

Annual report 2020

CDON

Means a great deal

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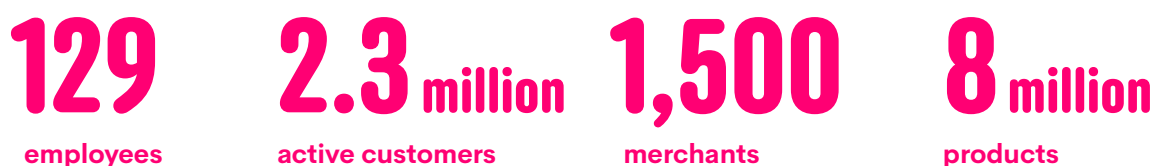
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About CDON

CDON was founded in 1999 and is now the leading marketplace in the Nordic region. We enable consumers and merchants to meet under the same roof. In 2020, we had over 120 million visits and 2.3 million active customers. Customers can opt to shop and compare the prices of over 8 million products, the widest range among Nordic marketplaces and e-merchants.

Customers can buy products from over 1,500 merchants in one purchase. The range includes, among other things, consumer electronics, home and garden, beauty, and fashion products. E-merchants from both within and outside the Nordic region choose to connect to CDON's marketplace to increase their sales via CDON's wide coverage in the target group and the tools and data that CDON provides.

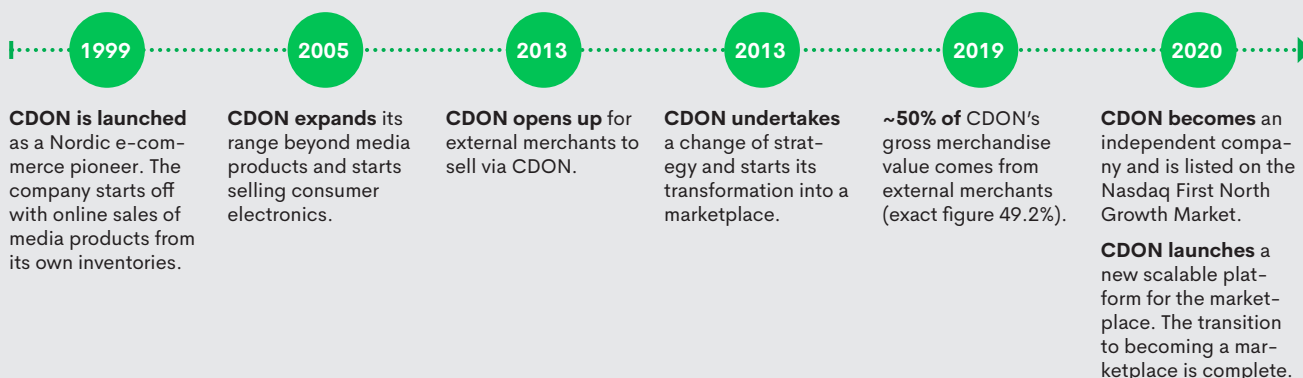


KEY RATIOS

Amounts in SEK million

	2020	2019
CDON		
Total gross merchandise value	2,375.0	1,946.3
Number of active customers, past 12 months, thousands	2,255	1,771
Net sales	795.3	1,111.7
Operating profit before depreciation/amortization, excluding costs for listing and incentive plans	34.3	15.2
CDON Marketplace		
Gross merchandise value	1,777.3	958.1
Net sales	205.2	137.2
Gross margin (%)	94.1%	92.8%
CDON Retail		
Gross merchandise value	597.7	988.2
Net sales	590.2	974.5
Gross margin (%)	9.4%	8.4%

CDON'S HISTORY





Where are our customers?

We operate in Sweden, Norway, Finland, and Denmark.

67%

Sweden

13%

Norway

10%

Denmark

10%

Finland

How many customers recognize the CDON brand?

Helped brand awareness

81%

Sweden

67%

Norway

53%

Denmark

71%

Finland

Coverage
2.3 million
active customers
on the market-
place

Traffic
120 million
visits on
CDON.com

Sales growth
+86%
increase in sales
on Marketplace
during 2020

Merchants
1,513
merchants are
on CDON
Marketplace

Increase in profit
+125%
adjusted
EBITDA 2020



Comments from the CEO

2020 featured a number of substantial themes. CDON achieved a critical mass of connected merchants and customers and finished the year with over 1,500 connected merchants. Listing the company on the Nasdaq First North Growth Market put us in the right place to focus completely on our own operations. The transformation of CDON from e-merchant to the leading marketplace in the Nordic region was completed when we changed our technological platform. That laid the foundation for continued scalable growth and personalized customer offerings as well as AI and automation. Society was impacted hard by COVID-19, which at the same time accelerated the underlying shift from physical to digital commerce.

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At CDON we decided long ago that we must be there for both consumers and merchants.

Over 50% of global sales are made on marketplaces

For several years, global e-commerce outside the Nordic region has been dominated by sales in digital marketplaces. Over 50 percent of global online sales are currently made via marketplaces. Amazon is one of the largest marketplaces in the world and for several months local marketplaces have grown alongside Amazon, such as Allegro in Poland, Bol.com in the Netherlands, and Cdiscount in France. The Nordic region has a lower proportion of sales via marketplaces than many other countries. As a market-leading digital marketplace, CDON benefits from the underlying shift towards e-commerce generally and towards marketplaces specifically.

A digital marketplace allows external merchants to sell their range on a collective digital platform, which benefits both consumers and merchants. Consumers have access to a wide range at better prices and with the opportunity to buy from several merchants at the same time, while merchants have a wider and larger audience and have access to the marketplace's different tools to drive and optimize their sales.

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We have a favorable starting position and we are convinced of the potential in the market.

Starting and operating a marketplace involves dealing with substantial barriers to entry. In order for a marketplace to function, basic liquidity in terms of connected merchants and consumers is required concurrently. When a marketplace has reached sufficiently abundant liquidity, it constitutes a self-enhancing ecosystem that merchants will want to connect to so as to reach more customers, which produces more products and better prices. The wider offer range increases the marketplace's appeal further and more customers are attracted to the platform.

CDON has passed the critical mass of merchants and consumers, and the operation is now run on a strong and flexible platform that enables us to continue to develop the ecosystem in a scalable manner. The next step for us is to fill the gaps in the customer experience that continue to limit customers' perception of the robustness of the platform. This is going to be a substantial area of focus in 2021 and we will be developing our organizational structure and our operation to accelerate our development here. As the lifetime value of our customers increases, we will also be increasing our rate of investment in marketing.

Sustainability is an increasingly important aspect of the business

We also have an important job to do in terms of sustainability. We strive to contribute to a circular economy. We collaborate with sustainability partners to minimize our own climate impact relating to returns management.

In e-commerce, running data centers is something that has considerable climate impact. We strive to ensure that our marketplace is primarily run on renewable energy.*

A great vote of thanks

Finally, I would like to express sincere thanks to our customers, merchants, and partners for your continuing trust in us. I would like to thank all our employees for their enormous commitment and the hard work that is done on a daily basis to continue to build CDON. Together we will continue to be the driving Nordic e-commerce force.

Kristoffer Väliharju
CEO of CDON

When the Annual Report for 2020 was printed, Kristoffer Väliharju was on sick leave. The interim CEO at the time of publication was Marcus Lindqvist, former Chairman of the Board of CDON.

* Read more in CDON's Sustainability Report.



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Today, merchants with physical stores as their primary sales channel are investing in their digital strategy. This means that merchants are looking for new sales channels in order to broaden their consumer coverage.

A growing Nordic e-commerce market

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The pandemic that struck the Nordic region and the world in early 2020 has accelerated the trend in e-commerce.

Figures that point upwards

E-commerce in the Nordic region is developing rapidly and is propelled by new technology and changed patterns of trade. According to statistics from Euromonitor, the average compound annual growth rate (CAGR) for the e-commerce market is expected to increase by 10.8 percent between 2019 and 2024. In addition, PostNord's e-barometer for 2020 shows that sales from e-commerce increased by 40 percent to SEK 122 billion in Sweden, compared with 2019. E-commerce also increased substantially in our neighboring countries during 2020. According to PostNord's European e-commerce survey, 22 percent of Danes, 19 percent of Norwegians and 25 percent of Finns stated that they had increased their online purchases during 2020.

E-commerce continues to show strong signs of growth in the Nordic region.

According to PostNord, 96 percent of Sweden's population shopped online during 2020. The comparative figures for Denmark, Finland and Norway are 88, 95 and 94 percent.

Merchants are investing in several sales channels

Today, merchants with physical stores as their primary sales channel are investing in their digital strategy. This means that merchants are looking for new sales channels in order to broaden their consumer coverage. It is clear that it has become more important to have a number of sales channels because of changed consumer behavior whereby more people shop online and fewer in traditional stores. The effect this has had for CDON is that it has accelerated the trend and thereby increased the number of connected merchants.

Consumers control the trend

Today's consumers make significant demands on stores and merchants regarding range, payment options and deliveries. There is also a growing generation of young consumers whose expectations on online shopping are that it will be simple, intuitive and provide them a wide offering. It should also be fun and ideally interactive – almost like entertainment. This is why the customer experience is a major area of focus for CDON.

There is also a steady increase in demand for e-merchants to provide a user-friendly experience for those consumers who shop for goods and services via mobile devices. Euromonitor suggests that sales via mobile devices will amount to 44 percent of e-commerce in Sweden by 2024.

Covid-19 has accelerated the trend

The pandemic that struck the Nordic region and the world in early 2020 has accelerated the trend in e-commerce. According to PostNord's e-barometer, the number of people in Sweden who shopped online due to the pandemic increased by 26 percent. In Denmark, this figure is 19 percent, while in Norway and Finland it amounts to 22 and 25 percent respectively.

When consumers were no longer able to visit stores freely, many stores were forced to adapt and rethink their approach. The focus shifted to rapid and – for the customer – simple deliveries. In many cases, this meant delivery to their homes. Many stores with a less well-developed e-commerce solution were forced to rapidly adapt, and in those cases marketplaces like CDON had an important role to play.

How the future effects of Covid-19 will look for the business is difficult to foresee at present. But it is likely that changed purchasing behaviors are here to stay, at least to some extent. From Covid-19, recognition of CDON's marketplace model gained ground. This trend persists and is something we are going to build on further.

The marketplace

– tomorrow's e-commerce



The digital marketplace is often compared to a traditional physical department store with several different merchants under the same roof.

What is a marketplace?

A marketplace is a platform and sales channel that enables e-merchants to sell their products via the platform in their own name. The digital marketplace is often compared to a traditional physical department store with several different merchants under the same roof.

The merchant is responsible for the products that are sold in the marketplace and this includes both the function and management of purchase and delivery. Since the marketplace has a wide range of products, consumers will make their way to the marketplace because of high relevance and increased hits via key-words, for example. This benefits the merchant through more visits and new customer segments who might not normally find individual brands. For customers, a marketplace is an effective way of finding several products in the same place at the same time, being able to smoothly and easily compare prices and choose between different brands and price categories.



BENEFITS OF THE MARKETPLACE FOR MERCHANTS

- Access to new customer segments
- Enhanced brand/greater exposure
- Improved customer experience
 - Access to the newest technology



BENEFITS OF THE MARKETPLACE FOR CONSUMERS

- Wider range
- Price transparency
- Competition between merchants
- All purchases in one place

Marketplaces are becoming more significant

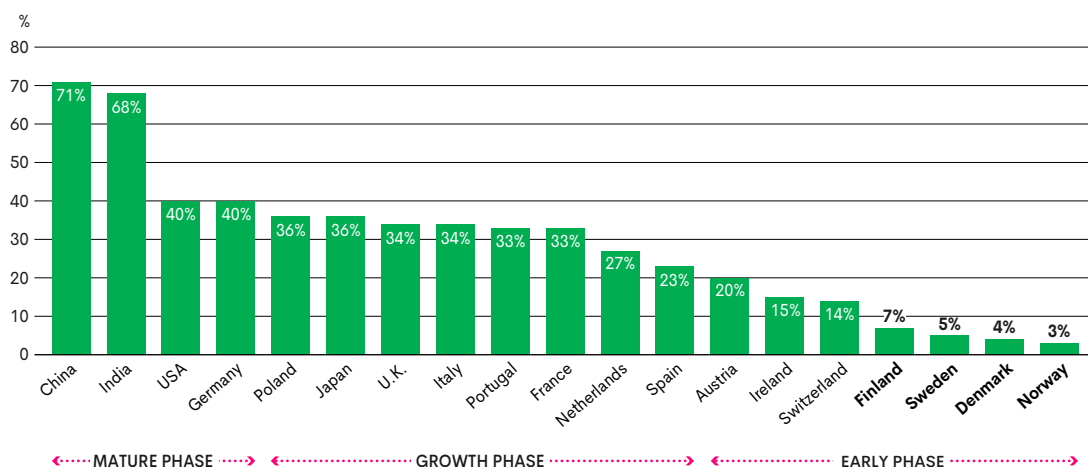
More and more companies realize that they have to invest in the development of their digital commerce if they are not to lose their market positions. It is important to be online and to be seen. It has therefore become a clear trend in e-commerce for merchants to turn to marketplaces.

Marketplaces provide effective solutions for merchants to grow and develop. The number of merchants offering their products for sale on CDON has increased by 46 percent to 1,500 during the year. (Amazon's launch in Sweden may also be seen as a sign of the potential for marketplaces in the Swedish market.) In fact, CDON registered a sharp increase of merchants in connection with Amazon's launch. This is an indication both of the strength of CDON's brand in the Nordic region and of our position as "the merchant's best friend."

There is enormous potential and there are excellent opportunities for marketplaces to increase their market share in the Nordic region. Consumers in the Nordic region show a high degree of digital maturity. Vertical e-merchants have traditionally held a strong position in Sweden, which is why marketplaces have not had as high penetration level as they have in other European countries. But merchants' and consumers' increased knowledge of marketplaces enhances the relevance of CDON's business model.

Nordic marketplaces currently have a relatively small market share of the total e-commerce compared with how things look at a global level. Many markets around the world often feature one strong operator or marketplace that dominates. Examples of this are Allegro in Poland, Cdiscount in France and Amazon in the USA. At the same time, there are markets where there is keen competition between marketplaces. An example of this is the Netherlands where many marketplaces exist side by side.

MARKETPLACES RAPIDLY INCREASE THEIR MARKET SHARE GLOBALLY*



*The above figures show the market share of the two largest marketplaces (in the world) in terms of total e-commerce. Source: Euromonitor, FY 2019



There is enormous potential and there are excellent opportunities for marketplaces to increase their market share in the Nordic region.

Growth and confidence in marketplaces are strong. CDON is optimistic in the belief that this will continue to increase through the competition that exists between marketplaces. The more businesses continue to push the trend, the greater we believe the growth is going to be, both for CDON and for the industry.

Barriers to entry for marketplaces

Building up and establishing a marketplace involves getting over some high barriers to entry. This requires substantial investment. To be successful requires high recognition value among consumers and merchants, as well as having a scalable technological platform that has reached a critical mass and thereby liquidity in the marketplace.

Brand – high recognition value

To establish a marketplace requires a large number of merchants. Having many merchants makes it possible to build up and develop an extensive product offering for consumers, which increases people's desire to shop on the marketplace. For both merchants and consumers to reach the marketplace, there must be strong brand awareness of the marketplace.

CDON has a strong brand in the Nordic region, and our brand is associated with a leading position in e-commerce. We have also made a successful transition from retailer to marketplace. Our brand was a large part of the reason we were able to complete the transition and occupy a leading position in the Nordic region as early as the start of the transformation. As at the end of 2020, CDON had 2.3 million active customers and over 1,500 connected merchants.

Scalable technological platform

To run a marketplace successfully requires a technological platform that is scalable and tailor-made for the unique needs of a marketplace. The platform must be able to handle enormous quantities of data and to process this data to be able to create relevance for merchants and a constantly improving customer experience. This is both technologically complicated and requires substantial investment.

CDON has sold products online for over twenty years and in that time we have built up considerable skills and competence in the area. Based on our insights, knowledge, and experience, CDON has launched its own technological platform designed to meet the requirements and needs of a marketplace today and in the future. Our platform enables better management of data and the addition of new functions and services for both consumers and merchants. This means we can also create a positive and enriched customer experience.

Critical mass – a broad base of consumers and merchants

Both consumers and merchants are necessary to achieve liquidity within the marketplace. Merchants are necessary to provide a relevant range and attractive prices. Consumers are necessary to make the marketplace attractive for merchants. The combination of the two groups is thus costly and difficult for a new operator to achieve on entry.

CDON has managed to become the leading Nordic marketplace within a short time because of high recognition value among consumers and merchants together with a scalable technological platform. Achieving a critical mass and thereby liquidity in a marketplace is the most difficult step for a new marketplace, something CDON has been successful in doing.



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There is a growing generation of young consumers whose expectations of online shopping are that it will be simple, intuitive and provide them a wide offering. It should also be fun and ideally interactive – almost like entertainment. This is why the customer experience is a major area of focus for CDON.

Strategy and business model

CDON was founded as early as 1999 and is a well-known brand in the Nordic region. From being a dedicated e-commerce business with its own inventories, we have, in recent years, transformed into a dedicated marketplace where consumers and merchants meet on the same platform. Our vision is to be the starting point for e-commerce in the Nordic region.

In order to achieve our vision, we strive to increase the instances of collaboration with e-merchants within and outside the Nordic region. The focus of our work is to offer consumers a positive customer experience by means of a wide range, several delivery options, and competitive prices.

Our strategy

CDON has a primary operation, CDON Marketplace (external merchants, 3P), where sales come from third-party merchants and services income, and the supplementary business area CDON Retail, where sales come via its own inventories or drop shipping. In 2020, CDON Marketplace accounted for 75 percent of the company's gross merchandise value.

Three strategic priority areas:

1 Improve customer experience

CDON strives to integrate even more merchants, both from the Nordic region and outside it, in different product segments to offer customers an attractive and wide range of products. We work continuously on becoming more relevant to customers and on enhancing our offering to them – from first impression to loyal customer.

2 Speed up onboarding and develop the offering to merchants

In order to be able to increase the number of merchants, CDON must continuously develop the marketplace, so as to make it even more attractive for merchants to join. A large part of the work involves expanding the customer base.

More customers combined with strong services increases our appeal and value proposition to merchants. An example of this is CDON Connect, where we provide our merchants with insights on pricing, content, and campaigns. Other future services that CDON is going to offer merchants might include advertising, partner programs with tech companies, and simple technological connections via aggregators.

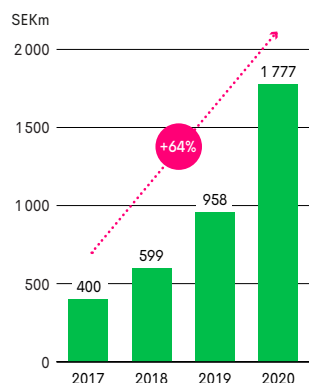
3 Strengthen and develop the brand

During our 20 years in the industry, we have built up a strong local brand with high recognition value. We strive to ensure that Nordic consumers should start their purchase journey directly on CDON. We do this by enhancing the customer experience, but we also continue to position ourselves as the local option both for consumers and merchants.

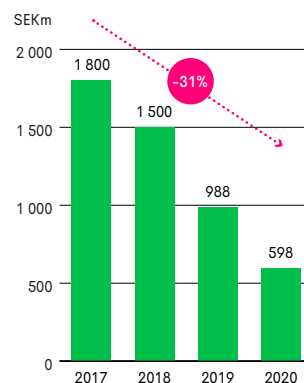
Income and business model

Our two business areas, CDON Marketplace and CDON Retail, both generate income for CDON. CDON Retail's income consists of sales income from products from its own inventories. As CDON Retail scales down its operation in line with more merchants connecting to CDON Marketplace, income from that business area of activity decreases.

CDON MARKETPLACE GMV*



CDON RETAIL GMV*



*Gross Merchandise Volume.

Furthermore, there is continuous development of our offering to be an attractive service to merchants. We aim to be able to provide important insights for our integrated merchants through CDON Connect. From October 2020, CDON charges a fixed fee for the CDON Connect tool.

76%

lower inventory levels

123 million

visits during 2020

75%

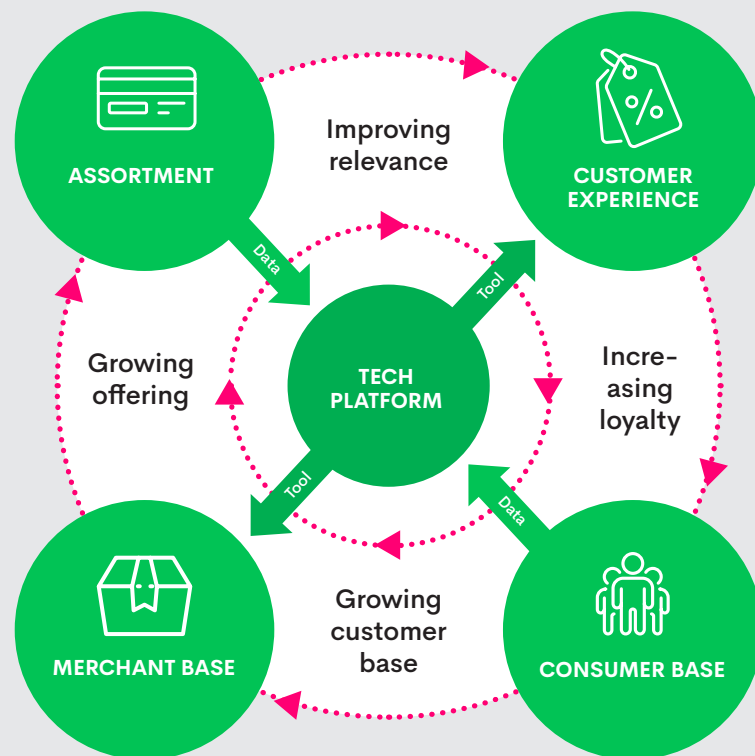
CDON Marketplace's share of gross merchandise value

HIGHLIGHTS 2020

CDON Marketplace, the company's core activity, makes it possible to present a large range of products at attractive prices while at the same time requiring a limited amount of capital.

- During the year, gross merchandise value for CDON Marketplace increased by 86 percent and amounted to SEK 1,777 million.
- CDON Marketplace's gross profit for 2020 increased by 52 percent.
- The number of active merchants on the platform increased to 1,513 (1,036), an increase of 46 percent from 2019.
- The number of active customers during the year increased by 27 percent compared to the previous year. The number of visitors increased by 28 percent while the number of orders increased by 21 percent.

A PROVEN GROWTH MODEL FOR MARKETPLACES



Successful marketplaces use a proven concept known as the Flywheel model.

The model builds on a number of components that interact and create acceleration towards one another, a snowball effect. The more merchants a marketplace has, the greater its range of products. A large range of products in turn increases traffic to the marketplace. A positive customer experience in turn leads to increased sales, to more merchants turning to the marketplace, which gets a wider product range, and so on. In addition, with a good technological and scalable platform as its base, the process speeds up at the same time as it leads to lower costs and lower prices, producing an even more rapid acceleration.

CDON has come a long way in many ways, especially in that we have a scalable technological platform, a large customer base, a growing number of merchants and a large range of products.



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Our vision is to simplify digital commerce for e-merchants and consumers in the Nordic region. The focus of our work is to offer consumers a positive customer experience by means of a wide range, several delivery options, and competitive prices.



Directors' report

Business overview

CDON 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-retailers.

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 connect to 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 of 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. We also welcomed a number of non-Nordic e-retailers to CDON's platform in 2020, including one of Europe's biggest marketplaces, Cdiscount. 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

Financial overview	2020	2019	2018	2017
Net sales, SEK million	795	1,112	1,561	1,845
Profit/loss after financial items, SEK million	-6	-2	-35	-115
Total assets, SEK million	296	503	537	522
Number of employees	129	143	161	151
Equity/assets ratio, %	19.9	29.7	28.1	-2.7

Comments on financial performance

The transition to a marketplace meant that net sales declined by 28 percent to SEK 795.3 (1,111.7) million.

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

Gross margin for the year increased by 12.4 percentage points to 31.2 (18.8) percent. The increase is due to the shift in business model from retail to marketplace.

Operating profit/loss before depreciation, amortization and impairment for the year was SEK 24.2 (15.2) million. The company was listed on the First North Growth Market in Q4 2020, resulting in listing and incentive plan expenses of SEK 10.1 million. Excluding these expenses, operating profit/loss before depreciation and amortization for the year increased by 126 percent to SEK 34.3 (15.2) million.

Operating profit/loss for the year amounted to SEK -6.0 (-1.2) million. Excluding listing and incentive plan expenses, operating profit/loss for the year increased to SEK 4.1 (-1.2) million.

Net financial items for the year amounted to SEK 0.2 (-0.3) million. Profit/loss before tax for the year amounted to SEK -5.9 (-1.5) million. Recognized tax expense was SEK 0.0 (0.0) million.

Profit/loss after tax for the year amounted to SEK -5.9 (-1.5) million. Earnings per share after tax for the year amounted to SEK -1.0 (-0.3).

Cash flow and financial position

Cash flow from operating activities before changes in working capital for the year amounted to SEK 22.4 (14.5) million.

Cash flow from operating activities after changes in working capital for the year amounted to SEK 29.6 (70.9) million. Inventory decreased by SEK 78.5 million to SEK 25.2 (103.7) 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 -22.8 (-28.5) million.

Cash flow from financing activities for the year was SEK -34.4 (-50.0) million. During the year, the company paid a dividend to the former owner Nelly Group, which also repaid a loan to CDON.

Cash and cash equivalents amounted to SEK 170.3 (196.6) million at the end of the year.

Total assets amounted to SEK 295.7 (503.2) million and equity amounted to SEK 58.9 (149.2) million at the end of 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,
cont'd

Significant events in the 2020 financial year

Listing on the First North Growth Market

On October 26, an extraordinary general meeting of Qliro Group AB (publ) decided to distribute the shares in CDON AB to Qliro Group's shareholders. November 6 was the first day of trading in CDON's shares on the First North Growth Market.

Private placement for Owner Program

On December 16, an extraordinary general meeting established the 2020 Owner Program, intended for Kristoffer Väliharju (CEO), Niclas Szieger (CFO) and David Olhed (CCO). The purpose of the 2020 Owner Program is to align key individuals in management with the interests of shareholders. The remuneration is designed to foster long-term sustainable results, aligned with the company's vision and strategy. To permit delivery of the shares under the 2020 Owner Program, the meeting decided on a direct share issue of a maximum of 36,900 shares.

Continued development of the consumers and merchant offers

CDON continuously launches new features and services to improve the consumer experience and increase sales to merchants. A new self-developed technical platform was launched during the year, which will give consumers a better experience through improved relevance and new features. For example, consumers are now able to monitor products that are out of stock, compare prices between merchants, post and read reviews and benefit from improved product recommendations, etc.

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, compare prices, 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.

Online retailer of the year 2020

On December 11, CDON was named 'Online retailer of the year 2020'. The award was organized by price comparison site Prisjakt and was based on purchase experience reviews and ratings by 42,000 consumers. CDON has won various prizes in the competition in the last seven years, including 'Online retailer of the year' in 2018, 2019 and 2020.

The effects of the Covid-19 pandemic

CDON's operations have been affected in several ways by the ongoing Covid-19 pandemic. The future effects of Covid-19 are difficult to predict, which has increased the uncertainty of the outlook. CDON offers many products to groups that have increased their online shopping due to Covid-19. This has helped increase the number of customers and visitors to CDON during the year.

Significant events after the end of the 2020 financial year

Changes in the management team and Board

CDON's CEO, Kristoffer Väliharju, temporarily stepped down from his role as CEO due to illness and Marcus Lindqvist, who has served as Chairman of the Board since 2016 and as President and CEO of CDON's former owner company, Qliro Group, has been appointed Acting CEO. Marcus Lindqvist will leave his place on the Board as a result of his appointment.

Board member Josephine Salenstedt, who is a partner in the principal owner Rite Ventures, has been appointed new Chairman of the Board until the next AGM.

For some time, Kristoffer Väliharju has been experiencing problems with an irregular heartbeat, which has affected his physical ability. To deal with the problems, Kristoffer has had a planned procedure carried out and now needs a period of rest. He is expected to resume his role as CEO on 1 May 2021.

Kristoffer Väliharju and Marcus Lindqvist have together driven CDON's establishment as the leading online marketplace in the Nordic region and the company's successful listing, and know the company and management very well.

New ERP-system

During the first quarter of 2021, CDON implemented a new ERP-system. The system is a cloud based solution which is scalable and enables expanded automation and streamlining.

The company's shares

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

In Q4, a decision was made to issue 13,336 new shares under the 2020 Owner Program. These were subscribed for by Kristoffer Väliharju (CEO), 6,281 shares, Niclas Szieger (CFO), 5,039 shares, and David Olhed (CCO), 2,016 shares. The shares were issued at the start of 2021.

As of December 31, CDON had 5,990,991 issued shares. All were ordinary shares. Share capital totaled SEK 5,990,991.

Directors' report,
cont'd

Employees

At the end of the year, CDON had a total of 129 (143) full-time employees. All employees work from the company's office in Malmö.

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

The Nordic e-commerce market showed strong growth in 2020, partly driven 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 wants to connect to 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.

Development of the company's operations, earnings and position

The Board of Directors proposes that the non-restricted equity of SEK –1,036,062 be dealt with as follows:

SEK

Carried forward	–1,036,062
Total	–1,036,062

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 company is currently exposed and risks that could occur in the foreseeable future. The company uses the following categories to manage risks: operational, market-related, financial and legal risks. Industry and market risks include market developments in e-commerce, seasonal variations, risks related to fashion trends, the economic situation and consumer purchasing power. Operational risks include interruptions or deficiencies in IT and control systems, supplier relationships, inventory and distribution. Financial risks include currency risk, credit risk and liquidity risk. Legal risks include legislation, regulation and compliance, disputes and intellectual property rights.

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 company 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 company's operations, financial position and future development at the time of writing, April 2021. The risk factors listed below are limited to risks that are specific to CDON and of importance to informed decision-making.

Operational risks

IT risks

CDON's operations are highly dependent on reliable IT and control systems that are well adapted to the company's operations, primarily with regard to the website's uptime. CDON 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 reserves. 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

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occur in manual processes. These disturbances, interruptions and deficiencies may result in serious business disruptions and damage to the company. In the event of system interruptions and process deficiencies, it is not certain that CDON will receive full compensation for the associated damage caused.

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

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

CDON is dependent on its IT systems being adequately protected against unauthorized intrusion. As the techniques 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 company will be unable to anticipate the development of these techniques or to take effective countermeasures in time, or that techniques for protection against unauthorized intrusion will not be developed in time. If unauthorized parties access the company's IT system, there is a risk that they will obtain business-critical data and information about connected merchants and/or customers. There is also a risk that the company'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 company, connected merchants or customers of the company, connected merchants or the company's partners will suffer loss or damage, which could disrupt the company's operations, cause reputational damage and/or result in direct costs, such as penalties or contractual fines.

Risks related to personnel

CDON's future success is highly dependent on the company's ability to recruit, retain and develop qualified senior executives and other key employees. If the Company fails to retain or recruit qualified employees, there is a risk that CDON's future goals will not be achieved.

Risks related to warehouses

CDON Retail sells products that are purchased and kept in warehouses before being sold to consumers. CDON has several warehouses that are operated by external suppliers. If a warehouse were to be destroyed or to close, or if its equipment were to be damaged, the company might be unable to deliver products to customers or might risk delivery delays. There is a risk that CDON will be unable to find an alternative warehouse or repair the warehouse in question or its equipment quickly and cost-effectively. CDON 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 external suppliers will increase.

There is also a risk that CDON 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.

Distribution risks

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 warehouses 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 CDON.

As the company engages external freight forwarders for the delivery of products, CDON is also exposed to the risk of increased shipping costs.

Risks related to connected merchant conduct on CDON Marketplace

On CDON Marketplace, the connected merchant is responsible for ensuring that the products that are sold maintain the quality promised at the time of purchase and are delivered on time. The connected 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 CDON's requirements for correct and professional conduct towards marketplace customers is a key component of the connecting process. However, CDON cannot completely eliminate the risk of merchants failing to fulfill their obligations. If connected 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 company.

Risks related to payment service providers

CDON offers a wide range of payment methods in order to meet different customer preferences regarding payment options. Payment options include credit and debit cards, PayPal, direct payment via internet banking and payment solutions through Qliro AB. CDON is dependent on Qliro AB for the provision of payment options and if Qliro AB's systems were to be down, this could have an adverse effect on CDON's sales. The payment process is also part of the customer's shopping experience. This means that the company is dependent on the payment providers' activity and a payment solution outage could, therefore, damage CDON's reputation.

Directors' report,
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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 CDON.

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

Financial risks

Credit risk

Credit risk is the risk of a counterparty of the company being unable to fulfill its obligation, thereby causing a loss. CDON's credit risk 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. Fraud is likely to have a low negative impact on the company's earnings.

Risks related to impairment of intangible assets

The value of CDON's intangible assets on December 31, 2020 amounted to SEK 60 million and consisted of platform investments. The measurement of these assets is based on assumptions about future development, growth, profitability and other parameters that are by nature subject to uncertainty.

Liquidity risk

Liquidity risk is the risk that CDON 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. CDON Retail sales of items such as physical media products are affected by seasonal variations and a large proportion of CDON's sales occur during the fourth quarter. The company's liquidity risk, therefore, increases during the third and fourth quarters. If the company lacks liquidity during the fourth quarter, CDON will have less ability to purchase its own stock, resulting in reduced sales opportunities. If the company has lower sales, this may mean that parts of its liquidity are tied up in inventory (see more about inventory risks under the heading 'Warehouse and inventory risks').

Legal risks

Risks related to legislation, regulations and compliance

CDON is affected by legislation and regulations, primarily in Sweden, which is the location of the company's registered office, but also in countries where CDON sells its products. Such regulations may require approval or registration of products by the regulatory authority in the country where the products are sold. Failure by CDON to comply with applicable rules could lead to fines and the company 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 company'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 company's purchasing costs.

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. The lack of guidance and practice presents a challenge in terms of compliance with the regulations.

In addition, the costs associated with new regulations may become significant and/or mean that CDON suffers a loss of revenue.

Risks related to the processing of personal data

In its operations, the company 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 company's processing of personal data is deficient, is exposed to data hacking or otherwise inadvertently violates the law, the company risks, among other things, claims for compensation for the associated damage and invasion of privacy.

There is a risk that the measures the company 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

*Directors' report,
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risk that the measures taken by the company to ensure compliance with applicable legislation, such as the GDPR, will be insufficient, which may entail significant costs for the company. 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 company management.

Risks related to ongoing investigations into the processing of personal data

CDON's processing of personal data is being investigated by the Swedish Authority for Privacy Protection, including CDON's personal data processing based on consent. This investigation of CDON has not been initiated as a result of complaints against CDON 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.

The Austrian organization NOYB has reported Qliro Group to the Austrian Data Protection Authority, Datenschutzbehörde, regarding the processing of personal data on the website cdon.fi. The report refers to Qliro Group's use of 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 is, therefore, calling for the Austrian Data Protection Authority to conduct a review of this personal data processing. The Austrian Data Protection Authority has informed the Swedish Authority for Privacy Protection of the case, which has initiated a supervisory case against CDON as a result of the information provided in the report. Should the Swedish Authority find that CDON processes personal data in breach of applicable personal data legislation, it may issue a penalty, reprimand or warning. The process involves several major players and is currently at an early stage. This means that 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 Qliro Group, the Finnish authorities have been investigating CDON'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 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 offenses 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 are scheduled to be held in the Court of Appeal towards the end of 2021.

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 Qliro Group.

On the basis of the distribution of the shares in CDON, CDON Alandia, CDON and Qliro Group 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.

In the event of a claim for compensation, CDON could be liable to pay damages to the defendants.

Income statement

Amounts in SEK million	Note	2020	2019
Net sales	2, 3	795.3	1,111.7
Cost of goods sold	2	-546.9	-902.3
Gross profit/loss		248.4	209.5
Selling expenses		-92.2	-72.5
Administrative expenses	4, 5, 6, 7, 8, 9	-163.0	-137.2
Other operating income	10	0.7	0.1
Other operating expenses	11	0.0	-1.0
Operating profit/loss		-6.0	-1.2
Profit/loss from financial items			
Interest and similar income	12	1.5	0.3
Interest and similar expenses	13	-1.3	-0.6
Profit/loss after financial items		-5.9	-1.5
Profit/loss before tax		-5.9	-1.5
Tax on profit/loss for the year	14	0.0	0.0
Profit/loss for the year		-5.9	-1.5

Balance sheet

ASSETS

Amounts in SEK million	Note	2020 Dec 31	2019 Dec 31
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditures for development and similar work	15	53.6	59.0
Projects in progress	16	6.3	8.4
		60.0	67.4
<i>Property, plant and equipment</i>			
Leasehold improvements	17	0.4	0.6
Equipment, tools, fixtures and fittings	18	1.4	1.1
		1.7	1.7
<i>Financial assets</i>			
Shares in Group companies	19	0.0	0.0
		0.0	0.0
Total non-current assets		61.7	69.2
Current assets			
<i>Inventory</i>	2		
Finished goods and merchandise		25.2	103.7
<i>Current receivables</i>			
Accounts receivable		16.0	23.2
Receivables from Group companies	20, 9	0.0	62.1
Current tax assets	14	1.6	2.7
Other receivables		2.8	0.9
Prepaid expenses and accrued income	21	18.1	44.9
		38.5	133.7
<i>Cash and bank balances</i>			
Cash and cash equivalents	22	170.3	196.6
Total current assets		233.9	434.1
TOTAL ASSETS		295.7	503.2

Balance sheet,
cont'd

EQUITY AND LIABILITIES

Amounts in SEK million	Note	2020 Dec 31	2019 Dec 31
Equity	23, 24		
<i>Restricted equity</i>			
Share capital		6.0	0.1
Current new share issue		0.0	0.0
Other capital contributions		0.0	0.0
Statutory reserve		0.0	0.0
Development expenditure fund		53.9	64.7
		60.0	64.8
<i>Non-restricted equity</i>			
Retained earnings		4.9	86.0
Profit/loss for the year		-5.9	-1.5
		-1.0	84.4
Total equity		58.9	149.2
Current liabilities			
Accounts payable		99.6	199.7
Liabilities to Group companies	9	0.0	1.2
Other liabilities	25	89.0	94.5
Accrued expenses and deferred income	2, 26	48.1	58.7
Total liabilities		236.7	354.0
TOTAL EQUITY AND LIABILITIES		295.7	503.2

Statement of changes in equity

2019

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, 2019		0.10	48.42	0.02		102.22	150.75
Profit/loss for the period						-1.53	-1.53
Transfers between items in equity							
Depreciation, amortization and impairment for the year			-9.00			9.00	0.00
Capitalized development expenses			25.25			-25.25	0.00
			16.24			-16.24	
Equity, Dec 31, 2019		0.10	64.66	0.02	0.00	84.45	149.23

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			-26.73			26.73	
Capitalized development expenses			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

Cash flow statement

Amounts in SEK million	Note	2020 Dec 31	2019 Dec 31
Operating activities			
Profit/loss after financial items	27	-5.9	-1.5
Adjustment for non-cash items	28	28.7	16.3
		22.8	14.8
Income tax paid		1.1	0.0
Cash flow from operating activities before changes in working capital		23.9	14.7
Changes in working capital			
Increase (-)/decrease (+) in inventories		79.7	72.9
Increase (-)/decrease (+) in operating receivables		43.3	15.2
Increase (+)/decrease (-) in operating liabilities		-117.3	-32.0
Cash flow from operating activities		29.6	70.9
Investing activities			
Acquisitions of property, plant and equipment	17, 18	-0.9	-0.3
Acquisitions of intangible assets	15, 16	-21.9	-28.2
Cash flow from investing activities		-22.8	-28.5
Financing activities			
Repayment of loans		70.0	0.0
Loans paid out		-20.0	-50.0
Dividend paid		-84.4	0.0
Cash flow from financing activities		-34.4	-50.0
Cash flow for the period		-27.6	-7.5
Cash and cash equivalents at beginning of period		196.6	203.6
Exchange rate differences in cash and cash equivalents		1.3	0.6
Cash and cash equivalents at end of period	22	170.3	196.6

Notes

Note 1

Accounting policies

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general recommendation BFAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3). The accounting policies are unchanged from the previous year.

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

Consolidation

In accordance with chapter 7, section 3a, of the Annual Accounts Act, the company does not prepare consolidated financial statements, as the subsidiary, CDON Alandia Ab, 2143083-5, is classified as a small undertaking of marginal significance.

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 shipment.

Intangible assets

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;
- 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 such as materials and salaries.

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.

Internally generated intangible assets	Useful life
Capitalized expenditure for development and similar work	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

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.

Note 1, cont'd

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. Depreciation is recognized as an expense in the income statement.

	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. Calculation of value in use involves an estimation of the present value of the future cash flows to be derived from continuing use of the asset and from its ultimate disposal. The discount rate used is the pre-tax rate that reflects market assessments of the time value of money and the risks specific to the asset. 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.

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.

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.

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 reported in accordance with chapter 11 (Financial instruments measured at cost) of BFNAR 2012:1.

Financial instruments reported in the balance sheet include accounts receivable and other receivables and accounts payable. An instrument is recognized in the balance sheet when CDON AB 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 company 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

On initial recognition, financial assets are measured at cost.

They are subsequently measured at the lower of cost and net realizable value at the reporting date.

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 company'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 company'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.

*Note 1, cont'd***Measurement of financial liabilities**

Current accounts payable are recognized at cost.

Shares in subsidiaries

Shares in subsidiaries are recognized at cost less accumulated impairment. Cost comprises the purchase price and any expenditure directly attributable to the acquisition.

Employee benefits**Short-term employee benefits**

Short-term employee benefits consist of salaries, social security contributions, paid annual leave, paid sick leave, health-care 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.

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.

CDON'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 company with any future financial benefits, are only recognized as a liability and an expense when the company has a legal or constructive obligation to either

- a) terminate the employment of an employee or group of employees before the normal retirement date,
- b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Termination benefits are only reported when the company has a detailed plan for the termination and is without realistic possibility of withdrawal.

Share-based payment

The company 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 recorded in the income statement as an employee benefit expense under administrative expenses, and in equity in '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.

Tax

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

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 company's revenue is subject to seasonal variations. Revenue in the fourth quarter is significantly higher than in other quarters due to Christmas shopping and Black Friday.

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 company has transferred to the buyer the significant risks and rewards of ownership;
- The company 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.

Note 1, cont'd

The recognized revenue is reduced by the sale price (excl. VAT) for items that are expected to be returned. The reduced amount is reported 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.

Marketplace

Net sales include commission generated by sales transacted through the company's 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 reported 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 company has sold these services to various partners. Net sales are reported 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.

Note 2**Estimates and assessments****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.

Note 3

Net sales by segment and geographical market

Amounts in SEK million	2020	2019
Net sales by segment		
CDON Marketplace (3P)	205.2	137.2
CDON Retail (1P)	590.1	974.5
Total	795.3	1,111.7
Net sales by geographical market		
Sweden	500.3	652.8
Other Nordics	295.1	458.9
Total	795.3	1,111.7

Note 4

Employees, employee benefit expenses and Board fees

AVERAGE NUMBER OF EMPLOYEES

	2020	Men	2019	Men
Sweden	129	66%	143	68%
Total	129	66%	143	68%

COMPANY MANAGEMENT BY GENDER

	2020	2019
Women		
The Board	40%	0%
Other senior executives	17%	0%

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

Amounts in SEK million	2020	2019
Salaries and benefits	48.3	48.8
Social security contributions	27.4	28.6
(of which pension expenses) ¹⁾	5.5	5.7

¹⁾ 0.6 (0.5) 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).

SALARIES AND OTHER BENEFITS, BOARD, CEO AND OTHER EMPLOYEES

Amounts in SEK million	2020		2019	
	Board and CEO	Other employees	Board and CEO	Other employees
Salaries and other benefits	6.3	42.0	2.8	46.0
(of which bonuses and similar)	3.5	4.5	0.5	3.0

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.

Note 4, cont'd

REMUNERATION OF SENIOR EXECUTIVES

2020

Amounts in SEK million	Basic salary/ Board fees	Variable remu- neration	Other benefits	Pension expenses	Other remu- neration	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 Andersson	0.11	–	–	–	–	0.11
Kristoffer Väliharju, CEO	2.20	3.55	0.01	0.55	0.19	6.49
Other senior executives (7 individuals)	5.29	3.37	0.14	1.01	0.01	9.82
Total	7.81	6.92	0.14	1.57	0.20	16.63

2019

Amounts in SEK million	Basic salary/ Board fees	Variable remu- neration	Other benefits	Pension expenses	Other remu- neration	Total
Marcus Lindqvist, Chairman of the Board	–	–	–	–	–	–
Andreas Bernström	0.08	–	–	–	–	0.08
Christoffer Häggblom	0.08	–	–	–	–	0.08
Kristoffer Väliharju, CEO	2.14	0.49	0.01	0.54	0.10	3.27
Other senior executives (7 individuals)	5.55	0.91	0.03	1.03	0.05	7.57
Total	7.83	1.39	0.04	1.58	0.15	10.99

SHARE-BASED PAYMENTS

At an extraordinary general meeting on December 16, 2020, it was decided to adopt a long-term incentive program 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. The total cost recognized in the income statement for the incentive plan and related social security contributions is SEK 48 (0) thousand. The total carrying amount of liabilities and equity related to share-based payments is SEK 11 (0) thousand for liabilities and SEK 37 (0) thousand for equity.

CHANGE IN THE NUMBER OF OWNER SHARES

2020	Number of shares	Fair value at grant date
Outstanding at beginning of year	–	–
Allotted during year	13,336	3,200,640
Outstanding at end of year	13,336	3,200,640
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.

Amounts in SEK million	2020	2019
KPMG AB		
Audit engagements	0.4	0.6
Other auditing services	0.0	0.0
Tax advisory services	–	–
Other services	–	–
Total	0.4	0.6

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	2020	2019
Future minimum lease payments under non-cancelable operating leases		
Within one year	6.7	6.7
Between one and five years	22.0	22.2
After five years	–	4.2
Total	28.6	33.1
Lease payments recognized for the financial year	6.8	6.5

Note 7

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

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Depreciation/amortization according to plan by asset		
Capitalized expenditures for development and similar work	-20.8	-14.1
Leasehold improvements	-0.2	-0.2
Equipment, tools, fixtures and fittings	-0.7	-0.6
	-21.7	-15.0
Depreciation/amortization by asset		
Cost of goods sold	-	-
Selling expenses	-	-
Administrative expenses	-21.7	-15.0
	-21.7	-15.0
Impairment by asset		
Capitalized expenditures for development and similar work	-8.6	-1.4
Leasehold improvements	-	-
Equipment, tools, fixtures and fittings	-	-
	-8.6	-1.4
Impairment by function of expense		
Cost of goods sold	-	-
Selling expenses	-	-
Administrative expenses	-8.6	-1.4
Total	-8.6	-1.4

Note 8

Exceptional costs

Amounts in SEK million	2020	2019
Incentive plan	5.5	-
Expenses attributable to listing	4.6	-
Total	10.1	-

Note 9

Related-party transactions

Intra-Group purchases and sales

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

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

Note 10

Other operating income

Amounts in SEK million	2020	2019
Exchange gains on operating receivables/liabilities	0.7	-
Capital gains	0.0	0.1
Other	0.0	-
Total	0.7	0.1

Note 11

Other operating expenses

Amounts in SEK million	2020	2019
Exchange losses on operating receivables/liabilities	0.0	-1.0
Total	0.0	-1.0

Note 12

Interest and similar income

Amounts in SEK million	2020	2019
Interest income, Group companies	1.5	0.2
Interest income, other	0.0	0.1
Total	1.5	0.3

Note 13

Interest and similar expenses

Amounts in SEK million	2020	2019
Interest expenses, other	-0.1	-0.1
Exchange losses, net,	-1.3	-0.5
Total	-1.3	-0.6

Note 14

Tax on profit for the year

	2020		2019	
	Percent	Amount, SEK million	Percent	Amount, SEK million
Profit/loss before tax		-5.9		-1.5
Tax at applicable tax rate	21.4%	1.3	21.4%	0.3
Non-deductible expenses	-10.1%	-0.6	-6.3%	0.1
Non-taxable income	0.0%	0.0	1.3%	0.0
Increase in loss carryforwards for which no deferred tax was capitalized	-11.3%	-0.7	-16.4%	-0.2
Recognized effective tax	0.0%	0.0	0.0%	0.0

Note 15

Capitalized expenditures for development

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Accumulated cost		
At beginning of year	149.6	107.4
New acquisitions	13.8	3.4
Disposals and retirements	-40.9	-
Reclassifications	10.1	38.8
At end of year	132.6	149.6
Accumulated depreciation		
At beginning of year	-88.8	-74.7
Reversal of depreciation for disposals and retirements	29.4	-
Depreciation for the year	-20.8	-14.1
At end of year	-80.3	-88.8
Accumulated impairment		
At beginning of year	-1.8	-0.3
Reversal of depreciation for disposals and retirements	11.6	-
Impairment for the year	-8.5	-1.4
At end of year	1.3	-1.8
Carrying amount at end of year	53.6	59.0

Note 16

Projects in progress

Amounts in SEK million	2020 Dec 31	2019 Dec 31
At beginning of year	8.4	22.4
Costs incurred during the year	8.0	24.8
Reclassifications	-10.1	-38.8
Carrying amount at end of year	6.3	8.4

Note 17

Leasehold improvements

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Accumulated cost		
At beginning of year	4.1	4.1
New acquisitions	-	-
Disposals and retirements	-	-
At end of year	4.1	4.1
Accumulated depreciation		
At beginning of year	-3.5	-3.2
Depreciation for the year	-0.2	-0.2
At end of year	-3.7	-3.5
Carrying amount at end of year	0.4	0.6

Note 18

Equipment, tools, fixtures and fittings

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Accumulated cost		
At beginning of year	7.1	6.9
New acquisitions	0.9	0.3
Disposals and retirements	-1.3	-
At end of year	6.8	7.1
Accumulated depreciation		
At beginning of year	-6.0	-5.4
Reversal of depreciation for disposals and retirements	1.3	0.0
Depreciation of cost for the year	-0.6	-0.6
At end of year	-5.4	-6.0
Carrying amount at end of year	1.4	1.1

Note 19

Shares in Group companies

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Accumulated cost		
At beginning of year	84.7	84.7
At end of year	84.7	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	0.0	0.0

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

Subsidiary/Corp. ID/Registered office	Number of shares	Holding, %	Dec 31, 2020 Carrying amount
CDON Alandia Ab, 2143083-5, Mariehamn	100	100.0	-

Note 20

Receivables from Group companies

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Short-term loans	-	50.0
Other receivables	-	12.1
Total	-	62.1

Note 21

Prepaid expenses and accrued income

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Prepaid expenses, goods	1.0	3.2
Prepaid rent	1.6	1.6
Accrued income	12.0	36.2
Marketing costs	0.6	0.3
Other items	2.9	3.6
Total	18.1	44.9

Note 22

Cash and cash equivalents

Amounts in SEK million	2020 Dec 31	2019 Dec 31
The following components are included in cash and cash equivalents:		
Bank deposits	170.3	196.6
Total	170.3	196.6

Note 23

Number of shares and quotient value

	2020 Dec 31	2019 Dec 31
Number of shares	5,990,991	1,000
Quotient value	1	100

Note 24

Appropriation of profit or loss

Proposed appropriation of the company's profit or loss

The Board of Directors proposes that the non-restricted equity of SEK –1,036,062 be dealt with as follows:

Carried forward	–1.0
Total	–1.0

Note 25

Other liabilities

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Value added tax	17.7	29.6
Gift vouchers	8.6	7.5
Liability to merchants via Marketplace	48.9	45.5
Advance payment from customers	8.5	5.4
Other liabilities	5.4	6.6
Total	89.0	94.5

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

Note 26

Accrued expenses and deferred income

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Accrued expenses for merchandise	2.6	2.5
Accrued expenses for distribution of merchandise	6.8	10.8
Accrued employee benefit expenses	19.2	14.3
Accrued marketing costs	13.4	14.4
Other items	6.1	16.7
Total	48.1	58.7

Note 27

Interest received and paid

Amounts in SEK million	2020	2019
Interest received	1.5	0.3
Interest paid	-0.1	-0.6
Total	1.4	0.4

Note 28

Other cash flow statement disclosures

Amounts in SEK million	2020 Dec 31	2019 Dec 31
Depreciation/amortization	21.7	15.0
Impairment/reversal of impairment	8.2	2.1
Unrealized exchange differences	-1.3	-0.6
Adjustment for interest income to IC companies	0.0	-0.2
Expenses for share-based payment	0.0	0.0
Other non-cash items	0.0	0.0
Total	28.7	16.3

Note 29

Significant events after the end of the financial year

Changes in the management team and Board

CDON's CEO, Kristoffer Väliharju, temporarily stepped down from his role as CEO due to illness and Marcus Lindqvist, who has served as Chairman of the Board since 2016 and as President and CEO of CDON's former owner company, Qliro Group, has been appointed Acting CEO. Marcus Lindqvist will leave his place on the Board as a result of his appointment.

Board member Josephine Salenstedt, who is a partner in the principal owner Rite Ventures, has been appointed new Chairman of the Board until the next AGM.

For some time, Kristoffer Väliharju has been experiencing problems with an irregular heartbeat, which has affected his physical ability. To deal with the problems, Kristoffer has had a planned procedure carried out and now needs a period of rest. He is expected to resume his role as CEO of CDON on 1 May 2021.

Kristoffer Väliharju and Marcus Lindqvist have together driven CDON's establishment as the leading online marketplace in the Nordic region and the company's successful listing, and know the company and management very well.

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 – 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/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 26, 2021

Josephine Salenstedt
Chairman of the Board

Christoffer Häggblom
Board member

Niklas Woxlin
Board member

Marcus Lindqvist
Acting CEO

Kristina Lukes
Board member

Our audit report was submitted on April 26, 2021
KPMG AB

Jonas Nihlberg
Authorized Public Accountant

Auditor's Report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of CDON AB for the year 2020. The annual accounts of the company are included on pages 16-41 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of CDON AB as of 31 December 2020 and its 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.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

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 CDON AB 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.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-15. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company'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 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.

*Auditor's Report,
cont'd*

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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. 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 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 or, if such disclosures are inadequate, to modify our opinion about the annual 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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, we have also audited the administration of the Board of Directors and the Managing Director of CDON AB for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for 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 CDON AB 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 type of operations, size and risks place on the size of the company'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 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 26, 2021

KPMG AB

Jonas Nihlberg
Authorized Public Accountant
Chief Auditor



FINANCIAL CALENDAR	
Annual General Meeting	May 11, 2021
Interim report Q2	July 14, 2021
Interim report Q3	October 21, 2021
Year-end report 2021	February, 2022

Design: Narva
Production: CDON in cooperation with Narva.
Photo: CDON

CDON AB

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Corporate identity number: 556406-1702

CDON

Means a great deal