds the recoverable amount. Impairment loss is recognized in profit/loss for the year as an expense. When impairment has been identified for a CGU (group of units), the impairment loss is first allocated to goodwill. Thereafter, impairment losses are distributed proportionately among other assets included in the unit (group of units).

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted using a discount rate that accounts for risk-free interest and the risk associated with the specific asset.

2.15.2 Impairment of financial assets
According to IFRS 9, credit loss provisions are to 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 credit loss provisions than before, but it will not affect cash flow or underlying credit risk.

Note 2, continuing

Qliro Financial Services' credit loss provisions are measured according to a model for expected credit losses and reflect a probability-weighted amount that is determined by evaluating a range of possible outcomes taking into account all reasonable and verifiable information that is available on the reporting day without incurring unreasonable costs or effort. Credit loss provisions are measured on the basis of whether there has been a significant increase in credit risk compared with the initial recognition of an instrument.

- Step 1 covers financial instruments where there has been no significant increase in credit risk since initial recognition and the counterparties covered by Qliro's policy for low credit risk on recognition.
- Step 2 covers financial instruments where there has been a significant increase in credit risk since initial recognition but where there was a lack of objective evidence that the receivable is uncertain.
- Step 3 covers financial instruments for which objective evidence has been identified to the effect that the receivable is uncertain.

For financial instruments that are assigned to step 1, the provision corresponds to the credit loss that is expected to occur within 12 months and for financial instruments in step 2 where a significant increase in credit risk has been identified as well as bad debts; in step 3 the provision corresponds to the expected credit losses for the remaining term of the financial instrument. The expected credit losses for the remaining term of the financial instrument represent losses from all default events possible during the remaining term of the financial instrument. Credit losses that are expected to occur within 12 months represent that part of the expected credit losses for the remaining term of the financial instrument that depend on default events within 12 months of the reporting date.

2.15.3 Presentation of impairment losses

For financial assets valued at amortized cost, provisions for loan losses are presented in the balance sheet as a decrease in the reported gross value of the asset, in order to obtain the reported net value.

Changes in provisions for credit losses and write-offs as loan losses are presented in the income statement. Repayments of write-offs as well as recoveries of provisions are recognized in credit losses

2.15.4 Reversal of impairment losses

Impairment losses on assets included in the scope of IAS 36 are reversed if there is (1) an indication that impairment has ceased and (2) a change in the assumptions that formed the basis of calculating the recoverable amount. Impairment losses on goodwill are never reversed. A reversal only occurs to the extent that the asset's carrying amount (after reversal) does not exceed the carrying amount that would have been recognized (less depreciation or amortization, where applicable), had no impairment loss been recognized.

Impairment losses on loans and accounts receivables recognized at amortized cost are reversed if the previous reasons for impairment no longer exist and full payment from the customer is expected to be received.

2.16 Capital payments to shareholders

2.16.1 Dividends

Dividends are recognized as a liability after approval at the AGM.

2.16.2 Purchase of treasury shares

Acquisition of treasury shares is recognized as a deductible item from equity. Payment from divestment of such equity instruments is recognized as an increase in equity. Transaction expenses are recognized immediately in equity.

2.17 Earnings per share

The calculation of earnings per share is based on consolidated profit/loss for the year attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, earnings and the average number of shares are adjusted to account for effects of diluted potential ordinary shares. For the reported periods, the parent company had one class of instrument that may generate potential dilution in the future: custodial C shares attributable to the Group incentive plan. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2019 or 2018.

2.18 Employee benefits

2.18.1 Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognized as a cost when the related services are rendered.

A provision is recognized for the expected cost of bonus payments when the Group has an applicable legal or constructive obligation to make such payments due to services being rendered by employees, and the commitment can be reliably calculated.

2.18.2 Defined contribution pension plans

Defined contribution plans are plans wherein the company's obligation is limited to the contributions the company has undertaken to pay. In such cases the size of the employee's pension depends on the contributions the company pays to the plan or to an insurance company and the contributions' return on capital. The employee thus bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will not suffice to pay out the expected remuneration). The company's obligations for contributions to defined contribution plans are recognized as an expense in profit/loss for the year at the rate earned by the employee performing services for the company over a period.

2.18.3 Termination benefits

An expense for remuneration paid on termination of employment is only recognized if the company is demonstrably committed – without realistic option of withdrawal – to a detailed formal plan to terminate an employment contract before the normal end date. If benefits are offered to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

2.18.4 Share-based payments

The Group has long-term performance share plans directed to certain employees that consist of share rights. The fair value of the plans is measured as of the grant date. The fair value includes social security contributions and is distributed over the vesting period, based on the Group's estimate of the number of share rights that will eventually be redeemed. The fair value expense is reported in the income statement as employee benefit expenses including the corresponding equity increase. Fair value is revalued each month for social security contributions and is adjusted in future periods to eventually reflect the number of share rights that will be redeemed. See Note 24.

The Group also has synthetic call option plans directed at employees of the subsidiary Qliro AB. The plans gave employees the right to acquire the synthetic call options from the parent company (Qliro Group AB) at market prices. The market value of the options was calculated by an independent valuation institute, applying a standard model for the valuation of options (Black-Scholes).

Note 2, continuing

The change in value of the options is linked to the long-term change in value of Qliro AB. Participants in the synthetic call option plans may exercise their options three years after the options were issued or if Qliro Group divests Qliro AB. One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at exercise of the option is at least 152-171 percent of the established value when the option was issued (exercise price). Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, as a rule through the parent company Qliro Group AB's transference of its own ordinary shares to the participants. Because the plan is aimed at employees and the payment is made with shares in the parent company, it is recognized as an equity compensation benefit. Payment from the employees is recognized as an increase in equity.

2.19 Provisions

A provision differs from other liabilities because of prevailing uncertainty about payment date or the amount required to settle the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation due to a past event, and it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount allocated to a provision is the best estimate of what is required to settle the existing obligation on the reporting date. When the payment date has a material impact, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects (1) current market estimates of the time value of money and (2) where applicable, the risks associated with the liability.

2.20 Discontinued operations

A discontinued operation is a component of a company's operations that represents an independent business or a significant business within a geographical area or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon divestment or at an earlier date when the business meets the criteria for classification as held for sale.

Profit/loss after tax from discontinued operations is recognized on a separate line in the income statement and other comprehensive income. When a business is classified as discontinued, the formation of the comparative year's income statement and statement of other comprehensive income is changed so that it is recognized as if the discontinued operation were sold off at the start of the comparative year. The formation of the statement of financial position for the current and previous year is not changed in the same way.

2.21 Contingent liabilities

A contingent liability is recognized when there is a possible obligation from past events, and the occurrence of the obligation is only confirmed by one or more uncertain future events, or when there is an obligation that is not recognized as a liability or provision since it is not probable that an outflow of resources will be required.

2.22 Parent company accounting policies

The parent company prepared its annual accounts as per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board. The Swedish Financial Reporting Board's statement on listed companies is also applied. RFR 2 means that, in the annual report for the legal entity, the parent company must apply all EU-approved IFRS and interpretations as far as possible within the framework of the Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and regarding the connection between accounting and taxation. The recommendation states which exceptions from and additions to IFRS must be applied.

2.22.1 Differences between accounting policies of the Group and parent company

The differences between Group and parent company accounting policies are stated below. The parent company's accounting policies described below were applied consistently to all periods reported in the parent company's financial statements.

2.22.1.1 Changes to accounting policies

Unless otherwise indicated below, changes to the parent company's accounting policies in 2019 were the same as stated above for the Group.

2.22.1.2 Classification and presentation

The parent company uses the names Balance Sheet and Cash Flow Statement for the reports that in the Group are called Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. The parent company's income statement and balance sheet are prepared in accordance with the Swedish Annual Accounts Act's schedule, while the statement of comprehensive income, statement of changes in equity, and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in parent company reporting versus Group reporting as seen in the parent company income statement and balance sheet mainly comprise reporting of financial income and expenses, equity, and the occurrence of provisions as a separate heading in the balance sheet.

2.22.1.3 Subsidiaries

Participations in subsidiaries are recognized in the parent company using the cost method. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the consolidated accounts, transaction costs related to subsidiaries are recognized directly in profit/loss for the year when they arise.

Contingent considerations are valued based on the probability that the purchase price will be paid. Any changes to the provision increase/decrease the cost. In the consolidated accounts, contingent considerations are recognized at fair value with changes in value via earnings.

2.22.1.4 Group contributions and shareholder contributions for legal entities

The parent company recognizes Group contributions received and paid as balance sheet appropriations in accordance with RFR 2. Shareholder contributions are recognized directly in the equity of the recipient and are capitalized in shares and participating interests of the issuer, to the extent impairment is not required.

Note 3 Estimates and assessments

Preparation of the financial statements using IFRS requires that the Board and company management make assessments, estimates, and assumptions that affect application of the accounting policies and the recognized amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on historic experience and several other factors that are judged to be reasonable taking current conditions into consideration. Resulting estimates and assumptions are used to determine the estimated value of assets and liabilities that are not otherwise clear from other sources. The actual outcome may differ from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognized in the period when the change is made – if the change only affected that period. If the change affects current and future periods, it is recognized in the period when the change is made and in future periods. The development, selection of, and disclosures regarding the Group's significant accounting policies and estimates, and the application of these policies and estimates, are reviewed by the Qliro Group's Audit Committee.

Key sources of uncertainties in estimates

Note 10 contains information about the assumptions and risk factors regarding impairment testing of goodwill and other intangible assets with indefinite useful lives. Note 18 includes a description of provisions made.

Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives are tested annually for impairment or when evidence demonstrates a need for impairment. The impairment test requires that management determine the fair value of cash-generating units based on projected cash flows and internal business plans and forecasts. See Note 10 Intangible assets for further information.

Deferred tax asset

The Group's deferred tax assets are based on loss carryforwards in the Swedish operations. Management has made assumptions and assessments about the company's future earnings potential and, based on this, the scope for future utilization of these loss carryforwards is evaluated.

Obsolescence assessment of inventories

Inventories are reviewed at the close of accounts each month to determine possible impairment. An impairment loss is recognized in cost of goods sold at the amount which, after careful evaluation, the inventory is considered obsolete. If true obsolescence differs from estimates or if management makes future adjustments to the assumptions, changes in valuation can affect the period's earnings and financial position.

Assessment of returns rate

At the close of accounts each month, the provision requirement associated with future returns is assessed. The assessment is carried out based on historic outcome and actual sales. The provision requirement is recognized as a reduction in net sales, with the equivalent adjustment being made to cost of goods sold.

Impairment testing of loans to the public

In addition to individual testing of potential impairment losses for receivables of significant value, a collective test of potential impairment losses is done for groups of receivables that are not considered to be impaired individually. The purpose of making collective provisions for credit losses is to consider the decrease in value resulting from past loss events in the paying loan portfolio. Qliro's model for collective provisions has a base for assessing how large of a provision must be made for the parts of the company's loan portfolio not covered by individual valuation. The collective impairment test is based on scoring changes for customers in the loan portfolio. Collective impairment testing is done quarterly. The test is conducted both individually and collectively to ensure that all incurred credit losses up to the end of the reporting period are recognized.

Provisions and contingent liabilities

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

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

Note 4 Segment reporting

Qliro Group's business areas are referred to as segments in the financial reporting. An operating segment is a Group entity that engages in activities that may generate income and incur expenses, and for which separate financial information is available. An operating segment's earnings are regularly reviewed by the company's chief operating decision maker to assess performance and allocate resources to the operating segment. CDON and Nelly form the e-commerce business. Qliro AB is the financial services business.

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 AB provides financial services to merchants to drive digital sales and to consumers as partial payments and installment payments, personal loans and savings accounts.

Group-wide

In 2019 the parent company provided the Group segments with specific services at cost. Qliro Group Services AB provided some Group segments with staffing services. Pricing of these services was based on market terms.

	2019					
Group (SEK million)	CDON	Nelly	Qliro	Group-wide	Adjustment[1]	Group total
External net sales	1,111.7	1,456.0	369.3	-	1.7	**2,938.6**
Internal net sales	0.0	-	5.4	-	-5.4	**0.0**
Cost of goods sold						**-2,135.2**
Sales and administrative expenses, excluding depreciation and impairment						**-745.3**
Other operating income						**16.0**
Other operating expenses						**-39.4**
EBITDA	19.8	29.0	39.5	-55.9	2.2	**34.7**
Depreciation, amortization and impairment	-21.1	-34.2	-69.2	-2.9		**-127.3**
Operating profit	-1.3	-5.2	-29.6	-58.8	2.2	**-92.7**
Financial income	0.3	0.2	-	0.9	-0.9	**0.4**
Financial expenses	-1.4	-3.2	-0.4	-8.7	0.4	**-13.2**
Profit before tax	**-2.4**	**-8.1**	**-30.0**	**-66.7**	**1.7**	**-105.5**

	2018					
Group (SEK million)	CDON	Nelly	Qliro	Group-wide	Adjustment[1]	Group total
External net sales	1,560.2	1,391.0	307.6	0.2	-1.4	**3,257.7**
Internal net sales	-	-	5.3	1.6	-6.9	**0.0**
Cost of goods sold						**-2,475.2**
Sales and administrative expenses, excluding depreciation and impairment						**-764.3**
Other operating income						**3.3**
Other operating expenses						**-2.6**
EBITDA	-18.7	56.8	22.7	-40.5	-1.4	**19.0**
Depreciation, amortization and impairment	-11.7	-20.6	-38.1	-0.7		**-71.2**
Operating profit	-30.4	36.2	-15.4	-41.2	-1.4	**-52.2**
Financial income	0.0	0.2	-	5.5	-5.0	**0.7**
Financial expenses	-17.8	1.2	-1.2	-20.3	5.0	**-33.1**
Profit before tax	**-48.2**	**37.6**	**-16.6**	**-56.0**	**-1.4**	**-84.5**

[1] Consolidated adjustment between Qliro AB and internal clients, attributable to differences in when expense/income is recognized, and adjustment column for eliminations between internal companies.

The tables above show continuing operations.

Note 4, continuing

Qliro Group operates CDON, Nelly and Qliro AB as three fully independent companies. The subsidiaries have separate boards with representatives from the parent company's board and management and external board members in Qliro AB and Nelly. This means that the subsidiaries are run independently of each other. As a result, Qliro Group has chosen to deviate from segment reporting in two parts, E-commerce and Financial Services.

No individual customer account represents more than 10% of Group revenue.

The Group's segments operate mainly in the Nordics. Net sales and non-current assets are shown below by geographical area. Sales are recognized by country of sale, that is, the country in which the recipient is located.

Geographical distribution (SEK million)	Net sales		Non-current assets	
	2019	2018	2019	2018
Sweden	1,627.9	1,805.7	529.2	435.6
Other Nordics	1,161.3	1,291.6	25.2	24.3
Rest of world	149.5	160.4	-	0.0
Total	**2,938.6**	**3,257.7**	**554.5**	**459.9**

Sales per type of income (SEK million)	2019	2018
Products	2,370.6	2,780.6
Services	568.0	477.1
Total net sales	**2,938.6**	**3,257.7**

Note 5 Discontinued operations

Discontinued operations 2019:

No operations were discontinued during the year.

Discontinued operations 2018:

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

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

Group (SEK million)	2019	2018
Income	-	70.4
Expenses	-	-69.4
Profit before tax	**-**	**1.0**
Tax	-	-0.3
Profit after tax but before capital gain from discontinued operations	**-**	**0.7**
Profit after sale of shares incl. divestment costs	-	137.9
Profit after tax from discontinued operations	**-**	**138.6**
Earnings per share from discontinued operations		
basic, SEK	-	0.93
diluted, SEK	-	0.92

Net cash flow from discontinued operations

Group (SEK million)	2019	2018
Cash flow to/from operating activities	-	13.9
Cash flow to/from investing activities	-	-0.6
Cash flow to/from financing activities	-	-
Net cash flow from discontinued operations	**-**	**13.3**

Effect of divestment on individual Group assets and liabilities

Group (SEK million)	2019	2018
Intangible assets	-	-212.8
Property, plant and equipment	-	-3.0
Financial assets	-	-
Inventories	-	-96.1
Accounts receivable and other receivables	-	-50.8
Cash and cash equivalents	-	-14.7
Deferred tax liability	-	10.8
Accounts payable and other liabilities	-	139.3
Net divested assets and liabilities	**-**	**-227.4**
Consideration received[1]	-	387.2
Accrued consideration[1]	-	-
Less: Cash and cash equivalents in divested operations	-	-14.7
Effect on cash and cash equivalents	**-**	**372.5**

Received and accrued consideration

[1] There was no received and accrued consideration for the year. Consideration received for 2018 includes consideration for the sale of Health and Sports Nutrition HSNG AB (HSNG) and Lekmer AB.

Deferred consideration

There was no deferred consideration for the year. The consideration for 2018 amounted to SEK 35.2 million excluding interest. SEK 10.2 million was paid on December 29, 2017 in cash. The remaining SEK 25 million was paid on April 30, 2018.

Note 6 Assets held for sale

Assets held for sale 2019

As of December 31, 2019, no assets are held for sale.

Assets held for sale 2018

As of December 31, 2018, no assets are held for sale.

Note 7 Other operating income and expenses

	Group		Parent company	
(SEK million)	2019	2018	2019	2018
Other operating income				
Gain from sale of operations	-	-	-	-
Exchange gains on operating receivables/liabilities	-	2.7	-	-
Other operating income	16.0	0.6	7.1	0.0
Total	**16.0**	**3.3**	**7.1**	**0.0**
Other operating expenses				
Loss on sale of shares in subsidiaries		-		-
Loss on sale of non-current assets		-1.0		-
Exchange losses on operating receivables/liabilities	-1.1	-1.2	-0.1	-
Revaluation related to contingent consideration for Lekmer AB		-		-
Other operating expenses	-38.3	-0.4	-1.2	-
Total	**-39.4**	**-2.6**	**-1.3**	**-**
Total other operating income and expenses	**-23.4**	**0.8**	**5.8**	**0.0**

Note 8 Financial items

	Group		Parent company	
(SEK million)	2019	2018	2019	2018
Dividend from subsidiaries	-	-	-	100.0
Profit on sale of shares in subsidiaries	-	-	-	138.7
Impairment of shares in subsidiaries	-	-	-	-1.0
Profit from shares in subsidiaries	**-**	**-**	**-**	**237.7**
Interest income:				
- Subsidiary, Qliro Group	-	-	0.7	0.6
- Interest income, other	0.2	0.1	-	0.6
Net exchange differences	0.1	-	-	-
Other	-	0.6	-	-
Financial income	**0.4**	**0.7**	**0.7**	**238.8**
Interest expenses:				
- Subsidiary, Qliro Group	-	-	-0.2	0.0
- Interest expenses, bond loan	-8.0	-12.1	-8.0	-
- Interest expenses, leases	-2.4	-	-0.2	-
- Interest expenses, other	-0.4	-16.8	0.0	-0.3
Net exchange differences	-2.1	-3.0	0.0	-3.5
Other	-0.4	-1.1	-	-12.2
Financial expenses	**-13.2**	**-33.0**	**-8.4**	**-16.0**
Net financial items	**-12.9**	**-32.3**	**-7.7**	**222.8**

Note 9 Taxes

Distribution of tax expenses (SEK million)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Current tax expense				
Tax expense for the year	-	-0.9	-	-
Adjustment of tax attributable to prior years[1]	2.8	-57.4	-	-
Total	**2.8**	**-58.2**	**-**	**-**
Deferred tax				
Deferred tax on temporary differences	-0.2	-	-	-
Deferred tax income in capitalized taxable value of loss carry-forwards for the year	7.8	6.7	-	3.3
Deferred tax on reconsideration/revaluation of the carrying amount of deferred tax assets	-15.0	-	-15.0	-
Total	**-7.4**	**6.7**	**-15.0**	**3.3**
Total recognized consolidated tax expense	**-4.7**	**-51.5**	**-15.0**	**3.3**

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

Reconciliation of tax expense (SEK million)	Group 2019	%	Group 2018	%	Parent company 2019	%	Parent company 2018	%
Profit before tax	**-105.5**		**-84.5**		**-66.6**		**217.0**	
Tax as per applicable tax rate for parent company	22.6	-21.4	18.6	-22.0	14.3	-21.4	-47.7	-22.0
Effect of other tax rates for foreign subsidiaries	0.0	0.0	-0.7	0.8	-	-	-	-
Non-taxable income	0.0	0.0	52.3	-61.9	-	-	52.3	24.1
Non-deductible expenses	0.7	-0.7	-45.8	54.1	0.0	0.0	-0.2	-0.1
Utilization of previously uncapitalized loss carry-forwards	-	-	-7.5	8.9	-	-	-	-
Losses for which deferred tax is not recognized	-29.6	28.0	-	-	-29.2	43.9	-	-
Effects of changes in tax rate	-1.3	1.2	-11.1	13.1	-	-	-1.0	-0.5
Tax attributable to prior years	2.8	-2.6	-57.4	67.9	-	-	-	-
Effective tax/tax rate	**-4.7**	**4.6**	**-51.5**	**60.9**	**-15.0**	**22.5**	**3.3**	**1.5**

Recognized deferred tax assets and liabilities (SEK million)	Group 2019 Dec 31	Group 2018 Dec 31	Parent company 2019 Dec 31	Parent company 2018 Dec 31
Deferred tax asset				
Loss carry-forwards	105.8	113.1	94.7	109.6
Other	5.2	-	-	-
Total	**111.0**	**113.1**	**94.7**	**109.6**
Deferred tax liability				
Other	-	-	-	-
Total	**-**	**-**	**-**	**-**
Net deferred tax	**111.0**	**113.1**	**94.7**	**109.6**

Note 9, continuing

Change in net temporary differences:

Group (SEK million)	2019 Opening balance January 1	Deferred tax income	Deferred tax expense	Divestment of subsidiaries	Recognized in equity	Other	Closing balance, December 31
Temporary differences							
Loss carry-forwards	113.1	7.7	-15.0				105.8
Other	-	5.1				0.2	5.2
Total	**113.1**	**12.8**	**-15.0**	**-**	**-**	**0.2**	**111.0**

Group (SEK million)	2018 Opening balance January 1	Deferred tax income	Deferred tax expense	Divestment of subsidiaries	Recognized in equity	Other	Closing balance, December 31
Temporary differences							
Loss carry-forwards	106.3	6.7					113.1
Intellectual property rights	-						-
Other	0.7					-0.7	0.0
Total	**107.0**	**6.7**	**-**	**-**	**-**	**-0.7**	**113.1**

Parent company (SEK million)	2019 Opening balance January 1	Deferred tax income	Deferred tax expense	Recognized in equity	Closing balance, December 31
Temporary differences					
Loss carry-forwards	109.6	-	-15.0	-	94.7
Total	**109.6**	**-**	**-15.0**	**-**	**94.7**

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

At December 31, 2019, recognized consolidated loss carry-forwards without an expiration date amounted to SEK 536.8 (536.8) million. For the year, the Group has chosen not to accumulate additional deficits on reported losses of SEK 32.9 million The 2019 annual accounts include the tax value of a deferred tax asset in all countries where it is considered probable that the loss carry-forward will be able to be used against taxable surplus.

Note 10 Intangible assets

Development expenditures and ongoing projects (SEK million)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Opening accumulated cost	**453.5**	**375.6**	**-**	**0.1**
Investments	120.8	79.9	-	-
Impairment losses		-1.0	-	-0.1
Divestments		-	-	-
Sales/disposals	-10.0	-	-	-
Translation difference		-0.9	-	-
Less: Assets held for sale		-	-	-
Closing accumulated cost	**564.3**	**453.5**	**-**	**0.0**
Opening accumulated depreciation	**-221.7**	**-161.8**	**-**	**0.0**
Amortization	-84.2	-59.9	-	-
Impairment losses	-	-	-	-
Divestments	-	-	-	-
Sales/disposals	10.0	-	-	-
Translation difference	0.0	-	-	-
Less: Assets held for sale	-	-	-	-
Closing accumulated depreciation	**-295.9**	**-221.7**	**-**	**0.0**
Carrying amounts	**268.5**	**231.8**	**-**	**0.0**

The capitalized expenditures for development and similar work items consist of ongoing projects not yet in service as well as completed intangible assets. The expenses are mainly attributable to the Group's web platform and product development expenses for the subsidiary Qliro AB.

Amortization costs attributable to completed intangible assets of SEK 84.2 (59.9) million are included in consolidated selling and administrative expenses.

Both internal and external expenditures were capitalized. No borrowing costs were capitalized.

Projects in progress are not amortized.

Domains (SEK million)	Group 2019	Group 2018
Opening accumulated cost	**5.0**	**5.0**
Investments	0.2	-
Closing accumulated cost	**5.1**	**5.0**
Opening accumulated depreciation	**-3.6**	**-3.2**
Depreciation for the year	-0.4	-0.4
Closing accumulated depreciation	**-4.0**	**-3.6**
Carrying amounts	**1.1**	**1.4**

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

Goodwill (SEK million)	Group 2019	Group 2018
Opening accumulated cost	**64.0**	**63.0**
Exchange differences	0.4	1.0
Closing accumulated cost	**64.4**	**64.0**
Carrying amounts	**64.4**	**64.0**

The item refers to goodwill on the acquisition of CDON AB and Nelly NLY AB. There were no acquisitions or divestments during the year.

Note 10, continuing

Impairment testing for cash-generating units containing goodwill

The following cash-generating units, which coincide with the Group's subsidiaries and subgroups, recognize significant goodwill values in relation to the Group's total recognized goodwill values:

(SEK million)	2019	2018
CDON Group	24.7	24.3
NLY Group	39.7	39.7
Total	**64.4**	**64.0**

Impairment testing

Impairment testing for goodwill for cash-generating units is based on the recoverable amount (value in use), calculated using a discounted cash flow model. The cash flow is projected over a five-year period and is based on the most recently adopted budgets and forecasts, which are based on actual historical outcomes of the business. The single most important variables associated with the preparation of the impairment tests are net sales and operating margin. The net sales forecast is the total of estimated performance within each product segment and the operating margin forecast is an average of the product mix. The cash flows calculated for each unit after the first five years were based on annual growth of 2.0 percent (2.0).

The cash flow is discounted for each unit using an appropriate discount rate, taking into consideration the cost of capital and risk. The estimated cash flows were calculated at present value using a discount rate of 10.5 percent (9.4) after tax. The nature of and market for each unit, and therefore the risk, were determined to be so similar that the same discount rate is used for all units. The discount rate before tax amounts to 10.5 percent.

The impairment tests do not indicate any impairment requirement. The impairment tests generally have a margin such that reasonable changes in individual parameters would not cause the recoverable amount to fall below the carrying amount. However, the cash flow forecasts are uncertain and may also be influenced by factors beyond the company's control. Even if the estimated growth rate applied after the forecast five-year period had been 1 percent lower, there would be no need to recognize a goodwill impairment loss. Even if the estimated discount rate before tax applied to the discounted cash flows had been 1 percent higher, there would be no need to recognize a goodwill impairment loss. Nor does the company deem that likely changes in other important assumptions would cause the recoverable amount to fall below the carrying amount.

Note 11 Property, plant and equipment

	Group	
Leasehold improvements (SEK million)	2019	2018
Opening accumulated cost	**4.2**	**3.9**
Investments	0.5	-
Reclassifications	-	0.2
Divestments	-3.6	-
Closing accumulated cost	**1.1**	**4.2**
Opening accumulated depreciation	**-3.8**	**-3.4**
Depreciation for the year	-0.3	-0.4
Divestments	3.6	-
Closing accumulated depreciation	**-0.5**	**-3.8**
Carrying amounts	**0.5**	**0.4**

The item refers to capital investments in expansion of the storage space in Falkenberg.
Both internal and external expenditures were capitalized. No borrowing costs were capitalized.
Depreciation costs of SEK 0.3 (0.4) million are included in consolidated selling and administrative expenses.

Note 11, continuing

Equipment (SEK million)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Opening accumulated cost	**71.5**	**60.1**	**4.4**	**4.4**
Investments	15.5	9.6	-	-
Reclassifications	2.7	1.9	-	-
Sales/disposals	-8.0	-	-	-
Closing accumulated cost	**81.7**	**71.5**	**4.4**	**4.4**
Opening accumulated depreciation	-48.1	-37.7	-3.6	-2.9
Depreciation for the year	-14.0	-10.4	-0.4	-0.7
Sales/disposals	8.0	-	-	-
Closing accumulated depreciation	**-54.1**	**-48.1**	**-4.0**	**-3.6**
Carrying amounts	**27.6**	**23.4**	**0.4**	**0.8**

Depreciation costs of SEK 14.0 (10.4) million are included in consolidated selling and administrative expenses.
Depreciation costs of SEK 0.4 (0.7) million are included in selling and administrative expenses for the parent company.

Construction in progress (SEK million)	Group 2019	Group 2018
Opening accumulated cost	**0.8**	**0.6**
Investments	1.9	1.4
Reclassifications	-2.7	-1.2
Closing accumulated cost	**0.0**	**0.8**
Carrying amounts	**0.0**	**0.8**

The item refers to expenditures on capital investments for the period prior to commissioning.
Both internal and external expenditures were capitalized. No borrowing costs were capitalized.

Note 12 Participations in Group companies

Shares in subsidiaries, parent company (SEK million)	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)	Carrying amount 12/31/2019	Carrying amount 12/31/2018
CDON AB	556406-1702	Malmö	1,000	100,0	100.0	252.8	252.8
Nelly NLY AB	556653-8822	Borås	172,100	100,0	100.0	231.1	231.1
Qliro AB	556962-2441	Stockholm	50,050,000	100,0	100.0	583.7	445.7
Qliro Group Services AB	559018-1185	Stockholm	50,000	100,0	100.0	0.4	0.4
Qliro Group Shared Services AB	556774-1300	Stockholm	1,000	100,0	100.0	1.0	-
Total						**1,068.9**	**929.9**

Note 12, continuing

Shares in subsidiaries, Group	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)
CDON AB	556406-1702	Malmö	1,000	100.0	100.0
CDON Alandia Ab	2143083-5	Finland	100	100.0	100.0
Nelly NLY AB	556653-8822	Borås	172,100	100.0	100.0
NLY Norge AS	896 508 202	Norway	100	100.0	100.0
NLY Logistics AB	556904-0834	Borås	50,000	100.0	100.0
Qliro AB	556962-2441	Stockholm	50,050,000	100.0	100.0
Qliro Group Services AB	559018-1185	Stockholm	50,000	100.0	100.0
Qliro Group Shared Services AB	556774-1300	Stockholm	1,000	100.0	100.0

Shares and participations in subsidiaries, (SEK million)	Parent company	
	2019	2018
Opening accumulated cost	**972.7**	**839.4**
Shareholder contribution	139.0	359.9
Divestments[1]	-	-226.6
Closing balance, December 31	**1 111.7**	**972.7**
Opening accumulated impairment	**-42.8**	**-41.8**
Impairment losses for the year	-	-1.0
Closing balance, December 31	**-42.8**	**-42.8**
Carrying amount, December 31	**1,068.9**	**929.9**

[1] No divestments were made during the year. The consideration including interest in 2018 pertaining to the sale of subsidiary Health and Sports Nutrition HSNG AB (HSNG) to Orkla was SEK 368.0 million.

Not 13 Accounts receivable

Credit exposure (SEK million)	Group	
	2019	2018
Accounts receivable not overdue or impaired	29.7	36.2
Accounts receivable overdue but not impaired	48.8	18.7
Accounts receivable impaired	1.7	1.6
Provision for bad debts	-1.7	-1.6
Total accounts receivable	**78.4**	**54.9**

Lending to the public is not included in the table above. For additional information on loans to the public, see Note 14.

Qliro Group's accounts receivables are mainly in SEK. Thus, no significant currency exposure has arisen in the consolidated accounts receivables.

Credit risk in non-accrued or written-down accounts receivables is considered insignificant. No individual customer represents more than 10 percent of consolidated accounts receivables. See Note 21 for further details regarding credit risk.

Receivables past due without provision for bad debts (SEK million)	**2019 Dec 31**	2018 Dec 31
<30 days	23.5	8.8
30–90 days	13.9	9.9
>90 days	11.3	-
Total	**48.8**	**18.7**

Receivables past due with provision for bad debts (SEK million)	**2019 Dec 31**	2018 Dec 31
<30 days	0.1	0.0
30-90 days	0.9	0.1
>90 days	0.7	1.5
Total	**1.7**	**1.6**

Provision for bad debts (SEK million)	**2019 Dec 31**	2018 Dec 31
Opening balance, January 1	-1.6	-2.2
Provision for potential losses	-0.5	-0.5
Unutilized amount reversed during the period	1.0	1.6
Actual losses	-0.6	-0.4
Exchange difference	0.0	0.0
Less: Assets held for sale	-	-
Closing balance, December 31	**-1.7**	**-1.6**

Note 14 Lending to the public

(SEK million)	Group	
	2019	2018
Outstanding loans receivable		
Loans	2,171.6	1,587.6
Provision for expected credit losses	-101.2	-94.7
Carrying amount, net	**2,070.4**	**1,492.9**
– of which Swedish currency	1,796.4	1,236.7
– of which foreign currency	274.0	256.1
Carrying amount, net	**2,070.4**	**1,492.9**

Note 14, continuing

Lending that is subject to an impairment test, allocated into steps (SEK million)	Non-credit-impaired Step 1	Step 2	Credit-impaired Step 3	Total
Assets measured at amortized cost				
Opening balance, 1 January 2019	**1,034.3**	**406.2**	**147.1**	**1,587.6**
New lending for the period	1,131.8	212.5	33.1	1,377.3
Adjustment to existing loans	-558.2	-128.3	-103.5	-789.9
Reduction in lending for the period	-0.4	-0.9	-2.1	-3.4
Carryovers:				
Carryover from step 1 to step 2	-127.4	127.4	-	-
Carryover from step 1 to step 3	-26.2	-	26.2	-
Carryover from step 2 to step 1	90.9	-90.9	-	-
Carryover from step 2 to step 3	-	-56.3	56.3	-
Carryover from step 3 to step 1	0.6	-	-0.6	-
Carryover from step 3 to step 2	-	1.3	-1.3	-
Closing balance, 31 December 2019	**1,545.5**	**470.9**	**155.2**	**2,171.6**
Opening balance, 1 January 2018	**736.8**	**225.0**	**87.3**	**1,049.2**
New lending for the period	776.9	160.7	35.4	972.9
Adjustment to existing loans	51.5	17.0	-6.7	61.8
Reduction in lending for the period	-383.1	-69.7	-43.4	-496.2
Carryovers:				
Carryover from step 1 to step 2	-150.2	150.2	-	-
Carryover from step 1 to step 3	-33.8	-	33.8	-
Carryover from step 2 to step 1	35.6	-35.6	-	-
Carryover from step 2 to step 3	-	-42.8	42.8	-
Carryover from step 3 to step 1	0.5	-	-0.5	-
Carryover from step 3 to step 2	-	1.5	-1.5	-
Closing balance, 31 December 2018	**1,034.3**	**406.2**	**147.1**	**1,587.6**

Change in provision for expected credit losses (SEK million)	Non-credit-impaired Step 1	Step 2	Credit-impaired Step 3	Total
Opening balance, 1 January 2019	**8.4**	**26.2**	**60.1**	**94.7**
New provisions for the period	8.4	16.6	15.9	40.9
Adjustment to existing loan provisions	11.9	2.3	-48.1	-33.9
Reduction in provisions for the period	0.0	-0.2	-0.4	-0.6
Carryovers:				
Carryover from step 1 to step 2	-8.8	8.8	-	-
Carryover from step 1 to step 3	-8.7	-	8.7	-
Carryover from step 2 to step 1	1.2	-1.2	-	-
Carryover from step 2 to step 3	-	-18.9	18.9	-
Carryover from step 3 to step 1	0.0	-	0.0	-
Carryover from step 3 to step 2	-	0.2	-0.2	-
Closing balance, 31 December 2019	**12.4**	**34.0**	**54.8**	**101.2**
Opening balance, 1 January 2018	**7.9**	**15.0**	**31.9**	**54.8**
New provisions for the period	5.5	12.5	15.5	33.6
Adjustment to existing loan provisions	17.6	11.6	-1.0	28.2
Reduction in provisions for the period	-2.8	-4.7	-14.4	-21.8
Carryovers:				
Carryover from step 1 to step 2	-8.4	8.4	-	-
Carryover from step 1 to step 3	-11.8	-	11.8	-
Carryover from step 2 to step 1	0.4	-0.4	-	-
Carryover from step 2 to step 3	-	-16.4	16.4	-
Carryover from step 3 to step 1	0.0	-	0.0	-
Carryover from step 3 to step 2	-	0.2	-0.2	-
Closing balance, 31 December 2018	**8.4**	**26.2**	**60.1**	**94.7**

Note 14, continuing

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

The reserve for credit losses is calculated monthly.

Lending to the public consists mainly of two credit portfolios

Personal loans consist of unsecured credit to individuals in Sweden for amounts up to SEK 500,000 with maturities from 2 to 15 years.

Receivables attributable to payment solutions, which are the cornerstone of Qliro's business, concern the credit that arises from Qliro's collaboration with various e-merchants for financing solutions. The financing solutions that Qliro offers consist of invoices, partial payments and open credit. The credit stock consists of unsecured credit and is targeted at individuals and companies in Sweden, Finland, Denmark and Norway.

Lending to the public totaled SEK 2,070.4 million, of which sales financing amounted to SEK 1,343.5 million and personal loans to SEK 726.9 million.

Not 15 Prepaid expenses and accrued income

	Group		Parent company	
(SEK million)	31 dec 2019	31 dec 2018	31 dec 2019	31 dec 2018
Prepaid rent	9.6	4.4	0.0	2.2
Prepaid insurance expenses	1.7	0.8	0.5	0.5
Prepaid licensing costs	11.2	6.2	-	-
Accrued income	55.0	37.3	-	-
Other prepaid expenses and accrued income	29.8	19.6	0.1	0.2
Total	**107.2**	**68.3**	**0.6**	**2.9**

Note 16 Inventories

	Group	
Inventories (SEK million)	2019	2018
Finished goods and merchandise	333.7	394.6
Advances to suppliers	15.9	23.8
Total	**349.6**	**418.4**

Note 17 Equity

At December 31, 2019, share capital comprised 154,994,779 (154,994,779) shares. Each share has a quotient value of SEK 1.

Shares issued	No. of shares	Share capital (SEK million)
Ordinary shares	149,774,779	149.8
C shares	5,220,000	5.2
Total number of shares issued/total share capital at December 31, 2019	**154,994,779**	**155.0**

Change in number of shares/share capital

Date	Event	Change in share capital (SEK million)	Change in no. of shares	Share capital after change (SEK)	No. of shares after change
1936-12-11	Establishment	1,000,000	2,000	1,000,000	2,000
2010-09-24	Split	-	498,000	1,000,000	500,000
2010-09-24	Offset issue	131,090,244	65,545,122	132,090,244	66,045,122
2010-10-26	Cash issue	594,004	297,002	132,684,248	66,342,124
2011-05-31	Cash issue C shares	380,000	190,000	133,064,248	66,532,124
2012-05-30	Cash issue C shares	570,000	285,000	133,634,248	66,817,124
2013-06-14	Cash issue	66,342,124	33,171,062	199,976,372	99,988,186
2013-09-03	Cash issue C shares	1,400,000	700,000	201,376,372	100,688,186
2014-12-19	Cash issue	99,513,186	49,756,593	300,889,558	150,444,779
2018-04-30	Cash issue C shares	9,100,000	4,550,000	309,989,558	154,994,779
2019-05-23	Reduction in share capital[1)]	-154,994,779	-	154,994,779	154,994,779
Number of shares issued/share capital at December 31, 2019		**154,994,779**	**154,994,779**	**154,994,779**	**154,994,779**

[1)] On May 23, 2019, the Swedish Companies Registration Office registered the reduction in share capital of Qliro Group AB. On September 23, 2019, the Swedish Companies Registration Office registered the Swedish Financial Supervisory Authority's permission to implement the reduction in share capital.

On May 7, 2019, Qliro Group's AGM decided to reduce the company's share capital.

On April 29, 2019, 80,000 C shares (held by the company) were converted into 80,000 ordinary shares. On May 30, 2018, 425,000 C shares (held by the company) were converted into 425,000 ordinary shares.

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

On November 17, 2014, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision of October 21, 2014 to increase the company's share capital via an issue of new ordinary shares. Qliro Group AB's share capital increased by SEK 99,513,186 in connection with the cash issue.

On May 14, 2013, the Extraordinary General Meeting of Qliro Group AB resolved to approve the Board's decision of April 16, 2013 to increase the company's share capital via an issue of new ordinary shares. Qliro Group AB's share capital increased by SEK 66,342,124 in connection with the cash issue.

The cash issues of C shares in 2011, 2012, 2013 and 2018 were implemented for use in the Group's incentive plans. See Note 24 for further details regarding the incentive plan. All C shares are owned by Qliro Group AB.

C shares may be issued in an amount corresponding to the maximum total share capital and do not entitle the holder to dividends. C shares may be converted into ordinary shares at the request of the Board. Customary provisions on primary and subsidiary preferential rights for cash issues apply to C shares. C shares have limited rights to assets on liquidation of the company.

The 2010 offset issue was implemented by offsetting previously issued loans from Modern Times Group MTG AB at a value corresponding to SEK 239,000,000. Qliro Group AB's share capital thus increased to SEK 132,090,244.

Other capital contributions/Share premium reserve

The share premium reserve is a balance sheet item that arises when shares are issued and subscribed for at a premium, that is, a price higher than the quotient value was paid for the shares.

Translation reserve

The translation reserve includes all translation differences that arise on translation of income statements and balance sheets into SEK in the consolidated accounts.

Note 17, continuing

(SEK million)	Group 2019	2018
Opening balance, January 1	-0.7	-3.9
Translation difference for the year	1.5	3.2
Total accumulated translation differences	**0.9**	**-0.7**

Retained earnings including profit for the year

Retained earnings recognized in the Group include the year's and prior years' earnings.

Proposed dividend

The Board of Directors will propose to the 2020 Annual General Meeting that no dividend be paid to shareholders for the financial year ending December 31, 2019, and that retained earnings for the year be carried forward into the 2020 accounts.

Proposed appropriation of profits (SEK million)	Parent company 2019	2018
Share premium reserve	1,231.5	1,076.5
Retained earnings	-196.7	-419.7
Profit for the year	-81.6	220.3
Total	**953.2**	**877.1**

The Board proposes that the retained earnings, share premium reserve and profit for the year for a total of SEK 953.2 (877.1) million be carried forward. The share premium reserve for the year amounts to SEK 1,231.5 (1,076.5) million as a result of the change in share capital: 154,994,779 (309,989,558).

Note 18 Other provisions

	Group		Parent company	
Other provisions (SEK million)	2019	2018	2019	2018
Provisions for social security contributions on share-based remuneration	0.9	1.5	0.9	1.6
Other provisions	-	-	-	-
Total	**0.9**	**1.5**	**0.9**	**1.6**

	Group		Parent company	
Provisions for share-based remuneration (SEK million)	2019	2018	2019	2018
Carrying amount at start of period	**1.6**	**3.2**	**1.6**	**3.2**
Change in provision during the period	-0.9	-1.5	-0.9	-1.5
Less: Assets held for sale	-	-	-	-
Carrying amount at end of period	**0.7**	**1.6**	**0.7**	**1.6**

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

	Group		Parent company	
Total provisions (SEK million)	2019	2018	2019	2018
Total carrying amount at start of period	**1.6**	**3.2**	**1.6**	**3.2**
Increase in provision during the period	-	-	-	-
Dissolution of provision during the period	-0.9	-1.5	-0.9	-1.5
Less: Assets held for sale	-	-	-	-
Total carrying amount at end of period	**0.7**	**1.6**	**0.7**	**1.6**
Of which total non-current portion of provisions	0.7	1.6	0.7	1.6
Of which total current portion of provisions	-	-	-	-

	Group		Parent company	
Payments (SEK million)	2019	2018	2019	2018
Amount for which payment is expected to be made after 12 months	0.7	1.6	0.7	1.6

Note 19 Accrued expenses and deferred income

	Group		Parent company	
(SEK million)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accrued employee benefit expenses	67.5	58.7	3.5	3.0
Accrued expenses for cost of goods sold	98.0	45.5	-	-
Accrued distribution costs	33.5	23.2	-	-
Accrued merchandise handling costs	5.6	6.2	-	-
Accrued marketing costs	33.0	22.5	-	-
Accrued provisions for returns	26.6	29.7	-	-
Deferred income	2.2	6.5	-	-
Other	53.4	44.6	3.2	1.6
Total	**319.9**	**237.0**	**6.7**	**4.6**

Note 20 Pledged assets and contingent liabilities

	Group		Parent company	
Contingent liabilities (SEK million)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Bank guarantees and sureties to external parties	30.7	45.2	6.6	9.6
Parent company guarantees to external parties	44.5	111.3	44.5	111.3
Surety for Qliro Financial Services' utilized credit facility	-	-	292.4	457.9
Total	**75.2**	**156.5**	**343.5**	**578.8**

Bank guarantees for external parties relate to bank guarantees and sureties pledged to suppliers and other external parties for subsidiaries in the Group.

Parent company guarantees relate to parent company guarantees and sureties pledged to suppliers and other external parties on behalf of subsidiaries in the Group.

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

	Group		Parent company	
Pledged assets (SEK million)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Pledged loans receivable	1,379,8	1,213.0	-	-
Tangible fixed assets	1.2	4.1	-	-
Total	**1,381.0**	**1,217.1**	**-**	**-**

Pledged loans receivable relate entirely to the subsidiary Qliro AB, which uses its accounts receivable as collateral for borrowing. Lending to the public consists of loans receivable (invoices) and personal loans.

Pledged loans receivable are recognized net of credit losses, i.e. at the value of the accounts receivables recognized in the balance sheet.

Note 21 Financial instruments and financial risk management

Capital management
The Group's aim is to have a solid financial position that helps maintain the confidence of investors, creditors and the market, forms a solid foundation for the continued development of business operations and generates long-term investor returns. There are no explicit quantitative objectives for the debt/equity ratio.

Capital is defined as total equity.

	Group	
Capital (SEK million)	31 Dec 2019	31 Dec 2018
Total equity	888.5	994.5

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

Finance policy
Qliro Group's financial risk management is centralized within the parent company to capitalize on economies of scale and synergies, as well as to minimize operational risks. The parent company is responsible for financing and finance policy. The Board has established financial policies for overall management of risks and for specific areas, such as liquidity risk, interest rate risk, currency risk, credit risk, insurance risk, the use of financial instruments and placement of excess liquidity.

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

Liquidity risk
Liquidity risk is the risk that the Group will not be able to fulfill its commitments associated with financial liabilities. This risk is managed by ensuring that there are enough cash and cash equivalents and the ability to increase available financing.

The Group's financial policy stipulates that there must always be at least SEK 50 million in available cash and cash equivalents.

Market risk – interest rate risk
Interest rate risk is the risk that the value of a financial instrument may vary due to changes in market interest rates.

Consolidated interest-bearing liabilities at the end of the year amounted to SEK 2,294.1 million (1,676.8) and were mostly attributable to Qliro Financial Services.

If the variable interest rate on the Group's loans in 2019 had increased or decreased by 1 percent, it would have affected the Group's net financial items by SEK 3.9 (7.1) million. The subsidiary Qliro AB is mainly exposed to interest rate risk through mismatched interest rate horizons on assets and liabilities. Qliro minimizes interest rate risk by matching the interest rate horizon on assets and liabilities. The subsidiary Qliro also has the right to adjust the lending rate due to increased borrowing costs, such as those related to credit policy decisions.

Credit risk
Credit risk is defined as the company's exposure to losses if one party to a financial instrument fails to fulfill its obligations. The exposure is based on the carrying amount of the financial assets, of which the majority comprises Qliro Financial Services' lending to the public. Other accounts receivable and cash and cash equivalents are also exposed to credit risk. Both the Group and Qliro Financial Services have policies regarding credit risk.

Credit risk related to loans to the public is distributed among many customers, mainly private individuals. Qliro Financial Services has a credit organization, detailed credit policies and credit regulations in place to identify and manage credit risk. For additional information on loans to the public, see Note 14. See Note 13 for further details regarding accounts receivable.

Market risk – currency risk
Currency risk is the risk that fluctuations in exchange rates will adversely affect the company's income statement, financial position and/or cash flow. The risk can be divided into transaction exposure and translation exposure.

Transaction exposure
Transaction exposure is the risk that arises from the net inflows and outflows in foreign currencies required by operations and their financing. The transactions are not hedged using financial instruments, however natural hedges are sought if possible, for example by purchasing and selling in the same currency.
Net cash flow in foreign currencies was as follows:

	Gruop	
Flow of foreign funds (SEK million)	2019	2018
DKK	120.5	172.1
NOK	416.5	556.5
EUR	1.9	0.0
USD	-17.2	-10.6
GBP	-9.4	-8.1
HKD	0.0	-0.2
PLN	0.4	0.6

Note 21, continuing

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

	Group	
Sensitivity analysis (SEK million)	2019	2018
DKK	+/- 6.0	+/- 27.8
NOK	+/- 20.8	+/- 8.6
EUR	+/- 0.1	+/- 0
USD	+/- 0.9	+/- 0.5
GBP	+/- 0.5	+/- 0.4
HKD	+/- 0	+/- 0
PLN	+/- 0	+/- 0

Translation exposure

Translation exposure is the risk that arises from translation of equity in foreign subsidiaries. Financial instruments are not used to hedge translation exposure.

Net foreign assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	Group			
Currency (SEK million)	2019	%	2018	%
DKK	8.8	7.5	2.9	2.9
NOK	46.4	40.0	47.0	46.5
EUR	60.8	52.4	51.2	50.7
Total	**116.0**	**100.0**	**101.1**	**100.0**

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

	Group	
Sensitivity analysis (SEK million)	2019	2018
DKK	+/- 0.4	+/- 0.1
NOK	+/- 2.3	+/- 2.3
EUR	+/- 3.0	+/- 2.6

Classification and categorization of financial assets and liabilities in the Group

Valuation at fair value includes a valuation hierarchy related to the data for said valuations. This valuation hierarchy is divided into three levels, which coincide with the levels introduced in IFRS 13 Fair Value Measurement.

The three levels consist of:
Level 1: Listed prices (unadjusted) on active markets for identical assets or liabilities which the company has access to at the time of valuation.
Level 2: Other data than the listed prices included in Level 1, which are directly or indirectly observable for the asset or liability. Level 2 can also include other data than observable listed prices of the asset or liability, such as interest rate levels, yield curves, volatility and multiples.
Level 3: Non-observable data for the asset or liability. At this level, assumptions that market participants would use when pricing the asset or liability must be considered, including risk assumptions.

Investments in securities refers to investments in treasury bills, which are valued at level 1. For other items, except for lending at level 2, the carrying amount approximates fair value, so these items are not divided into levels according to the valuation hierarchy. As both outstanding bond loans and loans from credit institutions (credit facilities) have floating interest rates, their carrying amounts are, in all material aspects, judged to correspond to fair value.

Note 21, continuing

2019 Group (SEK million)	Carrying amount Fair value through profit or loss	Carrying amount Financial assets not measured at fair value	Carrying amount Financial liabilities not measured at fair value	Carrying amount Total	Fair value Total
Accounts receivable		78.4		78.4	78.4
Net lending to the public		2,070.4		2,070.4	2,070.4
Current investments (level 2)	255.0			255.0	255.0
Other receivables		41.2		41.2	41.2
Accrued income		55.0		55.0	55.0
Cash and cash equivalents		553.9		553.9	553.9
Total financial assets	**255.0**	**2,798.9**	**-**	**3,053.8**	**3,053.8**
Accounts payable			316.3	316.3	316.3
Bond loan			100.0	100.0	100.0
Credit facilities			292.4	292.4	292.4
Deposits from the public			1,819.1	1,819.1	1,819.1
Lease liabilities			82.7	82.7	82.7
Other liabilities			190.5	190.5	190.5
Accrued expenses			317.7	317.7	317.7
Total financial liabilities	**-**	**-**	**3,118.7**	**3,118.7**	**3,118.7**

2019 Parent company (SEK million)	Carrying amount Fair value through profit or loss	Carrying amount Financial assets not measured at fair value	Carrying amount Financial liabilities not measured at fair value	Carrying amount Total	Fair value Total
Receivables from Group companies		5.8		5.8	5.8
Other receivables		3.0		3.0	3.0
Cash and cash equivalents		8.3		8.3	8.3
Total financial assets	**-**	**17.1**	**-**	**17.1**	**17.1**
Accounts payable			3.7	3.7	3.7
Bond loan			0.0	0.0	0.0
Loans to Group companies			50.2	50.2	50.2
Liabilities to Group companies			10.9	10.9	10.9
Other liabilities			0.4	0.4	0.4
Accrued expenses			6.7	6.7	6.7
Total financial liabilities	**-**	**-**	**71.9**	**71.9**	**71.9**

Note 21, continuing

2018 Group (SEK million)	Carrying amount Fair value through profit or loss	Loans receivable and accounts receivable	Other liabilities	Total	Fair value Total
Financial assets not measured at fair value					
Accounts receivable		54.9		54.9	54.9
Net lending to the public		1,492.9		1,492.9	1,492.9
Current investments (level 2)	172.1			172.1	172.1
Other receivables		82.0		82.0	82.0
Accrued income		37.4		37.4	37.4
Cash and cash equivalents		691.8		691.8	691.8
Total financial assets	**172.1**	**2,358.9**	**-**	**2,531.0**	**2,531.0**
Financial liabilities not measured at fair value					
Accounts payable			360.2	360.2	360.2
Bond loan			250.0	250.0	250.0
Credit facilities			457.9	457.9	457.9
Deposits from the public			966.3	966.3	966.3
Lease liabilities			2.6	2.6	2.6
Other liabilities			169.9	169.9	169.9
Accrued expenses			230.5	230.5	230.5
Total financial liabilities	**-**	**-**	**2,437.4**	**2,437.4**	**2,437.4**

2018 Parent company (SEK million)	Fair value Fair value through profit or loss	Loans receivable and accounts receivable	Other liabilities	Total	Fair value Total
Financial assets not measured at fair value					
Receivables from Group companies		14.4		14.4	14.4
Other receivables		1.7		1.7	1.7
Cash and cash equivalents		431.0		431.0	431.0
Total financial assets	**-**	**447.2**	**-**	**447.2**	**447.2**
Financial liabilities not measured at fair value					
Accounts payable			0.9	0.9	0.9
Bond loan			250.0	250.0	250.0
Loans to Group companies			30.0	30.0	30.0
Liabilities to Group companies			13.7	13.7	13.7
Other liabilities			1.6	1.6	1.6
Accrued expenses			4.6	4.6	4.6
Total financial liabilities	**-**	**-**	**300,8**	**300,8**	**300,8**

Note 21, continuing

Maturity structure of financial liabilities – undiscounted cash flows
Maturity of future contractual interest payments based on current interest rates and amortization.

	2019				
Group (SEK million)	Total	0–3 mo.	3 mo.–1 year	1–5 years	> 5 years
Accounts payable	316.3	316.3			
Bond loan	167.4	1.7	5.2	27.7	132.9
Utilized credit facilities[1]	292.4	292.4			
Unutilized credit facilities[2]	538.0	538.0			
Deposits from the public[3]	1,819.1	1,819.1			
Lease liabilities	82.7	11.1	18.0	50.0	3.6
Other liabilities	190.5	190.5			
Accrued expenses	317.7	317.7			
Total	**3 724.1**	**3 486.8**	**23.2**	**77.7**	**136.4**

	2019				
Parent company (SEK million)	Total	0–3 mo.	3 mo.–1 year	1–5 years	> 5 years
Accounts payable	3.7	3.7			
Loans to Group companies	50.2	50.2			
Liabilities to Group companies	10.9	10.9			
Other liabilities	0.4	0.4			
Accrued expenses	6.7	6.7			
Total	**71.9**	**71.9**	**-**	**-**	**-**

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

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

[1] Utilized credit facility is attributable to the subsidiary Qliro AB. Loans under the facility do not have a stipulated maturity. Loans under the facility are amortized continuously through customer payments and may be repaid in full within 0-3 months if Qliro so wishes. The subsidiary Qliro AB has a five-day notice of termination period for the contracted credit facility. The creditor has a 366-day notice of termination period.

[2] 2Unutilized credit facility is mainly attributable to unutilized financing in a secured procured credit facility for Qliro AB, a total of SEK 508 million.

[3] Deposits from the public have floating or fixed interest rates (12 months). The lenders are entitled to withdraw their money at any time.

Note 22 Leases

The effect of the transition to IFRS 16 on the Group's leases is described in the Accounting policies and valuation principles note. The method the Group has decided to apply for the transition to IFRS 16 means that the comparative information is not converted to reflect the new requirements.

Lessees
The Group's property, plant and equipment consist of both owned and leased assets.

	Group
Property, plant and equipment (SEK million)	2019
Property, plant and equipment that is owned	28.1
Right-of-use assets, not investment property	81.4
Total property, plant and equipment	**109.5**

The Group leases several types of asset, including premises, vehicles and IT equipment. No leases contain covenants or other restrictions apart from the security in the leased asset.

Note 22, continuing

Right-of-use asset

	Group				
Right-of-use asset (SEK million)	Premises	Vehicles	IT equipment	Other	Total
Amortization	-26.2	0.0	-1.5	-0.6	-28.3
Closing balance, December 31, 2019	80.4	0.4	0.0	0.5	81.4

Additions to right-of-use assets in 2019 amounted to SEK 6.9 million. This amount includes the cost of rights of use acquired during the year and additional amounts in connection with reviews of lease liabilities on account of changed payments following a change in the lease term.

Lease liabilities

	Group
Lease liabilities (SEK million)	2019
Current	29.1
Non-current	53.6
Lease liabilities included in the statement of financial position	**82.7**

The Group's total lease liabilities amount to SEK 82.7 million, of which SEK 9,4 million relates to prepaid lease payments recognized as current assets.

Amounts recognized in profit or loss

	Group
IFRS 16 (SEK million)	2019
Amortization of right-of-use assets	-28.3
Interest on lease liabilities	-2.4
Short-term lease expenses and/or low-value lease expense	-2.6

Note 23 Average number of employees

2019	Group Men	Group Women	Parent company Men	Parent company Women
Sweden	353	338	2	0
Total average no. of employees		**691**		**2**

2018	Group Men	Group Women	Parent company Men	Parent company Women
Sweden	356	332	2	0
Total average no. of employees		**688**		**2**

Distribution of men and women in executive management

2019	Group Men, %	Group Women, %	Parent company Men, %	Parent company Women, %
Board of Directors	77	23	67	33
CEO and other executives	67	33	100	0
Total	**72**	**28**	**84**	**17**

2018	Group Men, %	Group Women, %	Parent company Men, %	Parent company Women, %
Board of Directors	76	24	67	33
CEO and other executives	56	44	100	0
Total	**66**	**34**	**84**	**17**

Note 24 Salaries, other remuneration and social security contributions

Remuneration of senior executives

Guidelines for remuneration of senior executives were adopted at the AGM on May 7, 2019 as follows:

Remuneration guidelines

The Qliro Group should endeavor to offer total remuneration that will enable the Group to attract, develop and retain senior executives in competition with comparable international companies, which primarily are Nordic companies operating in e-commerce and retail with consumer brands and products, as well as Nordic credit market companies specializing in e-commerce payments, digital consumer financing, personal loans and savings accounts.

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

Remuneration of senior executives shall consist of:

- Fixed salary
- Short-term variable cash remuneration
- Opportunities to participate in long-term incentive plans
- Pension and other customary benefits.

Fixed salary

Senior executives' fixed salaries are revised each year. They should be competitive and based on the individual's competence, responsibilities and performance.

Variable remuneration

Senior executives' short-term variable remuneration paid in cash shall be based on performance in meeting established targets for their areas of responsibility and for Qliro Group and its subsidiaries. The outcome shall be linked to measurable targets (qualitative, quantitative, general and individual). The targets within the senior executives' respective areas of responsibility are intended to promote Qliro Group's performance both in the short and long term. The cash-based variable remuneration shall generally not exceed 100 per cent of the senior executive's fixed annual salary. The Board may resolve that part of senior executives' variable remuneration paid in cash should be invested in shares or share-related instruments in Qliro Group.

Long-term incentive programs should include a personal investment and be linked to certain predetermined value-creating and/or share- or share-price-related performance criteria and should be designed to ensure a long-term commitment to the value growth of Qliro Group and/or its subsidiaries. They should also align the interests and rewards of senior executives with those of the shareholders by principally paying the participants in shares.

Pension and other benefits

Pension commitments are secured through premiums paid to insurance companies. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties, for example company car, occupational health services and medical expense insurance.

Notice of termination and severance pay

The maximum notice period in senior executive contracts is generally 12 months, and in exceptional cases 18 months, during which time salaries will continue to be paid.

Remuneration of Board members

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

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

For senior executives who are subject to the remuneration rules for credit market companies, special remuneration rules apply pursuant to laws and regulations issued by the Swedish Financial Supervisory Authority. The boards of Qliro Group AB (publ) and Qliro AB have established a remuneration policy that covers all employees in each company, including the CEO and CFO of the parent company, Qliro Group AB (publ), and that is compatible with and promotes sound and efficient risk management and counteracts excessive risk taking. In addition to the guidelines set out above, the following guidelines will mainly be applied to remuneration of senior executives who are subject to the remuneration rules:

- Qliro Group AB (publ) and Qliro AB will conduct an analysis annually to identify employees whose duties have a significant impact on the company's risk profile based on several different criteria.
- The performance assessment shall, in the case of variable remuneration, be set in a multi-year framework to ensure that the assessment process is based on long-term, sustainable results and that the underlying business cycle and business risks are considered when paying performance-based remuneration.
- The variable remuneration shall be based on the employee's performance as well as the overall performance of both the business unit and the company. Both financial and non-financial criteria shall be considered when assessing the employee's performance.
- At least 40-60 percent of the variable remuneration shall be deferred at least three to five years before it is paid, or the right of ownership passes to the employee.
- Variable remuneration shall only be paid or passed to the employee if justifiable by the company's financial situation and motivated by the performance of the company, the business unit and the employee. The variable portion of the remuneration may be omitted for these reasons.

Deviations from the guidelines

Under special circumstances, the Board may deviate from the guidelines if it is deemed necessary. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-based remuneration

The 2019 long-term incentive plans

The 2019 AGM decided to adopt the following new long-term incentive plans:

(a) a long-term performance share plan (PSP 2019) for senior executives and other key individuals in the parent company, in the Group's central staff functions and in Qliro Group's subsidiaries CDON and Nelly with a structure similar to that of the long-term incentive plans adopted by the 2011-2018 AGMs; and

Note 24, continuing

(b) a synthetic call option plan (QOP 2019) for the CEO, management and key employees of Qliro AB to be based on the underlying value growth of Qliro AB. For various reasons, the Board decided not to launch QOP 2019.

PSP 2019

The performance share plan (PSP 2019) is intended for about 22 senior executives and other key Qliro Group employees. To participate in the PSP, participants are required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each Savings Share, Qliro Group will allot free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2019 – March 31, 2022 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2022.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention and performance-based rights can be exercised after publication of the interim report for the first quarter of 2022.

QOP 2019

The synthetic call option plan (QOP 2019) was intended to comprise the CEO, management and other key individuals working at Qliro AB a total of about 16 persons. To take part in QOP 2019, participants were to be required to acquire synthetic call options at market value. The market value of QFS was to be determined through a valuation performed by an independent institute in connection with the notification (Start Date) and at the end of the plan (End Date). Generally accepted valuation models were to be applied.

Participants would have acquired the synthetic call options at market value in connection with the QOP notification in 2019 (Start Date). The market value of the synthetic call options was to be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes). Synthetic call options were to be allocated by the Board of Directors, or the Remuneration Committee, in accordance with the principles approved by the AGM, based on the employee's competence, area of responsibility and investment category. The employees were expected to invest up to SEK 2.2 million in QOP 2019. Participants would have been able to acquire synthetic call options in an amount equivalent to between 3 and 14 percent of the total investment in QOP 2019.

Issue of synthetic call options was be through an agreement between Qliro Group and the employee, essentially on the following conditions:

- The synthetic call options were to be exercised three years after they were issued as well if Qliro Group sold its interest in Qliro AB by selling more than 50% of the shares or listing the company (End Date).
- One (1) synthetic call option would have given the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at the End Date corresponded to at least an average annual growth of 15 percent of the established value at the Start Date (exercise price).
- Payment of this amount to participants was to be made, in accordance with the terms of the synthetic call options, with some exceptions, by Qliro Group transferring its own ordinary shares to the participants, or, provided that Qliro AB had applied for admission for trading on a regulated market or trading platform before the End Date, in Qliro AB shares. The number of ordinary shares to be transferred to participants would have been based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after publication of Qliro Group's first interim report after the Start Date).
- The synthetic call options that could have been issued under QOP 2019 would have been freely transferable, but with some restrictions on the timing of the disposal of the synthetic call options. Qliro Group would also have been entitled to acquire the synthetic call options at the market value calculated in accordance with the Black-Scholes model.
- QOP 2019 would not have caused the number of shares in Qliro AB QFS to change.

QOP 2019 could not be launched for various reasons.

The 2018 long-term incentive plans

The 2018 AGM decided to adopt the following long-term incentive plans:

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

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

PSP 2018

The performance share plan (PSP 2018) is intended for about 24 senior executives and other key employees in the Qliro Group. To participate in the PSP, participants are required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each Savings Share, Qliro Group will allot free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2018 – March 31, 2021 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2021.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objec-

Note 24, continuing

tives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention-based and performance-based rights can be exercised after publication of the interim report for the first quarter of 2021.

QOP 2018

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

Participants would have acquired the synthetic call options at market value in connection with the QOP notification in 2018 (Start Date). The market value of the synthetic call options was to be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes). Synthetic call options were to be allocated by the Board of Directors, or the Remuneration Committee, in accordance with the principles approved by the AGM, based on the employee's competence, area of responsibility and investment category. The employees were expected to invest up to SEK 1.4 million in QOP 2018. Participants would have been able to acquire synthetic call options in an amount equivalent to between 7 and 14 percent of the total investment in QOP 2018.

Issue of synthetic call options was be through an agreement between Qliro Group and the employee, essentially on the following conditions:

- The synthetic call options would be exercised three years after they were issued as well as on divestment of Qliro AB by Qliro Group (End Date).
- One (1) synthetic call option would have given the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at the End Date was at least 152 percent of the established value at the Start Date (exercise price).
- Payment of this amount to participants was to be made, in accordance with the terms of the synthetic call options, with some exceptions, by Qliro Group transferring its own ordinary shares to the participants. The number of ordinary shares to be transferred to participants would have been based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after publication of Qliro Group's first interim report after the Start Date).
- The synthetic call options that could have been issued under QOP 2018 would have been freely transferable, but with some restrictions on the timing of the disposal of the synthetic call options. Qliro Group would also have been entitled to acquire the synthetic call options at the market value calculated in accordance with the Black-Scholes model.
- QOP 2018 would not have caused the number of shares in Qliro AB to change.

QOP 2018 could not be launched for various reasons.

The 2017 long-term incentive plans

The 2017 AGM decided to adopt the following long-term incentive plans:

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

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

PSP 2017

The performance share plan (PSP 2017) is intended for about 30 senior executives and other key employees in the Qliro Group. To participate in the PSP, participants are required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each Savings Share, Qliro Group will allot free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2017 – March 31, 2020 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2020.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention and performance-based rights can be exercised after publication of the interim report for the first quarter of 2020.

QOP 2017

The synthetic call option plan (QOP 2017) comprises management and other key persons working at Qliro AB, a total of about 15 persons. To take part in QOP 2017, participants are required to acquire synthetic call options at market value. The market value of Qliro AB is determined through a valuation performed by an independent institute in connection with the notification (Start Date) and at the end of the plan (End Date). Generally accepted valuation models shall be applied, and valuation shall be confirmed by Qliro Group's auditor.

Participants shall acquire the synthetic call options at market value in connection with the QOP notification in 2017 (Start Date). The market value of the synthetic call options shall be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes). Allocation of synthetic call options are made by the Board of Directors or the Remuneration Committee, in accordance with the principles approved by the AGM, and shall be based on the employee's competence, area of responsibility and investment category. Participants can acquire synthetic call

Note 24, continuing

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

- The synthetic call options may be exercised three years after they were issued as well as on divestment of Qliro AB by Qliro Group (End Date).
- One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at the End Date is at least 152 percent of the established value at the Start Date (exercise price).
- Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, with some exceptions, by Qliro Group transferring its own ordinary shares to the participants. The number of ordinary shares transferred to participants shall be based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after publication of Qliro Group's first interim report after the Start Date).
- The synthetic call options that can be issued under QOP 2017 shall be freely tradeable, but subject to the right for Qliro Group to acquire the synthetic call options at market value, calculated using the Black-Scholes model.
- QOP 2017 will not cause the number of shares in Qliro AB to change.

The 2016 long-term incentive plans

The 2016 AGM decided to adopt the following long-term incentive plans:

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

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

PSP 2016

The performance share plan (PSP 2016) is intended for about 60 senior executives and other key Qliro Group employees. To participate in the PSP, participants are required to make a personal investment in Qliro Group shares (Savings Shares). The savings shares can either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each Savings Share, Qliro Group will allot free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2016 – March 31, 2019 (Measurement Period), each right entitles the participant to receive one ordinary share in the company. The right to finally be awarded shares is also dependent on the participant retaining the Savings Shares, and, with certain exceptions, continuing his/her employment in Qliro Group during the vesting period ending at the release of the interim report for the period January-March 2019.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Qliro Group's ordinary shares during the Measurement Period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Qliro Group's ordinary shares during the Measurement Period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention and performance-based rights can be exercised after publication of the interim report for the first quarter of 2019.

QOP 2016

The synthetic call option plan (QOP 2016) comprises the CEO and other key individuals working at Qliro AB a total of about 15 persons. To take part in QOP 2016, participants are required to acquire synthetic call options at market value. The market value of Qliro AB is determined through a valuation performed by an independent institute in connection with the notification (Start Date) and at the end of the plan (End Date). Generally accepted valuation models shall be applied, and valuation shall be confirmed by Qliro Group's auditor.

Participants shall acquire the synthetic call options at market value in connection with the QOP notification in 2016 (Start Date). The market value of the synthetic call options shall be calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes).

Synthetic call options are allocated by the Board of Directors, or the Remuneration Committee, in accordance with the principles approved by the AGM, based on the employee's competence, area of responsibility and fixed annual salary (gross of tax) (Gross Salary). Participants can acquire synthetic call options equivalent to an amount not more than 4-18 percent of Gross Salary per person (depending on the participant's investment category in the QOP). Employees can invest a maximum of SEK 1.73 million in QOP 2016.

Issue of synthetic call options shall be through an agreement between Qliro Group and the employee, essentially on the following conditions:

- The synthetic call options may be exercised three years after they were issued as well as on divestment of Qliro AB by Qliro Group (End Date).
- One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at the End Date is at least 171 percent of the established value at the Start Date (exercise price).
- Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, with some exceptions, by Qliro Group transferring its own ordinary shares to the participants. The number of ordinary shares transferred to participants shall be based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading days beginning on the first trading day after publication of Qliro Group's first interim report after the Start Date).
- The synthetic call options that can be issued during the QOP shall be freely tradeable, but subject to the right for Qliro Group to acquire the synthetic call options at market value, calculated using the Black-Scholes model.
- The QOP will not cause the number of shares in Qliro AB to change.

Note 24, continuing

Cost effects of incentive plans

The PSPs are equity-regulated plans. The fair value at the allotment date is expensed over the vesting period. The cost of the plans is recognized in equity and as an operating expense. The cost is based on the fair value of Qliro Group AB shares at the allotment date and the number of shares that are expected to be earned. The cost of the plans in 2019 totaled SEK 4.0 (4.6) million, excluding social security contributions. When shares are allotted, social security contributions are paid for the value of benefits to the employee. During the vesting period, provisions are made for these estimated social security contributions.

The estimated fair value of services received in return for the employee options granted is based on the Black & Scholes valuation model. The expected volatility is based on historic values. Adjustments are also made in the plans for actual employee turnover during the period. For the retention-based plans, the probability that the targets will be achieved is considered by using adjustment factors for the various targets when the cost is calculated.

Synthetic call options in the QOP plans are transferred to the participants at market prices, so no upfront costs arise for Qliro Group. Future expenses or income for Qliro Group attributable to synthetic call options issued under the QOP depend on value developments in Qliro AB.

QOP 2017

Future expenses or income for Qliro Group attributable to synthetic call options issued under QOP 2017 depend on value developments in Qliro AB. If the value of Qliro AB at the End Date is less than 152 percent of the value at the Start Date, the synthetic call options are worthless and paid premiums will become revenue for Qliro Group. If the value of Qliro AB at the End Date exceeds 152 percent of the value at the Start Date, the synthetic call options have a value. The total value of issued synthetic call options at the End Date cannot exceed about 2.0 percent of the difference between the established value for Qliro AB at the End Date and 152 percent of the value at the Start Date, however, the total gain (for participants in QOP 2017) is limited to a value of Qliro AB at the End Date that is five times higher than the value at the Start Date.

Qliro Group's total cost will consist of the administrative expense of hedging arrangements to deliver Qliro Group ordinary shares at a value corresponding to the difference between the established value of Qliro AB at the End Date and 152 percent of the value at the Start Date, less the option premium that the participants have paid. Any adjustment to the holders will occur in 2020, or when Qliro Group divests Qliro AB. The maximum dilution of outstanding shares and votes in Qliro Group due to QOP 2017 amounts to no more than 1 percent.

QOP 2016

Future expenses or income for Qliro Group attributable to synthetic call options issued under QOP 2016 depend on value developments in Qliro AB. If the value of Qliro AB at the End Date is less than 171 percent of the value at the Start Date, the synthetic call options are worthless and paid premiums will become revenue for Qliro Group. If the value of Qliro AB at the End Date exceeds 171 percent of the value at the Start Date, the synthetic call options have a value. The total value of issued synthetic call options at the End Date cannot exceed about 2.7 percent of the difference between the established value for Qliro AB at the End Date and 171 percent of the value at the End Date, however, the profit is limited to a value of Qliro AB at the End Date that is ten times higher than the value at the Start Date.

Qliro Group's total cost will consist of the administrative expense of hedging arrangements to deliver Qliro Group ordinary shares at a value corresponding to the difference between the established value of Qliro AB at the End Date and 171 percent of the value at the Start Date, less the option premium that the participants have paid. Any adjustment to the holders will occur in 2019, or when Qliro Group divests Qliro AB. The maximum dilution of shares and votes in Qliro Group due to QOP 2016 amounts to no more than 2 percent.

Employee benefit expenses (SEK million)	Group		Parent company	
	2019	2018	**2019**	2018
Salaries	315.1	326.7	11.9	13.9
Social security contributions	110.0	113.6	3.8	8.2
Pension expenses – defined contribution plans	33.7	30.7	1.6	1.6
Expenses for share-based remuneration	4.0	4.6	4.0	4.6
Social security contributions on share-based remuneration	-0.6	-0.8	-0.6	-0.8
Total	**462.2**	**474.8**	**20.7**	**27.6**

The cost for share-based remuneration in 2019 totaled SEK 4.0 (4.6) million, excluding social security contributions. In addition to this SEK 4.0 million in employee benefit expenses for the performance share plan (PSP), equity is charged with SEK 1.3 million relating to the outcome of the synthetic call option plan (QOP) in 2016.

Basic salary and variable remuneration (SEK million)	Group	
	2019	2018
CEO and senior executives, 5 persons (5)	18.3	19.5
Of which variable salary	*0.6*	*2.3*

Note 24, continuing

Remuneration and other benefits Group (SEK million)	Basic salary	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
	2019					
Marcus Lindqvist, CEO	5.3	0.0	0.1	1.0	1.3	7.6
Senior executives, 4 persons	12.4	0.6	0.2	2.6	1.2	16.8
Totalt	**17.7**	**0.6**	**0.3**	**3.6**	**2.5**	**24.4**

The amounts recognized for 2019 are for the full year. Variable remuneration for 2019 paid out in 2019 to the CEO: SEK 0.0 (0.8) million. Remuneration for 2019 paid out in 2020 to other senior executives: SEK 0.6 (1.5) million.

Remuneration and other benefits Group (SEK million)	Basic salary	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
	2018					
Marcus Lindqvist, CEO	4.4	0.8	0.1	1.0	1.4	7.6
Senior executives, 5 persons	12.9	1.5	0.0	2.5	0.9	17.8
Total	**17.2**	**2.3**	**0.1**	**3.6**	**2.3**	**25.4**

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

Payroll expenses and other remuneration Parent company (SEK million)	Parent company	
	2019	2018
Board and senior executives, 8 (9) persons	16.0	15.5
Of which variable salary	*-*	*1.4*
Other employees	1.5	4.6
Total salaries and other remuneration	**17.5**	**20.1**

Remuneration and other benefits Group and parent company (SEK million)	Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
	2019						
Christoffer Häggblom, Chairman of the Board	0.7	0.2					0.9
Erika Söderberg Johnson	0.6	-					0.6
Daniel Mytnik	0.5	-					0.5
Jessica Pedroni Thorell	0.4	0.1					0.5
Lennart Jacobsen	0.4	0.5					0.9
Andreas Bernström	0.3	0.3					0.6
Remuneration from parent company							
Marcus Lindqvist, CEO	5.3		-	0.1	1.0	1.3	7.6
Other senior executives (4 persons)							
Remuneration from parent company	3.5		-	0.1	0.6	0.9	5.0
Remuneration from subsidiaries	8.8		0.6	0.1	2.0	0.4	11.8
Total	**20.7**	**1.0**	**0.6**	**0.3**	**3.6**	**2.5**	**28.4**

The amounts recognized for 2019 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.0 (0.0) million for the CEO and SEK 0.6 (0.9) million for other senior executives. The Board will receive its full remuneration from the parent company.

Notice of termination of the CEO is maximum 12 months when terminated by the company and 9 months when terminated by the employee. The CEO is not entitled to severance pay.

Note 24, continuing

Remuneration and other benefits Group and parent company (SEK million)	2018 Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
Christoffer Häggblom, Chairman of the Board	0.7						0.7
Erika Söderberg Johnson	0.5						0.5
Daniel Mytnik	0.5						0.5
Jessica Pedroni Thorell	0.4						0.4
Lennart Jacobsen	0.3	0.3					0.7
Andreas Bernström	0.3	0.1					0.4
Remuneration from parent company							
Marcus Lindqvist, CEO	4.4		0.8	0.1	1.0	1.4	7.7
Other senior executives (4 persons)							
Remuneration from parent company	3.1		0.6	0.0	0.6	0.9	5.1
Remuneration from subsidiaries	9.8		0.9	0.0	1.9	0.1	12.7
Total	**20.0**	**0.5**	**2.3**	**0.1**	**3.6**	**2.3**	**28.7**

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

Notice of termination of the CEO is maximum 12 months when terminated by the company and 9 months when terminated by the employee. The CEO is not entitled to severance pay.

Share-based remuneration

Granted rights and options	President and CEO	Senior executives	Key employees	Total
Long-term incentive plan, 2016	0	0	0	0
Long-term incentive plan, 2017	0	114,000	169,650	283,650
Long-term incentive plan, 2018	180,594	162,409	159,999	503,002
Long-term incentive plan, 2019	250,000	335,000	462,182	1,047,182
Total outstanding as at December 31, 2019	**430,594**	**611,409**	**791,831**	**1,833,834**

In addition to the above, there are 660,000 synthetic options issued. Their value is based on the change in value of Qliro AB and will be settled with ordinary shares in the parent company. Against this background, there is potential dilution related to the number of shares required to settle the liability to the employees.

Note 24, continuing

	2019		2018	
	No. of rights and options	Weighted redemption price	No. of rights and options	Weighted redemption price
Outstanding rights and options as at January 1	1,714,549	-	4,000,125	-
Rights and options issued during the year	1,312,422	-	685,884	-
Rights and options forfeited and redeemed during the year[1]	-1,193,137	-	-2,971,460	-
Total outstanding as at December 31	**1,833,834**	**-**	**1,714,549**	**-**

[1] PSP 2016 was closed at the end of April/May 2019. Only performance condition A (TSR > 0% during the measurement period) was met. Therefore, the remaining 11 PSP 2016 participants were entitled (based on their Class A share rights) to receive a total of 84,345 Qliro Group shares from Qliro Group. The shares were delivered to the participants in mid-May 2019. Some participants chose to receive the shares net, i.e. Qliro Group AB paid income tax for them. Some participants chose gross delivery. The net number of QG shares delivered to the participants was 77,633. As performance condition B was not met, all 506,070 Class B share rights held by the remaining 11 PSP 2016 participants lapsed.

Specification of long-term incentive plan	Number of rights and options	Number of participants	Maximum redemption price	Redemption period	No. of rights and options at January 1	Forfeited during the year	Redeemed during the year	Outstanding rights and options at December 31
Total allocation 2016 [1]								
2016	2,614,931	33	29,5–41,0[2]	2019	590,415	-506,070	-84,345	-
Total allocation 2017 [1]								
2017	1,872,544	23	45,0[3]	2020	438,250	-154,600	-	283,650
Total allocation 2018 [1]								
2018	685,884	14	53,0[4]	2021	685,884	-182,882	-	503,002
Total allocation 2019 [1]								
2019	1,312,422	16	42,9[5]	2022	1,312,422	-265,240	-	1,047,182
Total	**6,485,781**				**3,026,971**	**-1,108,792**		**1,833,834**

[1] Refers only to the performance share plan (PSP).
[2] Maximum redemption price is governed by “participant” category.
[3] Except for three participants with a maximum redemption price of SEK 17.80.
[4] Except for two participants with a maximum redemption price of SEK 30.26 and SEK 30.60.
[5] Except for three participants with a maximum redemption price of SEK 21.00, SEK 22.04 and SEK 22.11.

The long-term incentive plan adopted at the 2016 AGM was wrapped up in the second quarter of 2019. Performance condition A (TSR > 0% during the measurement period) was met, which entitled the PSP 2016 participants to receive a total of 84,345 Qliro Group shares from Qliro Group. As performance condition B was not met, all 506,070 Class B share rights held by the remaining 11 PSP 2016 participants lapsed.

	Group		Parent company	
Employee benefit expenses (SEK million)	2019	2018	2019	2018
Granted rights and options 2015	-	0.1	-	0.1
Granted rights and options 2016	0.8	1.8	0.8	1.8
Granted rights and options 2017	1.3	2.0	1.3	2.0
Granted rights and options 2018	0.8	0.7	0.8	0.7
Granted rights and options 2019	1.1	-	1.1	-
Total expense recognized as employee benefit expenses	**4.0**	**4.6**	**4.0**	**4.6**

The cost of the plans in 2019 totaled SEK 4.0 (4.6) million, excluding social security contributions. In addition to this SEK 4.0 million in employee benefit expenses for the performance share plan (PSP), equity is charged with SEK 1.3 million relating to the outcome of the synthetic call option plan (QOP) in 2016.

Note 25 Fees and compensation to auditors

	Group		Parent company	
(SEK million)	2019	2018	2019	2018
KPMG				
Audit engagements	3.5	3.0	0.7	0.7
Audit-related services	0.1	0.3	0.0	0.1
Tax consulting	0.2	0.3	-	-
Other services	5.3	0.1	5.3	0.0
Total	**9.2**	**3.7**	**6.0**	**0.8**

Audit engagements refer to statutory audits of the annual accounts and accounting records and the administration of the Board and CEO, as well as other audits and reviews conducted in accordance with agreements or contracts.

This includes other duties that are incumbent on the company's auditor as well as the provision of advice or other assistance resulting from observations in connection with such reviews or the performance of such other duties.

Note 26 Supplementary disclosures regarding the statements of cash flows

Items in profit for the year that do not generate cash flow from operations.

	Group		Parent company	
(SEK million)	2019	2018	2019	2018
Gain/loss on divestment of operations	-	-	-	-141,4
Loss on sale of non-current assets	-	1.0	-	-
Gain on sale of shares in subsidiaries	-	-140.6	-	-
Dividend from subsidiaries	-	-	-	-100.0
Depreciation, amortization and impairment of non-current assets	99.0	71.2	0.4	0.7
Amortization of leases	28.4	-	-	-
Change in other provisions	-0.9	-1.5	-0.9	-
Incentive plan	2.7	-2.5	2.7	-1.5
Interest expenses and income	-3.5	2.1	-1.2	-2.5
Unrealized exchange differences	2.3	2.8	-	0.0
Other items	5.7	-25.4	6.0	3.5
Total	**133.6**	**-93.1**	**6.9**	**-241.3**
Other supplementary disclosures[1)]				
Interest received during the financial year	0.2	0.1	-	-
Interest paid during the financial year	-8.3	-16.9	-8.0	-0.3
Total	**-8.1**	**-16.7**	**-8.0**	**-0.3**

[1)] Includes only interest received and paid attributable to e-commerce operations.

Note 27 Transactions with related parties

Group

Related parties	
Kinnevik AB (Kinnevik)	Kinnevik holds shares in Qliro Group AB.

Parties related to Kinnevik:

Tele2 AB (Tele2)	Kinnevik holds a significant number of shares in Tele2.

All transactions between related parties are based on market-based conditions and negotiations are completed on an arm's-length basis.

Related party transactions

The Group purchases telecom and data communication services from Tele2. During the year, purchases totaled SEK 4.1 (5.3) million.

Transactions with parties related to Kinnevik

The Group purchases telecom and data communication services from Tele2.

Parent company

The parent company has related party relationships with its subsidiaries (see Note 12).

Summary of related party transactions (SEK million)	Year	Sale of goods/ services to related parties	Purchase of goods/services from related parties	Other (e.g. interest, dividend)	Claims on related parties at December 31	Liability to related parties at December 31
Subsidiaries	2019	7.4	-	-10.7	5.8	61.1
Subsidiaries	2018	17.4	-	17.3	14.4	43.7

Note 28 Significant events after the end of the financial year

On January 2, it was announced that Kristina Lukes will become the new CEO of Nelly. Kristina has extensive international experience in development and change management for fast-moving consumer goods. Most recently she worked for Paulig. Kristina is expected to start in her new position in April.

On February 3, it was announced that Nelly would focus its operations on the Nordics, take steps to reduce inventories and eliminate about 25 positions in the administrative organization to have the right foundation for profitable growth.

On February 4, it was announced that the board's plan was to unbundle Qliro Group during the first half of the year in accordance with the previously announced plan. The plan was to list Qliro AB on Nasdaq's main list. A process was also being initiated to distribute shares in CDON to Qliro Group's shareholders and admit the company's shares for trading on the First North exchange. In this plan Nelly will remain in the Group. It was also announced that Marcus Lindqvist, CEO of Qliro Group since 2016, has thereby fulfilled his mandate and will leave his position when the unbundling takes place.

On February 4, new financial targets for Qliro AB were announced prior to the planned listing. Financial developments for all three subsidiaries in 2020 were also commented on.

Qliro Group held an Extraordinary General Meeting on March 6. It resolved that the Group would change its name from Qliro Group to Nelly Group and that a share warrant program will be introduced in the subsidiary Qliro AB given that Qliro AB becomes listed.

On March 20, Qliro Group commented on the effects of the Corona virus during the first quarter 2020 and postponed the listing of its subsidiary Qliro AB. Qliro Group's total sales had until this date not been neatively affected by the outbreak of Covid-19. CDON had seen an increased demand and Nelly's sales in the Nordic contries were higher than tyhe same period last year, but lower outside the Nordic region in line with previous communication to focus on the Nordics. The fashion market was characterized by a high level of campaign activity, which negatively affected Nelly's margins. Qliro AB developed in accordance with plan. The company was positively affected by changed capital requirements. However, a generally weaker economy was expected lead to provisions for future expected credit losses in accordance with IFRS9 regulations. In the market situation, the board postponed the new share issue and listing of Qliro AB. The process to distribute CDON to Qliro Group's shareholders and list the company on First North continues. The board remained dedicated to complete the split up of the group, but the process might be delayed.

Note 29 Operating expenses by cost type

	Koncernen	
(SEK million)	2019	2018
Cost of goods sold	-1,571.9	-1,895.9
Distribution and warehousing costs	-459.5	-320.0
Employee benefit expenses	-454.1	-462.4
Amortization	-127.3	-71.2
Other expenses	-422.3	-560.8
Total expenses	**-3,035.1**	**-3,310.3**

Note 30 Earnings per share

	Group	
(SEK)	2019	2018
Basic and diluted earnings per share (excluding discontinued operations)	-0.74	-0.91
Basic and diluted earnings per share (including discontinued operations)	-0.74	0.02

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

Basic and diluted earnings per share (excluding discontinued operations)	2019	2018
Profit/loss for the year attributable to parent company shareholders (SEK million)	-110.2	-136.0
Average number of shares	149,774,779	149,269,779
Basic earnings per share (excluding discontinued operations), SEK	**-0.74**	**-0.91**

Basic and diluted earnings per share (including discontinued operations)	2019	2018
Profit/loss for the year attributable to parent company shareholders (SEK million)	-110.2	2.6
Average number of shares	149,774,779	149,269,779
Basic and diluted earnings per share (including discontinued operations), SEK	**-0.74**	**0.02**

The parent company's custodial Class C shares attributable to the Group incentive plan (see Note 24) may generate potential dilution in the future. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2019 or 2018.

The Board's attestation

The Board of Directors and Chief Executive Officer certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards which are defined in regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts provide a true and fair view of the financial position and financial performance of the Parent Company and the Group. The Directors' Report for the Group and parent company present a fair summary of the Group and parent company's activities, position, and results, and describes significant risks and uncertainty factors faced by the parent company and Group companies.

Stockholm, April 6, 2020

Christoffer Häggblom
Chairman of the Board

Marcus Lindqvist
CEO

Daniel Mytnik
Board member

Lennart Jacobsen
Board member

Andreas Bernström
Board member

Erika Söderberg Johnson
Board member

Jessica Pedroni Thorell
Board member

Our audit report was submitted on April 7, 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant

The annual accounts and consolidated financial statements were, as stated above, approved for publication by the Board and CEO on April 6, 2020.

Auditor's report

To the Annual General Meeting of Qliro Group AB (publ), corporate identity no. 556035-6940

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Qliro Group AB (publ) for the year 2019, except for the corporate governance statement on pages 33-42 and the sustainability report on pages 12-22.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33-42 and sustainability report on pages 12-22. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters

Deferred tax assets related to tax losses carried-forward

See disclosure 9 and accounting principles on pages 57-61 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At December 31, 2018, the group accounted for a deferred tax asset of SEK 111 million related to tax losses carried-forward.The same amount for the parent company equaled SEK 94,7 million. The measurement of such assets is based on estimates regarding the size and timing of future taxable profits.

The forecasts of future profits require assessment of future market conditions as well as interpretation of tax regulations. The carrying value of deferred tax assets may differ significantly if other assumptions are used in the forecast of future profits and the possibility to offset taxable profits to the tax losses carried forward.

Response in the audit

We have tested and assessed the applied principles and the integrity of the group's model for forecasting future profits. We have also evaluated the reasonableness of the group's assessment of future profits and compared key assumptions used in the calculation to business plans as well as considered the group's historic ability to prepare accurate forecasts.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 1-22 and 99-101.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Qliro Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for our opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 33-42 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 12-22, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Qliro Group AB (publ) by the general meeting of the shareholders on the 7 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm, April 7, 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant

GRI Index

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	102-49	Changes in reporting	12
	102-50	Reporting period	Financial year 2019.
	102-51	Date of most recent report	5 April 2019
	102-52	Reporting cycle	Annual reporting.
	102-53	Contact point for questions regarding the report	Head of Investor Relations, Niclas Lilja
	102-54	Claims of reporting in accordance with the GRI Standards	GRI Standards, Core option.
	102-55	GRI content index	This index.
	102-56	External assurance	The sustainability report has not been externally assured by a third party. The auditors opinion regarding the statutory sustainability report can be found on page 22.

GRI standard	Disclosure	Description	Page reference/comment
GRI 200 Economic Standard Series	**ANTI-CORRUPTION**		
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	405-1	Diversity of governance bodies and employees	19–20
	CUSTOMER PRIVACY		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	22

Definitions

Return on equity, %
Return on equity is calculated as net income for the period divided by average equity for the same period, as a percentage.

Return on capital employed, %
Return on capital employed is calculated as operating profit for the period divided by average capital employed for the same period, as a percentage. Capital employed is calculated as the average of total non-current assets and working capital less provisions.

Equity per share
Equity attributable to parent company shareholders divided by the number of shares at the end of the period.

Net cash flow from operations
Cash flow from operating activities is calculated as operating income before depreciation, amortization and other non-cash items, plus/minus changes in working capital.

Net debt/Net cash
Net debt equals total interest-bearing liabilities, less interest-bearing current and non-current assets and cash and cash equivalents.

Earnings per share
Earnings for the year attributable to the parent company's shareholders divided by average number of shares for the period.

Working capital
Working capital equals the total of inventory and current receivables, less accounts payable and other current liabilities.

Operating margin, %
Operating margin is operating profit as a percentage of net sales.

EBT
Earnings before tax.

Equity/assets ratio
The equity/assets ratio equals equity including non-controlling interests, expressed as a percentage of total assets.

Investments/Net sales
Investments in property, plant and equipment divided by net sales for the period.

Number of active customers
Number of customers who made at least one purchase in the last 12 months.

Number of visits
Gross number of visits to the Group's online stores.

Average shopping basket
(Online sales + shipping revenue)/number of orders placed.

Business volume – Qliro
Gross loans granted during the period.

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