

Annual report 2021

CDON

Means a great deal

Directors' report

Business overview

CDON AB (publ) (corporate identity no. 556406-1702) is the leading online marketplace in the Nordic region. On CDON.com more than 1,500 external merchants sell their products to over 2 million Nordic consumers. Customers can choose to buy and compare prices for millions of products in what is by far the widest range of all Nordic e-merchants.

As more and more consumers benefit from the growing number of offers in the marketplace, we become more attractive to new merchants, who want to become affiliated with us, which leads to even more consumers. We are developing the CDON platform for and with our merchants, which will give them access to technical solutions in areas such as pricing, product enrichment, integration with other service providers, reporting and analysis.

With over 20 years of experience in e-commerce and technical innovation, and the determination to improve all aspects of e-commerce for Nordic consumers and merchants, CDON has a key role to play in the change that is happening. Our ambition is to continue to expand our network of Nordic and non-Nordic merchants and partners so that our consumers can purchase products with the same security and convenience as from local retailers.

Development of the company's operations, earnings and position

GROUP

Financial overview	2021	2020	2019	2018
Net sales, SEK million	542	797	1,112	1,561
Profit/loss after financial items, SEK million	-63	-6	-2	-36
Total assets, SEK million	381	299	503	537
Average number of full-time employees	124	129	143	161
Equity/assets ratio, %	52.4	20	29.7	28.1

PARENT

Financial overview	2021	2020	2019	2018
Net sales, SEK million	542	797	1,112	1,561
Profit/loss after financial items, SEK million	-62	-6	-2	-35
Total assets, SEK million	368	296	503	537
Average number of full-time employees	124	129	143	161
Equity/assets ratio, %	51.1	19.9	29.7	28.1

Comments on financial performance

The switch to a marketplace means that net sales decreased by 32% to SEK 542.2 (797.6) million for the Group and the parent.

The decline in net sales was related to CDON Retail, which phased out more categories in favor of external merchants on the marketplace.

The gross margin for the Group and the parent increased by 10.5 percentage points to 41.9% (31.4) for the year. The increase is due to the growing shift in business model from retail to marketplace.

Operating profit for the Group was SEK -62.4 (-6.5) million and for the parent SEK -62.1 (-6.0) million. Adjusted operating profit for the Group was SEK -42.4 (3.6) million and for the parent SEK -42.1 (4.1) million. The difference for 2021 is due to an item affecting comparability for impairment of a receivable from a merchant. The previous year's difference was due to listing expenses and expenses attributable to incentive plans.

Cash flow from operations after changes in working capital amounted to SEK -105.4 (32.3) million for the Group and SEK -105.1 (29.6) for the parent. The closing inventory in the Group and parent decreased by SEK 5.9 million to SEK 19.3 (25.2) million during the year as a consequence of the shift to the marketplace model.

Cash flow from investing activities for the year amounted to SEK -52.9 (-22.8) million for the Group and SEK -55.6 (-22.8) million for the parent. CDON acquired two subsidiaries and one associate during the year, with a total impact on liquidity for the Group of SEK -31.3 million and for the parent of SEK -34 million.

Cash flow from financing activities for the year was SEK 188.4 (-34.4) million. The company held a private placement amounting to approximately SEK 200 million before transaction costs during the year.

CDON AB's financial statements are presented in Swedish kronor as this is the company's reporting currency.

The annual report is presented in SEK millions and there may, therefore, be rounding differences in the totals.

Directors' report,
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Ownership

- Rite Ventures 24,41%
- ADW Capital Management, LLC 22.7%
- Others 52.89%

Significant events in the 2021 financial year

Private placement

On August 31, 2021, a private placement was held for SEK 200 million, equivalent to a discount of 7% on the closing price on Nasdaq First North Growth Market. The private placement injected approximately SEK 200 million of capital into CDON before issue expenses. The private placement meant that the number of shares in CDON increased by 440,000, from 6,004,327 to 6,444,327. The share capital increased by SEK 440 000, from SEK 6,004,327 to SEK 6,444,327.

Acquisition of 30% of Shopit Online Europe AB

On July 5, 2021, 30% of the shares in Shopit Online Europe AB were acquired for a cash price of SEK 26.6 million. In connection with the transaction, CDON received an option to acquire the remaining 70% within 18 months at a predetermined price. In connection with the transaction, a commercial agreement was made with the aim of accelerating the development of CDON's product data quality one or two years in the future to help increase the rate of improvement of the purchasing experience for CDON's customers. Since October, CDON has been working on the first parts of the partnership, and more elements will fall into place in 2022.

Acquisition of Xales Tech Lab Oy and Commerce8 Oy

On December 29, 2021, CDON acquired 56% of Xales Tech Lab Oy and 71.7% of Commerce8 Oy.

Xales Tech Lab Oy

CDON acquired existing shares in Xales for approximately EUR 0.40 million, of which EUR 0.10 million was paid in cash and approximately EUR 0.30 million was paid in CDON shares. CDON also invested EUR 0.30 million in cash in a private placement for new shares in Xales. CDON's total investment amounts to approximately EUR 0.70 million. CDON has been granted a call option to acquire the remaining shares from the sellers (who remain as minority shareholders) at a predetermined price.

The private placement entails dilution of approximately 0.10% based on the total number of shares in CDON after the private placement.

Commerce 8 Oy

CDON acquired 71.7% of the shares issued in Commerce8. The purchase price for the shares in Commerce8 consists of a cash payment of approximately EUR 0.18 million and an additional conditional deferred payment component linked to Commerce8's EBIT for the 2022 and 2023 financial years. CDON has been granted a call option to acquire the remaining shares from two remaining minority shareholders at a predetermined EBIT-linked multiple within 3.5 years.

Problems with supplies from one merchant

In autumn 2021, problems arose with supplies from one merchant. The resulting expense had an impact of SEK 20 million on earnings in the 2021 financial year. After this event, CDON enhanced its credit rating checks on merchants and took other measures to reduce the risk of exposure to expenses related to merchants' inability to perform their obligations in the future.

Changes in the management team and Board

On March 5, 2021, CDON announced that its CEO at the time, Kristoffer Väliharju, had stepped down as CEO temporarily on account of illness, that Marcus Lindqvist, who had been Chairman of the Board since 2016, had left the Board and had been appointed acting CEO of CDON, and that the Board member Josephine Salenstedt, who is a partner at the principal owner Rite Ventures, had been appointed the new Chairman of the Board until the next Annual General Meeting.

On April 20, 2021, CDON announced that the company's ordinary CEO, Kristoffer Väliharju, would resume his post on May 1, 2021, replacing the acting CEO, Marcus Lindqvist. On May 10, 2021, CDON announced that Kristoffer Väliharju would cease to be CEO of CDON.

On May 26, 2021, CDON announced that Eldar Terzic would join the management team of the company.

CDON's Annual General Meeting, which was held on June 7, 2021, resolved to re-elect the Board members Josephine Salenstedt, Christoffer Häggblom, Kristina Lukes and Niklas Woxlin and to elect the new Board members Georg Westin and Savneet Singh for the period until the end of the next Annual General Meeting. Josephine Salenstedt was elected Chairman of the Board at the Annual General Meeting.

On June 10, 2021, CDON announced that the company's Chief Technology Officer (CTO) at the time, Peter Rosenfors, had resigned and that Eldar Terzic would assume the role of Chief Product and Technology Officer (CPTO) and join the management team on July 21, 2021.

On July 1, 2021, CDON announced that Allan Junge-Jensen had been appointed acting CEO of CDON as from July 26, 2021 (and that Allan would replace Kristoffer Väliharju, who would leave his full-time position on July 26).

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On July 26, 2021, CDON announced that the company's CFO, Niclas Szieger, had decided to leave his position at CDON. On September 22, 2021, CDON announced that Stefan Egerstad had been appointed interim CFO of CDON as from November 1, 2021 (and that he would replace Niclas Szieger, who would leave his position on November 1).

On October 20, 2021, Peter Kjellberg was appointed new CEO, starting on January 1, 2022.

Continued development of consumer and merchant offers

CDON regularly launches new services for consumers and merchants to improve the consumer experience and increase sales to merchants. In the last quarter of 2020, CDON launched a new technical platform developed in house, which was developed further during 2021. It has improved relevance and new functions and will be subject to further development. For example, consumers are now able to monitor products that are out of stock, post and read reviews and benefit from improved product recommendations, etc.

CDON has focused on product categorization with the goal being to have all products correctly categorized, as well as all new products validated and automatically categorized during the import process. Most products have also been enriched with a CDON-unique identifier which enables further development and improvement of functionality. This, along with the enrichment of product data attributes, leads to improved filtering possibilities and thus an improved customer experience.

CDON has also updated CDON Connect, which is the merchants' tool for driving sales on CDON. CDON Connect contains several smart functions. To be able to make more data-driven decisions, merchants can follow sales dynamics in real time, optimize product pages, extract sales reports, and much more. Merchants can also easily upload products manually by using a drag and drop functionality, via automatic import or by integrating other IT systems. Merchants can manage all their customer orders via CDON Connect and buy advertising and relevant exposure of products on the site via search words.

CDON implemented a new loyalty program for consumers during the year. At the year-end, there were twice as many members of the program as there were of the program that existed one year earlier.

Significant events after the end of the 2021 financial year**Changes in the management team and Board**

On January 1, 2022, Peter Kjellberg took up his post as the new CEO of CDON. Peter Kjellberg has experience from a number of listed companies, including Dometic and Thule, where he held various senior commercial positions, was behind many of their successful transformations and expansions and helped build up strong global brands with strong, profitable growth.

On January 31, 2022, CDON announced that Magnus Nanne had been appointed Chief People Officer (CPO) and would take up his position on the same day as part of the management team. Magnus is responsible for development of human resources and CDON as a workplace.

On February 1, 2022, CDON announced that Thomas Pehrsson had been appointed new (permanent) Chief Financial Officer (CFO) of CDON and that Thomas would take up his position on March 7. Thomas has an extensive background in finance and more than 20 years of experience of financial management. He was most recently CFO of the Nordic subsidiary of the Tunstall Health Group, a global digital healthcare technology company. Previous experience includes BorgWarner, Capgemini, The Coca-Cola Company and ABB.

On February 8, 2022, CDON announced that Madeilene Södär had been appointed Chief Customer Officer (CCO) of CDON and would take up her position on April 2. Madeilene will be part of the management team and be responsible for the further development of the customer experience and marketing.

Effect of the war in Ukraine

The future effects of the war in Ukraine are difficult to predict, which has increased the uncertainty of the outlook.

The company's shares

Since November 6, 2020, CDON's shares have been listed on Nasdaq First North, with FNCA Sweden AB as Certified Adviser. The shares have ISIN code SE0015191911 and the ticker CDON.

Two new share issues were decided on during the year, a private placement of 440,000 shares and a private placement of 6,156 shares in connection with the acquisition of subsidiaries. The shares issued in connection with the acquisition were issued in early 2022.

13,336 shares were issued at the start of the financial year following a 2020 decision on the 2020 Owner Program.

As of December 31, CDON had 6,444,327 issued shares. All were ordinary shares. The share capital totaled 6,444,327 SEK.

Earnings per share amounted to SEK -10.18 (-3.95).

Employees

At the year-end, CDON AB had an average number of 124 (129) full-time employees. All employees work from the company's office in Malmö.

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Directors' report,
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Sustainability report

CDON has chosen to prepare the sustainability report as a separate report from the annual report. The sustainability report was submitted to the auditor at the same time as the annual report. The sustainability report is available at investors.cdon.com.

Outlook

Nordic e-commerce grew in 2021, driven in part by Covid-19. Despite this, total e-commerce penetration in Retail remains low compared with other European markets. The share of e-commerce is expected to increase in the coming years, contributing to strong e-commerce growth.

CDON is the leading local digital marketplace in the Nordic region. The vision is to simplify digital commerce for our Nordic customers and merchants. CDON's business model with a continuously growing range and offering means that we have an attractive position in the market. With more and more consumers keen to take advantage of the growing number of marketplace offers, we are more attractive to new merchants, who want to become affiliated with us, which leads to even more consumers wanting to shop on CDON.

It is CDON's goal for the gross merchandise value for CDON Marketplace (3P) to grow faster than the overall e-commerce market.

Appropriation of profit

SEK

Share premium reserve	191,027,767
Retained earnings	-2,921,299
Profit/loss for the year	-62,324,650
Total	125,781,818

The following profits are at the disposal of the AGM

Carried forward	125,781,818
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The company's results and financial position are presented in the following income statements and balance sheets with associated notes.

Significant risks and uncertainties

CDON works constantly to identify, assess and evaluate risks to which the Group is currently exposed and risks that could occur in the foreseeable future. The Group uses the following categories to manage risks: operational, industry and market, financial and legal risks. Operational risks include interruptions or deficiencies in IT and control systems, risks related to personnel, affiliated merchants' conduct, inventory and distribution. Industry and market risks include risks related to competition, the general economy and consumer purchasing power. Financial risks include currency risk, credit risk, risks related to impairment of intangible assets and liquidity risk. Legal risks include legislation, regulation and compliance, disputes and processing of personal data.

Identified risks are assessed with regard to the probability of occurrence and the related consequences. The effectiveness of existing risk measures (such as safeguards, control activities, etc.) is evaluated qualitatively. All identified risks are documented in a risk register. Risks can be managed by proactive measures such as taking out insurance or entering into legal agreements, and in some cases the Group can influence the probability of risk-related events occurring. Other risks, such as risks associated with political decisions or other macroeconomic factors, cannot be eliminated. For risks related to events beyond the company's control, risk management is aimed at mitigating the consequences. In CDON's risk register, we have identified a number of risks, but as many of them have a relatively low risk of occurrence or a low possible impact, they are not described in the risks below. For risks, the relative probability of occurrence and the related consequences change over time, which means that reported risks should be seen as a snapshot of current risks.

The section below describes risks that are considered material to the Group's and parent's operations, financial position and future development at the time of writing, April 2022.

Operational risks

IT risks

The Group's operations are highly dependent on reliable IT and control systems that are well adapted to its operations, primarily with regard to the website's uptime. The Group has invested in IT and control systems, but some of these systems are not yet fully integrated and some processes contain certain manual operations and assumptions with regard to valuations and provisions. Although improvements, maintenance, upgrades and support for these systems and processes are conducted regularly, there is a risk that the systems may suffer from disturbances or interruptions and that errors may occur in manual processes. These disturbances, interruptions and deficiencies may result in serious business disruptions and damage to the Group. In the event of system interruptions and process deficiencies, it is not certain that the Group will receive full compensation for the associated damage caused.

There is also a risk that external attacks could lead to CDON's websites going offline and being unable to be reached by external parties. If the websites were to become inaccessible, this could lead to lost sales for the Group and parent.

Directors' report,
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Risks related to reputation

CDON's reputation is crucial to its relationships with customers, suppliers, merchants, other partners, employees and other parties with which the Group may enter business relationships. For example, incidents regarding product safety, personal data management, violations of marketing rules or similar incidents may damage CDON's reputation, thereby leading to fewer returning customers, lower sales, or loss of suppliers, merchants and partners.

A particular aspect of reputation risk is that CDON Marketplace is exposed to the conduct of its affiliated merchants (see below under "Risks related to affiliated merchant conduct on CDON Marketplace").

Risks related to data due to unauthorized intrusion or inadequate protection against malfunctions

The Group is dependent on its IT systems being adequately protected against unauthorized intrusion. As the technologies used to disable or degrade services and sabotage systems are constantly changing and are often not identified until they have struck their target, there is a risk that the Group will be unable to anticipate the development of these technologies or to take effective countermeasures in time, or that technologies for protection against unauthorized intrusion will not be developed in time. If unauthorized parties access the Group's IT system, there is a risk that they will obtain business-critical data and information about affiliated merchants and/or customers. There is also a risk that the Group's IT system will prove deficient and backup systems will not fulfill their desired function during operational disruptions or that technical problems will arise, leading to loss of data.

If unauthorized parties access valuable or sensitive data, or if such data is lost due to operational disruptions, there is a risk that the Group, affiliated merchants, customers or the Group's partners will suffer loss or damage, which could disrupt the Group's operations, cause reputational damage and/or result in direct costs, such as penalties or contractual fines.

Risks related to personnel and control environment

The Group's future success is highly dependent on its ability to recruit, retain and develop qualified senior executives and other key employees. The company is dependent on recruiting and retaining key employees who possess competence within the business and the market to continue to develop CDON and succeed in achieving the Group's future goals. If the Group fails to retain or recruit qualified employees, there is a risk that the Group's future goals will not be achieved, which risks reduced revenues and impaired growth for the Group.

CDON is a growing company that is dependent on establishing a reassuring control environment. There is a risk that the internal control environment does not detect such conscious or unconscious violations of regulations and internal guidelines and policies made by employees in the Group.

Risks related to affiliated merchants' conduct on CDON Marketplace

On CDON Marketplace, the affiliated merchant is responsible for ensuring that the marketed and sold products maintain the quality promised at the time of purchase, that the products are safe and legal, and that they are delivered on time. The affiliated merchant is also responsible for dealing with any claims and following up complaints from customers.

The assessment of whether a merchant is expected to act in accordance with the Group's requirements for correct and professional conduct towards the end customer on the marketplace and others is a key component of the affiliation process for new merchants on CDON Marketplace. However, the Group cannot completely eliminate the risk of merchants failing to fulfill their obligations. If affiliated merchants fail to fulfill their obligations to marketplace customers, there is a risk of customers having a negative view of CDON, resulting in reputational damage to the Group. Furthermore, there is a risk that CDON will be forced, or finds it appropriate for legal or commercial reasons, to bear the costs to compensate customers for merchants' inability to meet their obligations to customers.

Risks related to warehouses

The CDON Retail business area sells products that are purchased and kept in warehouses before being sold to consumers. CDON AB (the parent) uses warehouses run by an external supplier. If the warehouse were to be destroyed or to close, or if its equipment were to be damaged, the Group might be unable to deliver products to customers or might risk delivery delays. There is a risk that CDON AB will be unable to find an alternative warehouse or repair the warehouse in question or its equipment quickly and cost-effectively. The Group has insurance for property damage and production stoppages, but there are no guarantees that such amounts can be recovered in full or that the amounts recovered would cover potential losses. There is also a risk that the cost of operating warehouses or stocking goods with an external supplier will increase.

There is also a risk that the Group will have stock that cannot be sold or is not sold at a higher value than cost, which means that a risk of obsolescence arises.

Risks related to distribution

Within CDON Retail, products are purchased and kept in stock for sale to consumers. They are, therefore, dependent on efficient transport to and from the warehouse and are exposed to distribution network disruptions. Such disruptions can occur, for example, as a result of strikes, disputes with freight forwarders or bankruptcy of a freight forwarder. Distribution network disruptions can lead to non-delivery or late delivery of sold products. There is also a risk that products will go missing during delivery, resulting in increased costs for the Group. As the Group engages external freight forwarders for the delivery of products, the Group is also exposed to the risk of increased shipping costs.

Risks related to payment service providers

The Group offers a wide range of payment methods to accommodate the various preferences of customers regarding payment options. Payment options include credit and debit cards, PayPal, direct payment via internet banking and payment solutions through Qliro AB. The Group is dependent on Qliro AB for the provision of payment options and if Qliro AB's

Directors' report,
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systems were to be down, this could have an adverse effect on sales. The payment process is also part of the customer's shopping experience. This means that the Group is dependent on the actions taken by the payment provider and a payment solution outage could, therefore, damage the Group's reputation.

Industry and market risks

Risks related to competition

CDON is currently the leading local Nordic marketplace for merchants wishing to sell products to consumers in a digital marketplace that they do not operate themselves. There is significant value in being the leading local marketplace, as this attracts both merchants and customers. However, CDON operates in a competitive market and there are other players offering digital marketplaces. There is a risk that CDON will have to bear significant costs and/or adjust pricing to maintain the CDON Marketplace position. Such a course of events could lead to increased costs, reduced revenue and/or reduced margins for the Group.

Risks related to the general economy and consumer purchasing power

Demand for the products that CDON sells is affected by the general economic situation, particularly in Sweden and the rest of the Nordic countries, as the economy affects customers' purchasing power. The economy is in turn affected by factors that are beyond the Group's control, such as interest rates, exchange rates, inflation, taxes, unemployment levels, other political and economic factors, and uncertainty regarding the future economic outlook. A weakening economic situation, with reduced private consumption, may lead to a decline in sales, resulting in lower revenue for the Group.

Financial risks

Credit risk

Credit risk is the risk of a counterparty of the Group being unable to fulfill its obligation, thereby causing a loss. Among other things, there is a risk that merchants do not fulfill their obligations to customers and that costs arise for CDON in connection with this (see more about this under "Risks related to affiliated merchants' conduct on CDON Marketplace"). A credit risk for the Group may also involve fraud. Online fraud consists mainly of cards and credit purchases in another person's name and online purchases with stolen card details.

Risks related to impairment of intangible assets

The value of the Group's intangible assets amounted to SEK 86.4 million at 31 December 2021. Intangible assets mainly consist of capitalized development costs for the platform. Intangible assets in the form of goodwill and software also arose from acquisitions made during the financial year. The measurement of intangible assets is based on assumptions about future development, growth, profitability and other parameters that are by nature subject to uncertainty.

The Group regularly monitors relevant circumstances that affect the Group's operations and the possible effects such circumstances may have on measurement of the Group's intangible assets. There is a risk that changes to such circumstances or some of the assumptions the Group has made may necessitate impairment of intangible assets in the future.

Liquidity risk

Liquidity risk is the risk that the Group will have difficulty fulfilling its obligations related to financial liabilities. Credit provision to customers, the degree of overdue receivables, credit from suppliers and capital tied-up in stock affect the need for cash and cash equivalents. The operations within CDON Marketplace generate liquidity for the Group by CDON receiving payments, through its payment service provider, from customers who are transferred to the affiliated merchants at a later date, in accordance with agreements. In the event that CDON, due to changes in regulations (see further under "Risks related to legislation, regulations and compliance") or for other reasons, can no longer utilize the liquidity that customer payments entail, CDON will have a deteriorating liquidity situation. The operations within CDON Retail include sales of, among other things, physical media products. Such sales are affected by seasonal variations, which entails an increased liquidity risk during the third and fourth quarters. If there is inadequate liquidity in the fourth quarter, the Group will have less ability to build its inventory, resulting in reduced sales opportunities. If the Group has lower sales, this may mean that some of its liquidity is tied up in inventory (see more about inventory risks under the heading "Risks related to warehouses").

Legal risks

Risks related to legislation, regulations and compliance

The Group is affected by legislation and regulations, primarily in Sweden where the parent is domiciled, but also in other countries where the Group operates. Such regulations may require approval or registration of products by the regulatory authority in the country where the products are sold. Failure by the Group to comply with applicable rules could lead to fines and the Group being prohibited from selling certain products.

In addition, CDON buys parts of its product range from countries outside the EU. As part of the process of strengthening certain industries in Europe, the EU has introduced restrictions on imports of goods in certain cases, which may affect the Group's purchasing costs. There is a risk that changed or future trade restrictions, including increased customs duties, safeguard quotas and import quotas, will increase the Group's purchasing costs. In addition, there is a risk that CDON will be liable for products sold by CDON. This could lead to any claims for damages against CDON in the event of damage to products sold by CDON. Such claims for damages may exceed the amounts reimbursed by the Group's insurance policies. Furthermore, it cannot be ruled out that the Group's insurance does not cover a possible claim for damages.

The operations in CDON Marketplace are relatively new and the associated regulations are at an earlier stage than traditional trade legislation, not only in Sweden, but also in the other Nordic countries on which CDON focuses. There is a

Directors' report,
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risk that CDON, partly due to the lack of guidance and practice in relation to the regulation, does not have the necessary routines to comply with the regulations.

Furthermore, CDON is dependent on having the necessary routines to comply with changed legislation and regulation in relation to the Group's operations, also linked to the Group's suppliers and partners and how they and CDON ensure that the marketplace meets the requirements of applicable legislation and regulation. There is a risk that changes in applicable regulations will occur quickly and that CDON will not have the necessary routines for rapid compliance with regulations or that the costs of complying with such new regulations will be significant and/or mean that the Group suffers a loss of revenue.

Risks related to the processing of personal data

In its operations, the Group collects and processes personal data to a certain extent, including data related to its customers and employees. It is of vital importance that personal data is processed in accordance with applicable personal data legislation. For example, data subjects must be informed about the collection and use of their personal data and the data must be processed in a way that is not incompatible with the purposes for which it has been collected. If the Group's processing of personal data is deficient, is exposed to data hacking or otherwise inadvertently violates the law, the Group risks, among other things, claims for compensation for the associated damage and invasion of privacy.

The EU's General Data Protection Regulation 2016/679 (GDPR) is directly applicable in Sweden and all other EU member states. The GDPR places strict requirements on companies that process personal data. Companies that do not comply with the GDPR can be charged with administrative fees of up to EUR 20 million or four percent of their global annual sales by the supervisory authorities.

There is a risk that the measures the Group takes, and has taken, to ensure and maintain confidentiality and privacy with regard to personal data will be insufficient or otherwise not in accordance with applicable legislation. There is also a risk that the measures taken by the Group to ensure compliance with applicable legislation, such as the GDPR, will be insufficient, which may entail significant costs. There is also a risk of stricter requirements from responsible regulatory authorities, which in turn could result in higher costs and require more resources from the Group.

Risks related to ongoing investigations into the processing of personal data

The Group processes personal data within its operations, and such supervisory matters concerning the processing of personal data that are significant to the Group are described below. CDON AB's processing of personal data is being investigated by the Swedish Authority for Privacy Protection, including CDON AB's personal data processing based on consent. This investigation of CDON AB has not been initiated as a result of complaints against CDON AB but on the Authority's own initiative. Among the priorities in the Authority's supervisory plan for 2019/2020 are investigations of personal data processing based on consent. There is a risk that, in the course of its investigation, the Authority will find that CDON's personal data processing is in breach of applicable personal data legislation. Should penalties be imposed as a result of the investigation, the company considers that they are unlikely to be classified as serious and will, therefore, be low (see above under the heading Risks related to the processing of personal data for more information on penalties that may be imposed for non-compliance with the GDPR).

In August 2020, the Austrian organization NOYB reported CDON's former owner Qliro Group to the Austrian Data Protection Authority, Datenschutzbehörde (DSB), regarding the processing of personal data on the website *cdon.fi*, which is run by CDON AB. The report refers to Qliro Group's/CDON's use of certain Google services on the website, allowing Google to process certain personal data in the United States and other countries. In July 2020, the European Court of Justice declared that one of the privacy shields that had allowed the transfer of personal data to the United States was invalid. NOYB therefore called for the Austrian Data Protection Authority to conduct a review of this personal data processing. The Austrian Data Protection Authority then informed the Swedish Authority for Privacy Protection of the case, and they, in turn, initiated a supervisory case against CDON in November 2020 as a result of the information provided in the NOYB's report. Should the Swedish Authority find that CDON processed personal data in breach of applicable personal data legislation, it may issue a penalty, reprimand or warning. The process includes several major players (which NOYB reported) and is still ongoing. It is too early to comment on the extent of any penalties should they become relevant.

Risks related to CDON Alandia

Like other companies in the industry, CDON previously distributed orders to customers in Finland from Åland. As communicated previously by CDON's former owner Qliro Group (which is now called Nelly Group), the Finnish authorities have been investigating the Group's wholly-owned subsidiary CDON Alandia Ab ('CDON Alandia') for suspected serious tax fraud for several years. In 2018, proceedings were initiated at Åland District Court in Finland against three individuals who were members of CDON Alandia's Board in the period 2008–2013 and against two former employees of the former Qliro Group. The Åland District Court rejected all charges and handed down an acquittal on February 25, 2020. On April 30, 2020, the Finnish prosecutor appealed parts of the Åland District Court's judgment to the Åbo Court of Appeal. However, the appeal only concerned four (of the previous five) defendants and the alleged period of the offence has been limited by the prosecutor. The offences were allegedly committed in CDON Alandia's operations in the period June 1, 2011 to September 15, 2013. Further to the proceedings in the Court of Appeal, the Finnish Tax Administration has presented a claim for damages against the defendants with regard to alleged unpaid taxes that could not be recovered by CDON Alandia by administrative means. The main proceedings were held in the Court of Appeal November 16 to December 2, 2021. The Court of Appeal is expected to hand down its decision before May 2022.

If the defendants are convicted of the alleged offences and ordered to pay damages to the Finnish Tax Administration, it is likely that, under certain circumstances, they may seek to claim compensation from CDON Alandia, CDON and/or the former Qliro Group (now Nelly Group).

On the basis of the former Qliro Group's distribution of all shares in CDON and the subsequent listing of CDON's shares on Nasdaq First North Growth Market (which occurred in November 2020), CDON Alandia, CDON and the former Qliro Group had made an agreement governing the parties' mutual liabilities if any of them were to be ordered by a legally binding judgment to pay damages to the defendants. Under this agreement, any damages will be paid by CDON.

Consolidated income statement

Amounts in SEK million	Note	2021	2020
Net sales	3	542.2	797.6
Cost of goods sold		-315.3	-546.9
Gross profit/loss		226.9	250.7
Selling expenses		-172.3	-150.1
Administrative expenses	4, 5, 6, 7, 8, 9	-116.4	-107.8
Other operating income	10	1.2	0.7
Other operating expenses	11	-1.1	-
Share in associate's profit/loss after tax		-0.8	-
Operating profit/loss		-62.4	-6.5
Profit/loss from financial items			
Interest and similar income	12	-	1.5
Interest and similar expenses	13	-0.2	-1.3
Profit/loss after financial items		-62.6	-6.3
Profit/loss before tax		-62.6	-6.3
Tax on profit/loss for the year	14	-	-
Profit/loss for the year		-62.6	-6.3

Consolidated balance sheet

ASSETS

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditures for development and similar work	15	53.6	53.6
Goodwill	16	19.8	-
Software	17	4.9	-
Projects in progress	18	8.1	6.3
Total intangible assets		86.4	60.0
<i>Property, plant and equipment</i>			
Leasehold improvements	19	0.2	0.4
Equipment, tools, fixtures and fittings	20	1.5	1.4
Total property, plant and equipment		1.7	1.7
<i>Financial assets</i>			
Shares in associates and jointly controlled entities	22	26.4	-
Total financial assets		26.4	-
Total non-current assets		114.4	61.7
Current assets			
<i>Inventory</i>			
Finished goods and merchandise	2	19.3	25.2
<i>Current receivables</i>			
Accounts receivable		22.3	16.0
Current tax assets	14	1.6	1.6
Other receivables		3.7	2.8
Prepaid expenses and accrued income	23	16.8	18.1
Total current receivables		44.3	38.5
<i>Cash and bank balances</i>			
Cash and cash equivalents	24	202.9	173.3
Total current assets		266.5	237.0
TOTAL ASSETS		380.9	298.7

Consolidated
balance sheet,
cont'd

EQUITY AND LIABILITIES

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Equity	25, 27		
Share capital		6.4	6.0
Current new share issue		0.0	0.0
Other capital contributions		191.1	0.0
Other equity including profit/loss for the year		-7.6	55.0
Equity attributable to parent's shareholders		189.9	61.0
Non-controlling interest		9.8	-
Total equity		199.7	61.0
Provisions			
Other provisions	26	7.0	-
Total provisions		7.0	-
Non-current liabilities			
Other non-current liabilities		0.2	-
Total non-current liabilities		0.2	-
Current liabilities			
Accounts payable		35.1	99.6
Other liabilities	28	85.5	89.0
Accrued expenses and deferred income	29	53.4	49.1
Total liabilities		173.9	237.7
TOTAL EQUITY AND LIABILITIES		380.9	298.7

Consolidated statement of changes in equity

2020

Amounts in SEK million	Note	Other equity			Total	Non-con- trolling interest	Total equity attrib- utable to parent's shareholders
		Sharecapital	Other con- tributions	Profit/loss brought for- ward etc.			
Equity, Jan 1, 2020		0.10		151.60	151.70		151.70
Profit/loss for the period				-6.31	-6.31		-6.31
Share-based payment	4		0.04		0.04		0.04
Owner transactions							
Dividend to owners				-84.45	-84.45		-84.45
Current new share issue			0.01		0.01		0.01
Transfers between items in equity							
Bonus issue		5.89		-5.89	0.00		0.00
Equity, Dec 31, 2020		5.99	0.05	54.96	61.00	-	61.00

2021

Amounts in SEK million	Note	Other equity			Total	Non-con- trolling interest	Total equity attrib- utable to parent's shareholders
		Sharecapital	Other con- tributions	Profit/loss brought for- ward etc.			
Equity, Jan 1, 2021		5.99	0.05	54.96	61.00	-	61.00
Profit/loss for the period				-62.60	-62.60	9.78	-52.82
Share-based payment	4		0.04		0.04		0.04
Current new share issue			0.01		0.01		0.01
New share issue		0.44	202.83		203.27		203.27
Expenses attributable to issue			-11.80		-11.80		-11.80
Equity, Dec 31, 2021		6.43	191.12	-7.64	189.91	9.78	199.69

Consolidated cash flow statement

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Operating activities			
Profit/loss after financial items	30	-62.6	-6.3
Adjustment for non-cash items	31	33.7	27.2
		-28.9	20.9
Income tax paid		-	1.1
Cash flow from operating activities before changes in working capital		-28.9	22.0
Changes in working capital			
Increase (-)/decrease (+) in inventories		7.0	79.7
Increase (-)/decrease (+) in operating receivables		-6.8	47.0
Increase (+)/decrease (-) in operating liabilities		-76.7	-116.3
Cash flow from operating activities		-105.4	32.4
Investing activities			
Acquisitions of property, plant and equipment	19, 20	-0.9	-0.9
Acquisitions of intangible assets	15, 18	-20.7	-21.9
Acquisitions of subsidiaries, net assets	21, 31	-4.2	-
Acquisitions of associates	22	-27.1	-
Cash flow from investing activities		-52.9	-22.8
Financing activities			
New share issue		200.2	-
Expenses attributable to issue		-11.8	-
Repayment of loans		-	70.0
Loans paid out		-	-20.0
Dividend paid		-	-84.4
Cash flow from financing activities		188.4	-34.4
Cash flow for the period		30.1	-24.8
Cash and cash equivalents at beginning of period		173.3	196.9
Exchange rate differences in cash and cash equivalents		-0.5	1.3
Cash and cash equivalents at end of period	24	202.9	173.3

Parent company income statement

Amounts in SEK million	Note	2021	2020
Net sales	3	542.2	797.6
Cost of goods sold		-315.0	-546.9
Gross profit/loss		227.2	250.7
Selling expenses		-172.2	-149.6
Administrative expenses	4, 5, 6, 7, 8, 9	-116.3	-107.8
Other operating income	10	0.3	0.7
Other operating expenses	11	-1.1	-
Operating profit/loss		-62.1	-6.0
Profit/loss from financial items			
Interest and similar income	12	-	1.5
Interest and similar expenses	13	-0.2	-1.3
Profit/loss after financial items		-62.3	-5.9
Profit/loss before tax		-62.3	-5.9
Tax on profit/loss for the year	14	-	-
Profit/loss for the year		-62.3	-5.9

Parent company balance sheet

ASSETS

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditures for development and similar work	15	53.5	53.6
Projects in progress	18	8.1	6.3
Total intangible assets		61.6	60.0
<i>Property, plant and equipment</i>			
Leasehold improvements	19	0.2	0.4
Equipment, tools, fixtures and fittings	20	1.5	1.4
Total property, plant and equipment		1.7	1.7
<i>Financial assets</i>			
Shares in Group companies	21	17.0	-
Shares in associates and jointly controlled entities	22	27.1	-
Total financial assets		44.1	-
Total non-current assets		107.4	61.7
Current assets			
<i>Inventory</i>			
Finished goods and merchandise	2	19.3	25.2
<i>Current receivables</i>			
Accounts receivable		21.9	16.0
Current tax assets	14	1.6	1.6
Other receivables		3.4	2.8
Prepaid expenses and accrued income	23	16.7	18.1
Total current receivables		43.6	38.5
<i>Cash and bank balances</i>			
Cash and cash equivalents	24	197.5	170.3
Total current assets		260.5	233.9
TOTAL ASSETS		367.8	295.7

Parent company
balance sheet,
cont'd

EQUITY AND LIABILITIES

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Equity			
<i>Restricted equity</i>	25, 27		
Share capital		6.4	6.0
Current new share issue		0.0	0.0
Other capital contributions		0.1	0.0
Statutory reserve		0.0	0.0
Development expenditure fund		55.8	53.9
		62.3	60.0
<i>Non-restricted equity</i>			
Share premium reserve		191.0	-
Retained earnings		-2.9	4.9
Profit/loss for the year		-62.3	-5.9
		125.8	-1.0
Total equity		188.1	58.9
Provisions			
Other provisions	26	7.0	-
Total provisions		7.0	-
Current liabilities			
Accounts payable		35.1	99.6
Other liabilities	28	84.4	89.0
Accrued expenses and deferred income	29	53.2	48.1
Total liabilities		172.7	236.7
TOTAL EQUITY AND LIABILITIES		367.8	295.7

Parent company statement of changes in equity

2020

Amounts in SEK million	Note	Restricted equity			Non-restricted equity		
		Share capital	Development expenditure fund	Statutory reserve	Other capital contributions	Retained earnings, incl. profit for period	Total equity
Equity, Jan 1, 2020		0.10	64.66	0.02		84.45	149.23
Profit/loss for the period						-5.90	-5.90
Changes recognized directly in equity							
Share-based payment	4				0.04		0.04
					0.04		0.04
Owner transactions							
Dividend to owners						-84.45	-84.45
Current new share issue		0.01					0.01
		0.01				-84.45	-84.42
Transfers between items in equity							
Bonus issue		5.89	-5.89				
Depreciation, amortization and impairment for the year	15		-26.73			26.73	
Capitalized development expenses	15		21.87			-21.87	
		5.89	-10.75			4.86	
Equity, Dec 31, 2020		5.99	53.91	0.02	0.04	-1.04	58.92

2021

Amounts in SEK million	Note	Restricted equity			Non-restricted equity			
		Share capital	Development expenditure fund	Statutory reserve	Other capital contributions	Share premium reserve	Retained earnings, incl. profit for period	Total equity
Equity, Jan 1, 2021		5.99	53.91	0.02	0.04		-1.04	58.92
Profit/loss for the period							-62.30	-62.30
Changes recognized directly in equity								
Share-based payment	4				0.03			0.03
					0.03			0.03
Current new share issue					0.01			0.01
New share issue		0.44				202.83		203.27
Expenses attributable to issue						-11.80		-11.80
Transfers between items in equity								
Depreciation, amortization and impairment for the year	15		-18.81			18.81		
Capitalized development expenses	15		20.69			-20.69		
Equity, Dec 31, 2021		6.44	55.79	0.02	0.08	191.03	-65.22	188.13

Parent company cash flow statement

Amounts in SEK million	Note	Dec 31, 2021	Dec 31, 2020
Operating activities			
Profit/loss after financial items	30	-62.3	-5.9
Adjustment for non-cash items	31	32.5	28.7
		-29.8	22.8
Income tax paid		-	1.1
Cash flow from operating activities before changes in working capital		-29.8	23.9
Changes in working capital			
Increase (-)/decrease (+) in inventories		7.0	79.7
Increase (-)/decrease (+) in operating receivables		-6.8	43.3
Increase (+)/decrease (-) in operating liabilities		-75.5	-117.3
Cash flow from operating activities		-105.1	29.6
Investing activities			
Acquisitions of property, plant and equipment	19, 20	-0.9	-0.9
Acquisitions of intangible assets	15, 18	-20.7	-21.9
Acquisitions of subsidiaries	21	-6.9	-
Acquisitions of associates	22	-27.1	-
Cash flow from investing activities		-55.6	-22.8
Financing activities			
New share issue		200.2	-
Expenses attributable to issue		-11.8	-
Repayment of loans		-	70.0
Loans paid out		-	-20.0
Dividend paid		-	-84.4
Cash flow from financing activities		188.4	-34.4
Cash flow for the period		27.8	-27.6
Cash and cash equivalents at beginning of period		170.3	196.6
Exchange rate differences in cash and cash equivalents		-0.5	1.3
Cash and cash equivalents at end of period	24	197.5	170.3

Notes

Note 1

Group accounting policies and valuation principles

The Annual Report and consolidated accounts have been prepared according to the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general recommendation BFAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Assets, provisions and liabilities are measured at cost unless otherwise stated below.

Amended accounting policy

All depreciations and employee benefit expenses were previously classified as administration expenses. As of this financial year, depreciation related to capitalized development expenditure of SEK 20.8 million and employee benefit expenses attributable to 'Sales and marketing' of SEK 24 million are classified as 'Selling expenses'. Corrections have also been made to the comparative period.

Otherwise, the accounting policies are unchanged from the previous year.

Consolidated accounts

CDON AB prepares the consolidated accounts. Companies in which CDON AB holds the majority of votes at the general meeting and companies in which CDON AB by agreement has a controlling influence are classified as subsidiaries and are consolidated with the consolidated accounts. Information on Group companies is found in the note on financial non-current assets. Subsidiaries are included in the consolidated accounts as of the day controlling interest is transferred to the Group. They are excluded from the consolidated accounts as of the day controlling interest ceases.

Consolidated financial statements are prepared using the acquisition method. The acquisition date is the date on which controlling interest is received. Identifiable assets and liabilities are initially measured at fair value at the acquisition date. The minority share of the acquired net assets are measured at fair value. Goodwill comprises the difference between the acquired identifiable net assets at the acquisition date and cost, including the value of the non-controlling interest, and is initially measured at cost.

Associates are all the companies in which the Group has significant but non-controlling interest, which as a rule applies to shareholdings that comprise between 20% and 50% of the votes. Holdings in associates are recognized using the equity method. When applying the equity method, the investment is initially measured at cost and the carrying amount then increases or decreases to account for the Group's share of the associate's profit or loss after the acquisition date. The consolidated carrying amount for holdings in associates includes goodwill as identified at acquisition.

Dealings between Group companies are eliminated entirely.

Subsidiaries in other countries prepare their annual reports in foreign currencies. On consolidation, items in these companies' balance sheets and income statements are recalculated at the closing day rate and the spot rate, respectively, for the day the transaction took place. The exchange differences that arise are recognized in accumulated exchange differences in consolidated equity.

Segment reporting

An operating segment is an entity of the company that engages in business activities from which it may earn revenue and incur expenses and for which separate financial information is available. An operating segment's earnings are monitored by the company's chief operating decision-maker in order to assess its performance and allocate resources to it. The company's operations are divided into two operating segments: the core business CDON Marketplace, in which sales are from third-party merchants and other services, and the supplementary CDON Retail, in which sales are from CDON's own warehouse or drop shipping.

Intangible assets

Expenditures on research and development

Expenditures on research, that is, the planned and systematic search for new scientific or technological knowledge and insight, are recognized as costs when they arise.

Intangible assets are recognized at cost less accumulated amortization and impairment.

The capitalization model is used for recognition of development expenses. This means that expenses arising during the development phase are recognized as an asset when all the following criteria are met:

- The technical feasibility of completing the asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;

Note 1, cont'd

- The intangible asset is likely to generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development of the intangible asset and to use or sell it; and
- The ability to reliably measure the expenditure attributable to the intangible asset.

The cost of an internally generated intangible asset consists of all directly attributable costs.

Goodwill

Consolidated goodwill represents the difference between cost and the fair value of acquired assets, liabilities and potential obligations.

Software

Software is regarded as a separate intangible asset if it is not an integrated part of or an accessory to hardware or an integrated part of the operation of a tangible asset. Software has shown up at the acquisition of subsidiaries and it represents the difference between cost and the fair value of acquired assets, liabilities and potential obligations.

Depreciation/amortization

Amortization is applied on a straight-line basis over the asset's estimated useful life. Amortization is recognized as an expense in the income statement.

	Useful life
Capitalized expenditure for development and similar work	5 years
Goodwill	5 years
Software	5 years

Property, plant and equipment

Property, plant and equipment is recognized at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any expenditure directly attributable to the acquisition.

Subsequent expenditure that qualifies for recognition as an asset is included in the asset's carrying amount.

Costs of regular maintenance and repairs are recognized as an expense as incurred.

Depreciation

Depreciation is applied on a straight-line basis over the asset's estimated useful life, as it reflects the expected pattern of consumption of the asset's future economic benefits.

	Useful life
Leasehold improvements	5 years
Equipment	3–5 years

Impairment of property, plant and equipment, intangible assets and shares in Group companies.

At each reporting date, the company assesses whether there is any indication that an asset's value is lower than its carrying amount. If there is such an indication, the asset's recoverable amount is measured.

The recoverable amount is the higher of fair value less costs of disposal and value in use. When determining the need for impairment, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash generating units). For assets other than goodwill that were previously written down, testing for reversal should be done at each reporting date.

Previous impairment is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

When determining the need for impairment, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash generating units). For assets other than goodwill that were previously written down, testing for reversal should be done at each reporting date.

Impairment and reversals are recognized in the income statement in the function where the asset is utilized.

Leases**Lessees**

All leases are reported as operating leases.

Operating leases

Lease payments under operating leases, including upfront lease payments but excluding expenses for services such as insurance and maintenance, are recognized as an expense on a straight-line basis over the lease term.

Note 1, cont'd

Foreign currency

Foreign currency items

Foreign currency transactions are translated using the exchange rate that applied on the transaction date. Foreign currency monetary items are translated using the exchange rate that applied on the reporting date. Non-monetary items are not translated but are reported at the acquisition-date rate. Exchange differences arising on translation are recognized in profit or loss for the year. Exchange gains and losses on operating receivables and liabilities are recognized in operating profit/loss, while exchange gains and losses on financial receivables and liabilities are reported under financial items.

Translation of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated over- and undervaluation, are translated from the foreign operation's functional currency to the Group's reporting currency, the Swedish krona, at the reporting date's exchange rate. Income and expenses in a foreign operation are translated to the Swedish krona at an average rate that represents an approximate transaction date. Translation differences arising from translating the currencies of foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity called the translation reserve. At divestment of a foreign operation, the accumulated translation differences attributable to the operation are capitalized, at which time they are reclassified from other comprehensive income to profit/loss for the year.

Inventory

Inventories are measured at the lower of cost and net realizable value. The risk of obsolescence has been taken into account. Cost is calculated on the basis of weighted average prices. Net realizable value is defined as the selling price less the costs necessary to make the sale.

Financial assets and liabilities

Financial assets and liabilities are recognized in accordance with chapter 11 (Financial instruments measured at cost) of BFNAR 2012:1.

Financial instruments recognized in the balance sheet include accounts receivable, other receivables, accounts payable and other liabilities. An instrument is recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is removed from the balance sheet when the contractual right to receive cash flows from the asset ceases or is discharged. The same applies when the risks and rewards incidental to ownership are substantially transferred to another party and the Group no longer has control over the financial asset. A financial liability is removed from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished.

Measurement of financial assets

Current financial assets are measured after initial recognition at the lower of cost and net realizable value at the reporting date.

Receivables are recognized as current assets except for items that are due more than 12 months after the reporting date, which are classified as non-current assets. Accounts receivable and other receivables that are current assets are measured individually at the amounts expected to be received. Expected credit losses are based on estimates using the Group's knowledge and historical information about similar assets. The assessment is made on both a collective and an individual basis. The underlying criteria and assumptions are regularly evaluated to reflect current events and the Group's expectations. Accounts receivable and other receivables together with the associated provision for expected credit losses are removed from the balance sheet when there are no expectations of future payments. Impairment of accounts receivables is recognized as selling expenses.

A financial asset and a financial liability are offset and are recognized with a net amount in the statement of financial position only when there exists a legal right to offset the amount and there is an intention to settle the items with a net amount or at the same time capitalize the asset and settle the liability.

Measurement of financial liabilities

Current other liabilities and accounts payable are recognized at cost.

The Group has a loyalty program (CDON+) in which end consumers receive free shipping with their purchases. The payment received when signing up for CDON+ is recognized as a liability in the balance sheet and will be settled as miscellaneous compensation going forward.

Employee benefits

Short-term employee benefits

Short-term employee benefits consist of salaries, social security contributions, paid annual leave, paid sick leave, healthcare and bonuses. Short-term employee benefits are recognized as an expense and a liability when there is a legal or constructive obligation to make such payments.

Note 1, cont'd

Post-employment benefits

In cases where pension obligations are solely dependent on the value of an owned asset, the pension obligation is recognized as a provision corresponding to the asset's carrying amount. Post-employment benefit plans are classified as either defined contribution or defined benefit. In defined contribution plans, fixed contributions are paid to another entity, normally an insurance company, and the company no longer has any obligation to the employee when the contributions are paid. The size of the employee's post-employment benefits depends on the contributions paid and the return on capital they generate. For defined benefit plans, the company has an obligation to provide the agreed benefit to present and previous employees. The company essentially bears the risk that the benefit amounts will be higher than expected (actuarial risk) and that the return on the assets deviates from expectations (investment risk). There is an investment risk even if the assets are transferred to another company. The Group's pension plans are exclusively defined contribution plans. Contributions under defined contribution plans are recognized as an expense. Unpaid contributions are reported as a liability.

Termination benefits

Termination benefits, to the extent that such benefits do not provide the Group with any future financial benefits, are only recognized as a liability and an expense when the Group has a legal or constructive obligation to either

- a) terminate the employment of an employee or group of employees before the normal retirement date, or
- b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits are only reported when the Group has a detailed plan for the termination and is without realistic possibility of withdrawal.

Share-based payment

The Group has a long-term, share-based incentive plan through which the company receives services from employees and, as consideration, CDON AB issues equity instruments to the employees. The total amount to be expensed is recognized in the income statement as an employee benefit expense under administrative expenses and in equity under other contributed capital, spread over the vesting period of seven years. The expense of the long-term incentive plan represents fair value at the time of allocation multiplied by the number of shares earned plus social security contributions. The social security contributions arising on allocation of the shares are recognized as an employee benefit expense and a prepaid expense.

Income taxes

Tax on profit for the year in the income statement consists of current tax and deferred tax. Current tax is the amount of income tax in respect of taxable profit for the current financial year and any income tax from prior years not yet recognized. Current taxes are measured using the tax rates and tax rules applicable on the reporting date.

Deferred tax is income tax in respect of taxable profit for future financial years as a result of previous transactions or events.

Deferred tax assets as regards loss carry-forwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against a future tax surplus. Deferred taxes are measured using the tax rates and tax rules approved before the reporting date. The Group did not recognize any deferred tax for the 2021 financial year.

Revenue

The inflows of economic benefits received and receivable by the company on its own account are recognized as revenue. Revenue is measured at the fair value of the consideration received or receivable, less discounts and the right to return. The Group's revenue is subject to seasonal variations. Revenue in the fourth quarter is significantly higher than in other quarters due to Black Friday Christmas shopping.

Sale of goods

Revenue from the sale of goods is recognized when the following criteria are met:

- It is probable that the economic benefits associated with the transaction will flow to the company;
- The amount of revenue can be measured reliably;
- The Group has transferred to the buyer the significant risks and rewards of ownership;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The recognized revenue is reduced by the sale price (excl. VAT) for items that are expected to be returned. The reduced amount is recognized as a liability for returns and complaints. This is based on sales statistics and an assessment of future complaints and returns that arise during the same period as sales. Further information can be found under estimates and assessments in Note 2.

*Note 1, cont'd***Marketplace**

Net sales include commission generated by sales arranged via the marketplace. The commission is recognized at fair value, less VAT, discounts and similar deductions. The commission is calculated on the basis of a percentage according to agreements entered into with external merchants.

In the case of mediated sales, a receivable and revenue corresponding to the earned commission earned are recognized. The accumulated liability to external merchants for sales arranged via the marketplace is recognized under other liabilities.

Under agreements with external merchants, no interest is paid on the liability that is generated and settled on an ongoing basis. In addition, the requirement for separate presentation of client funds has been derogated from by agreement and the liability to external merchants is reported under other liabilities.

Gift vouchers

For the purchase of gift vouchers, the entire amount is reported as a current liability and is not recognized as a revenue until the gift voucher is redeemed or its validity expires. Cost of goods sold is reported in connection with the redemption of gift vouchers.

Sales of marketing services

Sales of marketing services are recognized as revenue, as the Group has sold these services to various brand partners. Net sales are recognized at the time the service is rendered. The services are normally invoiced in arrears and are recognized as accrued income.

Financial commission

Revenue related to financial commission is based on the outcome of sales of services rendered by other parties. Revenue is recognized on an ongoing basis if the commission-based service is rendered and if other contract terms are met.

Other types of revenue

Interest is recognized as revenue as using the effective interest method.

Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Cash flow

The cash flow statement is prepared using the indirect method. Reported cash flows only concern transactions that involve cash inflows and outflows. Cash and cash equivalents consist of cash resources with banks and similar financial institutions.

Parent company accounting policies and valuation principles

The same accounting policies and valuation principles are applied in the parent as in the Group, except in cases as stated below.

Shares and shares in subsidiaries

Shares and shares in subsidiaries are recognized at cost less any accumulated impairment. Cost includes the consideration paid for the shares and acquisition expenses. Any capital contributions are added to the cost when they are submitted. Dividends from subsidiaries are recognized as income.

Equity

Equity is divided into restricted and unrestricted as defined by the Annual Accounts Act.

Note 2**Estimates and assessments**

Preparing the financial reports as per K3 requires that information be provided on assessments that have a material effect on the amounts recognized in the financial report. The Group makes estimates and assessments about the future that are evaluated on an ongoing basis. Consequently, estimates made for accounting purposes will, by definition, seldom correspond to the actual results. The estimates and assumptions that entail a material risk for significant adjustments to the carrying amounts of assets and liabilities over the next year are discussed in the main features below.

Obsolescence assessment of inventories

Inventories are reviewed 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

The provision requirement associated with future returns is assessed each month. The assessment is carried out based on historical 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 of intangible assets

The company's intangible assets are recognized at cost less accumulated amortization and any impairment. Assets are amortized over their estimated useful lives to estimated residual values. Useful life and residual value are tested at least at the end of each financial period. The carrying amounts of the company's non-current assets are tested whenever events or changed circumstances indicate that the carrying amounts cannot be recovered. The carrying amounts of intangible assets that are not yet ready for use are tested every year. If such an analysis indicates that an amount is too high, the asset's recoverable amount is determined. The company does an individual assessment of each separate non-current asset when testing for impairment.

Note 3**Net sales by segment and geographical market**

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Net sales by segment				
CDON Marketplace (3P)	201.4	207.4	201.4	207.4
CDON Retail (1P)	340.8	590.2	340.8	590.2
Total	542.2	797.6	542.2	797.6
Net sales by geographical market				
Sweden	307.3	500.3	307.3	500.3
Other Nordics	234.9	297.3	234.9	297.3
Total	542.2	797.6	542.2	797.6

Note 4**Employees, employee benefit expenses and Board fees****AVERAGE NUMBER OF EMPLOYEES**

	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Sweden	124	129	124	129
Men	67%	66%	67%	66%

GENDER DISTRIBUTION IN COMPANY MANAGEMENT

	Group		Parent	
	Dec 31, 2021 Women	Dec 31, 2020 Women	Dec 31, 2021 Women	Dec 31, 2020 Women
The Board	33%	40%	33%	40%
Other senior executives	25%	17%	25%	17%

SALARIES AND OTHER BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS, INCLUDING PENSION EXPENSES

	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Salaries and benefits	48.3	48.3	48.3	48.3
Social security contributions	26.5	27.4	26.5	27.4
(of which pension expenses) ¹	7.6	5.5	7.6	5.5

¹ 0.4 (0.6) of the company's pension expenses are related to the company's CEO and Board. The company's outstanding pension obligation to them is 0 (0).

Note 4, cont'd

SALARIES AND OTHER BENEFITS, BOARD, CEO AND OTHER EMPLOYEES

	Group				Parent			
	Dec 31, 2021		Dec 31, 2020		Dec 31, 2021		Dec 31, 2020	
	Board and CEO	Other employees	Board and CEO	Other employees	Board and CEO	Other employees	Board and CEO	Other employees
Salaries and other benefits	3.0	45.3	6.3	42.0	3.0	45.3	6.3	42.0
(of which bonuses and similar)	-	0.5	3.5	4.5	-	0.5	3.5	4.5

The notice period for the CEO is a maximum of six months in the event of termination by the company and termination by the employee. The CEO is not entitled to severance pay.

REMUNERATION OF SENIOR EXECUTIVES

2021

Amounts in SEK million	Group				Parent			
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension expenses	Basic salary, Board fees	Variable remuneration	Other benefits	Pension expenses
Marcus Lindqvist, Chairman of the Board	-	-	-	-	-	-	-	-
Josephine Salenstedt, Chair of the Board	0.40	-	-	-	0.40	-	-	-
Christoffer Häggblom	0.20	-	-	-	0.20	-	-	-
Georg Westin	0.11	-	-	-	0.11	-	-	-
Kristina Lukes	0.20	-	-	-	0.20	-	-	-
Niklas Woxlin	0.20	-	-	-	0.20	-	-	-
Savneet Singh	0.11	-	-	-	0.11	-	-	-
Kristoffer Väliharju, CEO	1.70	-	0.00	0.43	1.70	-	0.00	0.43
Other senior executives (6 individuals)	5.8	0.50	0.19	1.2	5.8	0.50	0.19	1.2
Total	8.7	0.50	0.19	1.6	8.7	0.50	0.19	1.6

Amounts in SEK million	Group		Parent	
	Other remuneration	Total	Other remuneration	Total
Marcus Lindqvist, Chairman of the Board	-	-	-	-
Josephine Salenstedt, Chair of the Board	-	0.40	-	0.40
Christoffer Häggblom	-	0.20	-	0.20
Georg Westin	-	0.11	-	0.11
Kristina Lukes	-	0.20	-	0.20
Niklas Woxlin	-	0.20	-	0.20
Savneet Singh	-	0.11	-	0.11
Kristoffer Väliharju, CEO	0.04	2.17	0.04	2.17
Other senior executives (6 individuals)	0.32	7.98	0.32	7.98
Total	0.36	11.37	0.36	11.37

Note 4, cont'd

2020

Amounts in SEK million	Group				Parent			
	Basic salary, Board fees	Variable remuneration	Other benefits	Pension expenses	Basic salary, Board fees	Variable remuneration	Other benefits	Pension expenses
Marcus Lindqvist, Chairman of the Board	-	-	-	-	-	-	-	-
Andreas Bernström	0.05	-	-	-	0.05	-	-	-
Christoffer Häggblom	0.09	-	-	-	0.09	-	-	-
Josephine Salenstedt	0.03	-	-	-	0.03	-	-	-
Kristina Lukes	0.03	-	-	-	0.03	-	-	-
Niklas Woxlin	0.11	-	-	-	0.11	-	-	-
Kristoffer Väliharju, CEO	2.20	3.55	0.01	0.55	2.20	3.55	0.01	0.55
Other senior executives (7 individuals)	5.29	3.37	0.14	1.01	5.29	3.37	0.14	1.01
Total	7.81	6.92	0.14	1.57	7.81	6.92	0.14	1.57

Amounts in SEK million	Group		Parent	
	Other remuneration	Total	Other remuneration	Total
Marcus Lindqvist, Chairman of the Board	-	-	-	-
Andreas Bernström	-	0.05	-	0.05
Christoffer Häggblom	-	0.09	-	0.09
Josephine Salenstedt	-	0.03	-	0.03
Kristina Lukes	-	0.03	-	0.03
Niklas Woxlin	-	0.11	-	0.11
Kristoffer Väliharju, CEO	0.19	6.49	0.19	6.49
Other senior executives (7 individuals)	0.01	9.82	0.01	9.82
Total	0.20	16.63	0.20	16.63

During the year, fees of SEK 1.3 million to Interim CEO Allan Junge-Jensen and SEK 0.7 million to Interim CEO Marcus Lindqvist were billed to the parent. The same applies to Interim CFO Stefan Egerstad for SEK 0.5 million.

SHARE-BASED PAYMENTS

At an extraordinary general meeting on December 16, 2020, it was decided to adopt a long-term incentive plan for senior executives. The valuation of the owner shares corresponds to the market price on the grant date. The owner shares are conditional on the employee completing seven years of service (the vesting period) from the grant date.

During the year, owner shares were forfeited when the CEO and CFO left their positions at CDON AB.

The owner shares were returned at an average redemption price of SEK 0.

The total cost recognized in the Group for the incentive plan and related social security contributions is SEK 211.6 (48) thousand. There is no liability in the balance sheet related to the incentive plan.

Note 4, cont'd

CHANGE IN NUMBER OF OWNER SHARES

2020	Group		Parent	
	Number of shares	Fair value at grant date	Number of shares	Fair value at grant date
Outstanding at beginning of year		-		-
Allotted during year	13,336	3,200,640	13,336	3,200,640
Outstanding at end of year	13,336	3,200,640	13,336	3,200,640
Exercisable at end of year	-	-	-	-

2021	Group		Parent	
	Number of shares	Fair value at grant date	Number of shares	Fair value at grant date
Outstanding at beginning of year	13,336	3,200,640	13,336	3,200,640
Allotted during year	-	-	-	-
Forfeited during year	-11,320	-2,720,544	-11,320	-2,720,544
Outstanding at end of year	2,016	480,096	2,016	480,096
Exercisable at end of year	-	-	-	-

Note 5

Fees and reimbursement of expenses to auditors

The item audit engagements refers to the statutory audits of the annual accounts, accounting records and the administration of the Board and CEO, and any other auditing and reviews conducted under agreements or contracts.

This includes other procedures required to be carried out by 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 procedures. Other services refers to consultation on auditing matters such as accounting, taxation, new share issues etc.

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
KPMG AB				
Audit engagements	0.4	0.4	0.4	0.4
Other auditing services	0.1	-	0.1	-
Tax advisory services	-	-	-	-
Other services	0.1	-	0.1	-
Total	0.6	0.4	0.6	0.4

Note 6

Operating leases

Leases where the company is lessee

In addition to office premises, operating leases include cars and office equipment.

The lease for office premises has a term of eight years with an extension option for three years at a time.

The size of future lease payments is based on the development of the consumer price index. Cars and equipment are normally leased for three years, with an extension option and a purchase option. There are no variable payments.

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Future minimum lease payments under non-cancelable operating leases				
Within one year	6.0	6.7	6.0	6.7
Between one and five years	15.8	22.0	15.8	22.0
After five years	-	-	-	-
Total	21.9	28.6	21.9	28.6
Lease payments recognized for the financial year	6.7	6.8	6.7	6.8

Note 7

Depreciation, amortization and impairment of property, plant and equipment and intangible assets

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Depreciation/amortization according to plan by asset				
Capitalized expenditures for development and similar work	-18.8	-20.8	-18.8	-20.8
Leasehold improvements	-0.2	-0.2	-0.2	-0.2
Equipment, tools, fixtures and fittings	-0.8	-0.7	-0.8	-0.7
Total	-19.8	-21.7	-19.8	-21.7
Depreciation/amortization by asset				
Cost of goods sold	-	-	-	-
Selling expenses	-18.8	-	-18.8	-
Administrative expenses	-1.0	-21.7	-1.0	-21.7
Total	-19.8	-21.7	-19.8	-21.7
Impairment by asset				
Capitalized expenditures for development and similar work	-0.3	-8.6	-0.3	-8.6
Total	-0.3	-8.6	-0.3	-8.6
Impairment by function of expense				
Cost of goods sold	-	-	-	-
Selling expenses	-	-	-	-
Administrative expenses	-0.3	-8.6	-0.3	-8.6
Total	-0.3	-8.6	-0.3	-8.6

Note 8

Items affecting comparability

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Incentive plan	-	5.5	-	5.5
Expenses attributable to listing	-	4.6	-	4.6
Expenses attributable to fraud case	20.0	-	20.0	-
Total	20.0	10.1	20.0	10.1

Note 9

Related-party transactions

Transactions classified as related-party transactions occurred last year, as senior executives were allotted shares under the long-term incentive plan. The shares were valued at the grant date market price.

Suppliers classified as related parties

During the year, the Group carried out transactions with related parties within the framework of ordinary operations. All transactions were carried out according to normal commercial terms and conditions. All transactions were priced based on market conditions and according to the arms-length principle. The Group purchased consulting services from Rite Internet Ventures Holding AB. This supplier is classified as a related party since members of the Board are also board members of the company and since Rite Ventures is a major holder in the company.

Intra-Group purchases and sales

Of the parent company's total purchases and sales measured in SEK, 0 (0) percent of purchases and 0 (0) percent of sales refers to other companies within the entire group of companies to which the Group belongs.

Note 10

Other operating income

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Exchange gains on operating receivables/liabilities	-	0.7	-	0.7
Capital gains	-	-	-	-
Other	1.2	-	0.3	-
Total	1.2	0.7	0.3	0.7

Note 11

Other operating expenses

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Exchange losses on operating receivables/liabilities	-1.1	-	-1.1	-
Total	-1.1	-	-1.1	-

Note 12

Interest and similar income

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Interest income, Group companies	-	1.5	-	1.5
Interest income, other	-	-	-	-
Total	-	1.5	-	1.5

Note 13

Interest and similar expenses

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Interest expenses, other	-0.1	-0.1	-0.1	-0.1
Exchange losses, net	-0.2	-1.3	-0.2	-1.3
Total	-0.2	-1.3	-0.2	-1.3

Note 14

Tax on profit for the year

	Group				Parent			
	2021		2020		2021		2020	
	Percent	Amount, SEK million	Percent	Amount, SEK million	Percent	Amount, SEK million	Percent	Amount, SEK million
Profit/loss before tax		-62.6		-6.3		-62.3		-5.9
Tax at applicable tax rate for parent	20.6%	12.9	21.4%	1.3	20.6%	12.8	21.4%	1.3
Non-deductible expenses	-2.2%	-1.3	-9.5%	-0.6	-2.2%	-1.3	-10.1%	-0.6
Non-taxable income	-0.3%	-0.2	0.0%	-	0.0%	0.0	0.0%	-
Deductible expenses, not recognized in profit/loss	3.9%	2.4	0.0%	-	3.9%	2.4	0.0%	-
Increase in loss carryforwards for which no deferred tax was capitalized	-22.2%	-13.9	-11.9%	-0.7	-22.3%	-13.9	-11.2%	-0.7
Recognized effective tax	-0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0

Note 15

Capitalized expenditures for development

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Accumulated cost				
At beginning of year	132.6	149.6	132.6	149.6
Business combinations	0.1	-	-	-
Internally developed assets	-	13.8	-	13.8
Disposals and retirements	-	-40.9	-	-40.9
Reclassifications	19.0	10.1	19.0	10.1
At end of year	151.6	132.6	151.6	132.6
Accumulated depreciation				
At beginning of year	-80.3	-88.8	-80.3	-88.8
Reversal of depreciation for disposals and retirements	-	29.4	-	29.4
Depreciation for the year	-18.8	-20.8	-18.8	-20.8
At end of year	-99.1	-80.3	-99.1	-80.3
Accumulated impairment				
At beginning of year	1.3	-1.8	1.3	-1.8
Reversal of depreciation for disposals and retirements	-	11.6	-	11.6
Impairment for the year	-0.3	-8.5	-0.3	-8.5
At end of year	1.0	1.3	1.0	1.3
Carrying amount at end of year	53.5	53.6	53.5	53.6

Note 16

Goodwill

Amounts in SEK million	Group	
	2021	2020
Accumulated cost		
At beginning of year	-	-
Business combinations	19.8	-
At end of year	19.8	-
Accumulated depreciation		
At beginning of year	-	-
Business combinations	-	-
At end of year	-	-
Carrying amount at end of year	19.8	-

Subsidiaries were acquired on December 29, 2021, and the surplus value arising from the acquisition analysis was not depreciated in the 2021 financial year.

Note 17

Software

Amounts in SEK million	Group	
	2021	2020
Accumulated cost		
At beginning of year	-	-
Business combinations	4.9	-
At end of year	4.9	-
Accumulated depreciation		
At beginning of year	-	-
Business combinations	-	-
At end of year	-	-
Carrying amount at end of year	4.9	-

Subsidiaries were acquired on December 29, 2021, and the surplus value arising from the acquisition analysis was not depreciated in the 2021 financial year.

Note 18

Projects in progress

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
At beginning of year	6.3	8.4	6.3	8.4
Costs incurred during the year	20.7	8.0	20.7	8.0
Reclassifications	-19.0	-10.1	-19.0	-10.1
Carrying amount at end of year	8.1	6.3	8.1	6.3

Note 19

Leasehold improvements

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Accumulated cost				
At beginning of year	4.1	4.1	4.1	4.1
At end of year	4.1	4.1	4.1	4.1
Accumulated depreciation				
At beginning of year	-3.7	-3.5	-3.7	-3.5
Depreciation for the year	-0.2	-0.2	-0.2	-0.2
At end of year	-3.9	-3.7	-3.9	-3.7
Carrying amount at end of year	0.2	0.4	0.2	0.4

Note 20

Equipment, tools, fixtures and fittings

Amounts in SEK million	Group		Parent	
	2021	2020	2021	2020
Accumulated cost				
At beginning of year	6.8	7.1	6.8	7.1
New acquisitions	0.9	0.9	0.9	0.9
Disposals and retirements	-	-1.3	-	-1.3
At end of year	7.7	6.8	7.7	6.8
Accumulated depreciation				
At beginning of year	-5.4	-6.0	-5.4	-6.0
Reversal of depreciation for disposals and retirements	-	1.3	-	1.3
Depreciation of cost for the year	-0.8	-0.6	-0.8	-0.6
At end of year	-6.2	-5.4	-6.2	-5.4
Carrying amount at end of year	1.5	1.4	1.5	1.4

Note 21

Shares in Group companies

Amounts in SEK million	Parent	
	2021	2020
Accumulated cost		
At beginning of year	84.7	84.7
Acquisitions	17.0	-
At end of year	101.7	84.7
Accumulated impairment		
At beginning of year	-84.7	-84.7
At end of year	-84.7	-84.7
Carrying amount at end of year	17.0	0.0

SPECIFICATION OF THE COMPANY'S HOLDING OF SHARES IN GROUP COMPANIES

Subsidiary/Corp. ID/Registered office	Number of shares	Holding, % ¹	Dec 31, 2021 Carrying amount	Dec 31, 2020 Carrying amount
Commerce 8 Oy, 2949884-2, Helsinki, Finland	179,219	71.7	9,105,333.6	-
Commerce 8 AB, 559169-9912, Stockholm, Sweden				-
Commerce 8 Limited, 13504023, London, United Kingdom				-
Xales Tech Lab Oy, 3142483-4, Helsinki, Finland	42,106	56.0	7,872,469.9	-

¹⁾ Refers to participating interest in capital, which also corresponds to the share of votes for total number of shares.

Business combinations during the financial year

During the year, 71.7 percent of Commerce 8 Oy and 56 percent of Xales Tech Lab Oy were acquired by the parent and were included in the consolidated accounts with amounts from the period after the acquisition date, December 29, 2021.

Only the balance sheets for the acquired subsidiaries are recognized in the consolidated accounts for the 2021 financial year.

Since the acquisition date was December 29, 2021, the assessment is that the financial results of the acquired companies did not have any material effect on the consolidated income statement.

The fair value of the acquired identifiable assets and liabilities and non-controlling interests at the acquisition date was determined in the acquisition analysis.

Note 22

Shares in associates and jointly controlled entities

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Accumulated cost				
At beginning of year	-	-	-	-
Acquisitions	26.4	-	27.1	-
Carrying amount at end of year	26.4	-	27.1	-

SPECIFICATION OF GROUP AND PARENT HOLDING OF SHARES IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Associates/Jointly controlled entities	Number of shares	Proportion of equity, % ¹	Carrying amount Group	Carrying amount parent
Directly owned				
Shopit Online Europe AB, 556894-2832, Växjö	545,904	29.8	26.4	27.1

¹) Refers to participating interest in capital, which also corresponds to the share of votes for total number of shares.

Note 23

Prepaid expenses and accrued income

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Prepaid expenses, goods	-	1.0	-	1.0
Prepaid rent	1.4	1.6	1.4	1.6
Accrued income	9.4	12.0	9.4	12.0
Marketing costs	0.1	0.6	0.1	0.6
IT related costs	1.8	-	1.8	-
Other items	4.1	2.9	4.0	2.9
Total	16.8	18.1	16.7	18.1

Note 24

Cash and cash equivalents

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
The following components are included in cash and cash equivalents:				
Bank deposits	202.9	173.3	197.5	170.3
Total	202.9	173.3	197.5	170.3

Note 25

Number of shares and quotient value

	Dec 31, 2021	Dec 31, 2020
Number of shares	6,444,327	5,990,991
Quotient value	1	1

On August 31, 2021, CDON AB issued shares in a private placement for approximately SEK 200 million before transaction expenses, which increased the total number of shares by 440,000. This increased the share capital by SEK 440,000 from SEK 6,004,327 to SEK 6,444,327. On December 29, 2021, CDON AB issued shares in a private placement for approximately SEK 3.1 million before transaction expenses, which increased the total number of shares by 6,156. This increased the share capital by SEK 6,156 from SEK 6,444,327 to SEK 6,450,483. The issue was directed to (through offset) Xales' sellers and was partial payment for the acquired shares in Xales Tech Lab Oy. As of December 31, 2021, the issue had not been registered with the Swedish Companies Registration Office and is therefore recognized under Current new share issue under the Restricted equity heading.

Note 26

Other provisions

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Additional purchase price	7.0	-	7.0	-
Total	7.0	-	7.0	-
Carrying amount at beginning of year	-	-	-	-
Provisions made during the year ¹	7.0	-	7.0	-
Carrying amount at end of year	7.0	-	7.0	-

¹) Other provisions consists of a provision for an additional purchase price attributable to the acquisition of Commerce 8 Oy of SEK 7.0 million that may be paid over a coming two-year period.

Note 27

Appropriation of profit or loss

Proposed appropriation of the company's profit or loss

Share premium reserve	191,027,767
Retained earnings	-2,921,299
Profit/loss for the year	-62,324,650
Total	125,781,818.1
Carried forward	125,781,818.1
Total	125,781,818.1

Note 28

Other liabilities

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Value added tax	12.1	17.7	12.1	17.7
Gift vouchers	11.7	8.6	11.7	8.6
Liability to merchants via Marketplace	47.6	48.9	47.6	48.9
Advance payment from customers	10.8	8.5	10.8	8.5
Other liabilities	3.3	5.4	2.2	5.4
Total	85.5	89.0	84.4	89.0

The item liability to merchants via marketplace is described in more detail in Note 1 of the accounting policies.

Note 29

Accrued expenses and deferred income

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Accrued expenses for merchandise	4.4	2.6	4.4	2.6
Accrued expenses for distribution of merchandise	4.1	6.8	4.1	6.8
Accrued employee benefit expenses	8.7	19.2	8.7	19.2
Accrued marketing costs	13.4	13.4	13.4	13.4
Accrued costs related to fraud case	11.7	-	11.7	-
Other items	11.0	7.1	10.8	6.1
Total	53.4	49.1	53.2	48.1

Note 30

Interest paid

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Interest received	-	1.5	-	1.5
Interest paid	-0.2	-0.1	-0.2	-0.1
Total	-0.2	1.4	-0.2	1.4

Note 31

Other cash flow statement disclosures

ADJUSTMENTS FOR NON-CASH ITEMS ETC.

Amounts in SEK million	Group		Parent	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Depreciation/amortization	19.8	21.7	19.8	21.7
Impairment/reversal of impairment	12.5	8.2	12.5	8.2
Unrealized exchange differences	0.5	-2.7	0.1	-1.3
Share in profits of associates	0.8	-	-	-
Total	33.7	27.2	32.5	28.7

BUSINESS COMBINATION, NET CASH EFFECT

	Group
	Dec 31, 2021
Intangible assets	24.8
Business changes	0.7
Cash and cash equivalents	2.7
Total assets	28.2
Acquired equity in prior holding	9.9
Non-controlling interest	9.8
Interest-bearing liabilities	0.2
Business liabilities	1.3
Total provisions and liabilities	21.2
Consideration	17.0
Less:	
Non-cash issue	-3.1
Additional purchase price	-7.0
Seller reversals	
Consideration paid	6.9
Less:	
Cash and cash equivalents in acquired businesses	-2.7
Effect on cash and cash equivalents	4.2

Note 32

Significant events after the end of the financial year

Changes in the management team and Board

On January 1, 2022, Peter Kjellberg took up his post as the new CEO of CDON. Peter Kjellberg has experience from a number of listed companies, including Dometic and Thule, where he held various senior commercial positions, was behind many of their successful transformations and expansions and helped build up strong global brands with strong, profitable growth.

On January 31, 2022, CDON announced that Magnus Nanne had been appointed Chief People Officer (CPO) and would take up his position on the same day as part of the management team. Magnus is responsible for development of human resources and CDON as a workplace.

On February 1, 2022, CDON announced that Thomas Pehrsson had been appointed new (permanent) Chief Financial Officer (CFO) of CDON and that Thomas would take up his position on March 7. Thomas has an extensive background in finance and more than 20 years of experience of financial management. He was most recently CFO of the Nordic subsidiary of the Tunstall Health Group, a global digital healthcare technology company. Previous experience includes BorgWarner, Capgemini, The Coca-Cola Company and ABB.

On February 8, 2022, CDON announced that Madeilene Södarv had been appointed Chief Customer Officer (CCO) of CDON and would take up her position on April 2. Madeilene will be part of the management team and be responsible for the further development of the customer experience and marketing.

Effect of the war in Ukraine

The future effects of the war in Ukraine are difficult to predict, which has increased the uncertainty of the outlook.

Definitions of key figures

Operating margin:	Operating profit/loss /Net sales
Total assets:	Total assets
Return on capital employed:	(Operating profit/loss + financial income)/Average capital employed
Financial income:	Net financial items attributable to assets (included in capital employed)
Capital employed:	Total assets less interest-free liabilities
Interest-free liabilities:	Non-interest-bearing liabilities. Pension liabilities are considered interest-bearing.
Return on equity:	Profit for the year attributable to parent company shareholders divided by average equity attributable to parent company shareholders
Equity/assets ratio:	(Total equity + equity portion of untaxed reserves)/total assets

The Board's attestation

Malmö, April 5, 2022

Josephine Salenstedt
Chairman of the Board

Christoffer Häggblom
Board member

Niklas Woxlin
Board member

Georg Westin
Board member

Savneet Singh
Board member

Kristina Lukes
Board member

Peter Kjellberg
CEO

Our audit report was submitted on April 6, 2022
KPMG AB

Jonas Nihlberg
Authorized Public Accountant
Chief Auditor

Gabriel Bjurek
Authorized Public Accountant

Auditor's report

To the general meeting of shareholders in CDON AB, corp. ID 556406-1702

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of CDON AB for the year 2021.

In our opinion, the annual accounts and consolidated 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 and the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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.

Basis for 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.

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 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. 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.

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.

*Auditor's Report,
cont'd*

- 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.

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 CDON AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Basis for 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 Report,
cont'd

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.

Malmö, April 6, 2022

KPMG AB

Jonas Nihlberg
Authorized Public Accountant
Auditor in charge

Gabriel Bjurek
Authorized Public Accountant

FINANCIAL CALENDAR

Interim report Q1	April 21, 2022
Annual General Meeting	May 11, 2022
Interim report Q2	July 14, 2022
Interim report Q3	October 20, 2022
Year-end report 2022	February 2023

CDON AB

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Corporate ID number: 556406-1702

CDON

Means a great deal