



Half-year report 2021

1 JANUARY TO 30 JUNE 2021

NELLY

Improved operating result and new automated warehouse successfully up and running

Nelly Group H1 2021

Q2 2021 Financial highlights

- Net revenue of SEK 396.7 (391.4) million, corresponding to growth of 1.4% (-7.5%)
- Gross profit of SEK 182.3 (175.9) million, corresponding to a gross margin of 46.0% (44.9%)
- Operating profit of SEK 7.0 (-2.8) million, corresponding to an operating margin of 1.8% (-0.7%)
- Net income from continuing operations of SEK 7.5 (-12.1) million, corresponding to earnings per share of SEK 0.4 (-0.8)

H1 2021 Financial highlights

- Net revenue of SEK 708.5 (694.0) million, corresponding to growth of 2.1% (-4.0%)
- Gross profit of SEK 318.7 (299.5) million, corresponding to a gross margin of 45.0% (43.2%)
- Operating profit of SEK -8.0 (-45.4) million, corresponding to an operating margin of -1.1% (-6.5%)
- Net income from continuing operations of SEK -10.0 (-58.9) million, corresponding to earnings per share of SEK -0.6 (-3.9)

Q2 2021 Nelly Group highlights

- Net revenue growth of 2.8 % in the Nordics
- Operating profit improved despite warehouse project costs of SEK 3.4 million
- Continued good inventory turnover rate
- Warehouse and automation project on track and new warehouse now open
- Relocation of Stockholm-based administration completed
- Sales & marketing team established in Borås

Significant events after end of period

- Nelly opened its new automated warehouse on 1 July and began shipping to customers from there



"We have passed a crucial milestone in Nelly's relaunch! Our new automated warehouse in Borås is now open and shipping to customers. Focus is now on ramping up volume and realising the project's objectives."

Kristina Lukes, CEO

CEO comments on the first half of the year

Building a profitable and sustainable Nelly Group for future growth

We close the first half of the year with 3.8% growth in the Nordics, solid growth in new occasional wear categories not directly related to the party occasion and an improvement in operating profit of SEK 37.3 million. We are in the middle of relaunching Nelly with three focus areas. Firstly, we are building pre-requisites for future growth through a new operational platform. Secondly, we are establishing a new, cost-efficient, data- and customer centred organisation based in Borås. The third focus area is an updated brand positioning towards a more defined and focused target group in the Nordics. We continue to see positive signals from several key initiatives. We saw net revenue growth for H1 in the Nordics driven by sales in categories not directly related to the party occasion. A focus on outgoing inventory and inventory turnover makes our assortment and offering more up to date and relevant for our customers, delivering improved margins. The gross margin increased by 1.8 percentage points in H1. Our improvement initiatives throughout the business with focus on warehouse operations as well as our organisational change provide an overall lower cost base.

New automated warehouse up-and-running

We are now in the middle of the change of Nelly's operational platform; we are closing our current operations in Falkenberg and are going live with our new automated warehouse in Borås. As of today, we have moved 500 thousand articles, filled the automation robot with 80 thousand bins, driven 32 full trucks from Falkenberg to Borås and conducted 64 project meetings with clear-cut goals in sight. I am proud to say that as of now we can call the Borås warehouse our main warehouse and thus we have passed the project's most critical phase. Annual assessed cost savings remain at SEK 35 million and we estimate that our project-related costs should land in the lower part of our budget range of SEK 35–45 million. We are now focusing on ensuring operational efficiency and realising the project's goals during the autumn. There are also plans to initiate several sustainable and customer-efficient logistics solutions with new and improved conditions in place for leading-edge e-commerce.

The relaunch continues

Our initiatives are not fully completed yet, even though we are well on our way to create a stable and profitable core business. A new efficient automated warehouse in Borås is up-and-running. Our logistics operations will be led by Stefan Svensson, our new Chief Operating Officer, who has many years of experience in e-commerce and logistics. Our organisation is restructured, and during the quarter, our sales and marketing team was relocated to Borås along with new roles and competences in data analysis, computer architecture and controlling. We are working on new methods of data-driven target and profit management, including assessing methods for improving our results, where the new team in place also keeps an eye on what the future entails. We are focusing on a more defined target audience that we want to be engaged in our community even more often than today, a group that loves us even more and joins us on our next journey towards growth. The relationship with our customers will be the starting point of our future growth initiatives.

The pandemic has affected our everyday lives for a long time, and for our customers, both daily life and of course special occasions have not been the same. We will continue to prioritise and choose from the opportunities and challenges that present themselves while focusing on the 1.3 million customers who visit our platforms week after week. We look forward to special occasions and parties this autumn, not just the happenings on a Friday or Saturday, but every day, as well as Halloween, Christmas or Thursday happy hour. Celebrate the Fab you!



Kristina Lukes, CEO Nelly Group AB

Key ratios

	Q2 20	Q2 21	H1 20	H1 21
Net revenue growth	-7.5%	1.4%	-4.0%	2.1%
Gross margin	44.9%	46.0%	43.2%	45.0%
Operating margin	-0.7%	1.8%	-6.5%	1.1%
Return rate	33.2%	36.0%	35.0%	33.6%
Inventory share of net revenue LTM	11.9%	12.5%	11.9%	12.5%
Own brand share of sales	43.1%	37.7%	43.6%	36.9%
No. of active customers Nordic LTM ('000)	1,134	1,125	1,134	1,125
No. of sessions Nordic ('000)	30,921	27,794	55,812	51,421
No. of orders Nordic ('000)	745	709	1,316	1,263
Average order value Nordic	691	763	700	739
Conversion rate Nordic	2.4%	2.5%	2.4%	2.5%
No. of employees	323	279	328	289
Share of women employed	59%	62%	59%	62%

**Alternative performance measures are described on page 19. Calculations may differ from other companies' definitions of similar measures.*



This is Nelly

The direct-to-consumer brand

Since the beginning, Nelly has been built through innovative influencer marketing. We were pioneers on the market back in 2004 and today we have a vibrant community of Nordic consumers. We have 1.3 million followers on social media and 19% of the target group visit us every week. Nelly is not (only) a fashion brand. Nelly.com is not (only) a fashion destination. We are an integral part of the young woman's everyday life. Her idols and icons wear our clothing – in real life and in her social media streams. She reaches out to us for continuous inspiration. Not only for a head-to-toe look that doesn't break her bank account – we meet her needs of feeling fab beyond fashion.

Optimised operational platform

The popularity of online shopping is accelerating and e-commerce is a given for our target audience. Our community-based platform with 1.2 million active customers placing 2.7 million orders every year, enables short time-to-market for all emerging trends and consumer behaviours.

Our data- and customer-focused organisation analyses and engages with our target audiences daily from our hub in the heart of Sweden's e-commerce and fashion: Borås. We are now also investing in a high-capacity automated warehouse, which is set to decrease fulfilment and distribution costs, shorten delivery times and reduce our environmental footprint. Our new warehouse has an Autostore solution with possibilities for future growth.

Celebrating the Nelly generation of young women

Nelly is a very well known brand in the mind of the young Nordic fashionista. Our brand awareness is much larger than our market share. A core consumer need is to "feel fab" every day. Today, our target audience shops for their appearance 18 times a year on average, including fashion, shoes, accessories, cosmetics and hair care and intimates. Our assortment consists of our own brands and carefully selected must-have brands. On top of that, Nelly offers inspiration and knowledge to nail the whole look. For everyday. For Friday happy hour. For special party occasions. We empower femininity in life-affirming and sustainable ways. Always celebrate the fab you!





Financial calendar

The report for the first six months will be presented on 16 July 2021

The interim report for the third quarter will be presented on 20 October 2021

The interim report for the third quarter will be presented on 4 February 2022

Second quarter and first half-year

Everyday fashion still strong

Net revenue for Q2 2021 amounted to SEK 396.7 (391.4) million. The 1.4% increase is mainly due to growth in everyday fashion. Several categories of everyday fashion had major growth during the quarter, compared with both 2019 and 2020. However, sales of special occasion fashion are significantly lower than before the pandemic. The return rate increased from low levels in Q2 2020, which further hampered net revenue growth for the quarter. Lower sales in non-Nordic markets also had an adverse effect on growth. This was an effect of the decision in early 2020 to focus on the Nordic region and discontinue translating non-Nordic websites to local languages and to end active marketing in these markets. In local currencies, net revenue increased by 1.3%. Net revenue for H1 2021 amounted to SEK 708.5 (694.0) million.

The return rate for Q2 2021 was 36.0% (33.2%). The higher return rate compared with the previous year should be seen in light of the substantial fall in return rate caused by the pandemic in 2020, which was primarily driven by category mix, as well as the pandemic's affect on customer behaviour. In Q2 2021, the return rate increased mainly due to category mix, driven mostly by certain everyday fashion growth categories with a high return rate and a normalising of customers' return behaviour.

Own brand sales during the period amounted to 37.7% (43.1%). The lower percentage compared with the same period in 2020 was caused mainly by a lower opening inventory of own brands and less aggressive discounting of own brands compared with the previous year.

Sound inventory composition led to less discounting and thereby an improved gross margin

The gross margin improved by 1.0 percentage point to 46.0% (44.9%) in Q2 2021. The improvement in gross margin is mainly attributable to lower discounts than the previous year, which in turn is mostly driven by a more up-to-date inventory. Active inventory management has been effective, leading to lower levels of older inventory compared with 2020.

Operating result improves by SEK 10 million

Nelly Group's operating result for Q2 2021 improved by SEK 9.8 million compared with 2020, amounting to SEK 7.0 (-2.8) million. The improvement was due to (i) a gross profit improvement of SEK 6.5 million, (ii) a reduction of SEK 6.4 million in administrative and other operating expenses, mainly as a result of lower costs as an effect of the transfer of central functions to Nelly's Borås-based team and (iii) a decline of SEK 3.7 million in fulfilment and distribution costs, both due to lower volumes handled and improved efficiency and despite costs of SEK 3.4 million related to the warehouse project. A higher marketing spend of SEK 6.7 million had a negative effect on operating result. The increased marketing costs were due to higher direct marketing costs and repositioning of the Nelly brand. The operating result for H1 improved by SEK 37.3 million, amounting to SEK -8.0 (-45.4) million. As described above, the improvement was mostly due to a higher gross profit and lower costs, excluding marketing costs.

Net income and earnings per share

Nelly Group reports net income from continuing operations for the period 1 April to 30 June 2021 of SEK 7.5 (-12.1) million. Earnings per share for continuing operations was SEK 0.42 (-0.81). Earnings for the same period, including discontinued operations, amounted to SEK -7.5 (-46.5) million. Earnings per share amounted to SEK 0.42 (-3.10). The earnings improvement compared with Q2 2020 is primarily due to the improvement in operating profit described above along with lower tax expense. Net income for H1 2021 was SEK -10.0 (-123.1) million or SEK -0.55 (-8.22) per share.

Continued solid inventory turnover

Inventory turnover improved somewhat compared with Q2 2020. The inventory balance on 30 June 2021 increased by 3% compared with the previous year, and Nelly thereby retains inventory levels that are about 30% lower than the period before Q2 2020. Inventory as a percentage of net revenue, rolling 12 months, remained good at 12.5% (11.9%). The percentage of older inventory on 30 June 2021 was significantly lower than the previous year, mainly due to Nelly's focus on targeting outgoing inventory levels in each season, but also because we held a

“warehouse moving sale” in Q2 to minimise the amount of inventory to be moved. Low volumes of older inventory pave the way for a more attractive customer offering and better margins going forward.

Inventory turnover for the current season’s goods continued to be strong. In 2020, Nelly focused on reducing stock levels by lowering targets for outgoing season stock levels and liquidating old stock through on-site campaigns and outlet partners. In 2021, Nelly has maintained its focus on maximising in-season sales, and, consequently, minimising outgoing season stock levels, as this supports margins over the product cycle and is more capital efficient.

Solid cash position

Cash flow from operations amounted to SEK 15.4 (85.0) million in Q2. The strong cash flow in Q2 2020 is due to the significant reduction in inventory levels made then, which strengthened the contribution from changes in working capital. Before changes in working capital, cash flow from operations improved by SEK 12.9 million to SEK 9.3 (-3.6) million. Cash generated from operations for H1 2021 was SEK -17.8 (-25.0) million.

Cash flow from investing activities amounted to SEK -12.9 (-1.0) million in Q2 2021. The increase in investments was primarily related to the investments in Nelly’s new warehouse, as described in more detail below. For the first six months, cash flow from investing activities amounted to SEK -17.6 (-2.4) million.

Cash flow from financing activities amounted to SEK -1.4 (-29.5) million, which was entirely attributable to lease liability repayments under IFRS 16. The negative cash flow from financing activities in Q2 2020 was due mainly to decreased use of the Company’s credit facility. Cash flow from financing activities for H1 totalled SEK -9.7 (88.5) million. The strong cash flow from financing activities in H1 2020 was due mainly to proceeds from borrowings.

Cash and cash equivalents amounted to SEK 185.3 (312.6) million on 30 June 2021 and the Group’s available credit facilities had not been utilised. The payment respite for employer’s

contributions and tax payments amounted to SEK 39.6 million at the end of the quarter. More information can be found in the Covid-19 section below.

Total assets on 30 June 2021 were SEK 604.7 million compared with SEK 655.1 million on 31 December 2020. The decline was mainly related to a lower amount of tied-up working capital. Equity amounted to SEK 241.0 million, compared with 249.8 at the end of the year, corresponding to an equity ratio of 39.9% and 38.1%.

Parent company

The parent company, Nelly Group AB (publ), reported net revenue of SEK 0.2 (0.8) million in Q2 2021. Net revenue for H1 amounted to SEK 0.2 (1.8) million.

Administrative expenses for Q2 2021 amounted to SEK -2.6 (-18.2) million. The reduction was mainly due to the integration of the previously Stockholm-based central functions into Nelly Group’s Borås-based administration. The parent company’s net income for the quarter was SEK -2.4 (50.1) million. The positive result for 2020 is due to the dividend from CDON, a former subsidiary. The parent company’s net income for H1 2021 was SEK -8.2 (37.1) million.

The parent company’s cash and cash equivalents on 30 June 2021 amounted to SEK 10.9 (53.5) million.

Warehouse project update

New automated warehouse operational

Nelly started shipping to customers from the new automated warehouse in early Q3 2021. The project is progressing as planned and, as of publication of this report, the new warehouse is operational and is delivering the majority of customer orders. The move from Falkenberg to Borås will continue in Q3 2021. The plan is to ramp up volume during the month of July. For the rest of the quarter, the project organisation will focus on operational stability and achieving the expected efficiency.

Operations in Nelly's Falkenberg warehouse will be scaled back in July and eventually phased out in August and September 2021.

Consequently, Nelly will be operating two warehouses in Q2 and Q3 2021. Project costs are estimated at SEK 35–45 million. Currently, we expect costs to end up towards the lower end of this estimated range. Costs of SEK 4 million had been booked for the project as of 30 June 2021. The remaining costs are expected in Q3.

The investment in the new warehouse is expected to amount to SEK 110 million. SEK 84 million of this amount is related to the Autostore automation solution. The remaining SEK 26 million is related to other warehouse equipment such as storage shelves, ventilation, network installations and IT equipment.

The automation investment is being financed through a rent surcharge over 10 years, with an option to refinance during the period.

The new automated high-capacity warehouse in Borås is the operational platform for Nelly's future growth. It is expected to decrease fulfilment and distribution costs, shorten delivery times and improve our environmental footprint. The annual cost-saving target, using 2020 volume as a base, is SEK 35 million.

Nelly took over the new warehouse in Borås on 1 July 2021. Therefore, as per IFRS 16, the tenancy agreement will be taken up as a lease from that date, which will increase both assets and liabilities in the balance sheet. The tenancy agreement for the warehouse in Falkenberg was terminated as per 30 June 2021 and Nelly plans to leave the Falkenberg warehouse by 30 September 2021.



Other information

Nelly Group shares

As of 30 June 2021, Nelly Group AB had 18,494,973 shares issued, of which 18,026,266 were ordinary shares and 468,707 were C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The Class C shares are held by Nelly Group and are not represented at general meetings.

Former Qliro Group HQ closed

Following the dismantling of the former Qliro Group in the second half of 2020, Nelly has been integrating the previously Stockholm-based central functions such as legal, finance, corporate governance and investor relations into Nelly Group's Borås-based administration. The integration was completed in Q2 2021.

Effects of the Covid 19 pandemic

Nelly has been impacted by Covid-19 in several ways. Market conditions have been adversely affected by the drop in social gatherings, which has resulted in reduced demand for product categories such as party dresses and heels, the former having been Nelly's largest category going into the pandemic. On the other hand, as Nelly has no physical stores, the increase in e-commerce and higher demand for other categories, such as everyday and sport fashion, have together largely offset the effect.

In response to the pandemic, the company implemented a number of cost-cutting measures, including short-time working during parts of 2020. Most employees are still working remotely but efficiency has been largely maintained. In addition, the company has benefited from reduced sick pay expenses and a payment respite for employer's contributions and tax payments as a part of the government's measures in response to the pandemic. The

Borås, 16 July 2021

*Mathias Pedersen
Chairman of the Board*

*Christoffer Häggblom
Board member*

*Maj-Louise Pizzelli
Board member*

*Josephine Salenstedt
Board member*

*Stina Westerstad
Board member*

*Kristina Lukes
CEO*

latter had a positive impact of SEK 39.6 million on 2020 cash flow and is part of current liabilities on 30 June 2021. The net impact of Covid-related government support on operating result was SEK 1.9 million in H1 2021.

The future effects of the pandemic are difficult to predict, which has made the outlook more uncertain.

Audit

This half-year report has not been reviewed by Nelly Group's auditor.

Risk

Several risk factors may affect Nelly Group's business. Many of these risks can be managed by internal controls, but others are affected by external factors.

More information about risks can be found on pages 38–40 of the [2020 Annual Report](#).

Declaration by the Board

The Board and CEO certify that this six-month report provides a fair overview of the parent company's and the Group's operations, financial position and financial performance and describes material risks and uncertainties faced by the parent company and Group companies.

Webcast on the H1 report

Analysts, investors, and the media are invited to a [webcast](#) presentation of H1 on 16 July 2021 at 10 a.m. The presentation will be delivered in English by CEO Kristina Lukes and CFO John Afzelius. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

This report contains forward-looking statements. Information in this report that is not a historical fact should be seen as a forward-looking statement. These forward-looking statements reflect Nelly Group's current estimates concerning future events and actual results may differ from these estimates. Except to the extent required by law, Nelly Group does not undertake any obligation to update or revise any forward-looking statements.

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This information is of such nature that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication through the agency of the above-mentioned contacts at 08.00 a.m. on 16 July 2021.



Condensed income statement – Group

(SEK million)	Q2 20	Q2 21	H1 20	H1 21	LTM
Net revenue	391.4	396.7	694.0	708.5	1,408.6
Cost of goods sold	-215.6	-214.4	-394.5	-389.9	-777.3
Gross profit	175.9	182.3	299.5	318.7	631.3
<i>Gross margin</i>	44.9%	46.0%	43.2%	45.0%	44.8%
Fulfilment and distribution costs	-71.7	-68.0	-134.6	-122.2	-241.7
Marketing costs	-33.3	-40.0	-59.2	-71.9	-144.6
Administrative and other operating expenses	-73.7	-67.4	-151.1	-132.5	-253.5
Operating profit or loss	-2.8	7.0	-45.4	-8.0	-8.5
<i>Operating margin</i>	-0.7%	1.8%	-6.5%	1.1%	-0.6%
Net financial items	-1.7	0.5	-2.3	-1.9	-1.3
Profit or loss before tax	-4.6	7.5	-47.6	-9.9	-9.8
Tax	-7.6	-	-11.2	-0.1	-12.3
Profit or loss after tax for continuing operations	-12.1	7.5	-58.9	-10.0	-22.1
Profit or loss after tax for discontinued operations ⁵	-34.3	-	-64.2	-	647.4
Profit or loss after tax	-46.5	7.5	-123.1	-10.0	625.2
Attributable to:					
Parent company shareholders	-46.5	7.5	-123.1	-10.0	625.2
Non-controlling interests	-	-	-	-	-
Shares outstanding at end of period (millions)*	15.0	18.0	15.0	18.0	18.0
Avg number of shares, basic (millions)*	15.0	18.0	15.0	18.0	17.5
Avg number of shares, diluted (millions)*	15.0	18.0	15.0	18.0	17.5
Basic and diluted earnings per share for continuing operations (SEK)*	-0.8	0.4	-3.9	-0.6	-1.3
Basic and diluted earnings per share, including discontinued operations (SEK)*	-3.1	0.4	-8.2	-0.6	35.7

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split implemented in Q4 2020.

Statement of comprehensive income

(SEK million)	Q2 20	Q2 21	H1 20	H1 21	LTM
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences for the period	-1.6	-0.6	-2.4	1.0	-3.7
Total comprehensive income for the period	-48.1	6.9	-125.5	-9.0	621.5
<i>Total comprehensive income attributable to:</i>					
Parent company shareholders	-48.1	6.9	-125.5	-9.0	621.5
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	-48.1	6.9	-125.5	-9.0	621.5
Shares outstanding at end of period (millions)*	15.0	18.0	15.0	18.0	18.0
Avg number of shares, basic (millions)*	15.0	18.0	15.0	18.0	17.5
Avg number of shares, diluted (millions)*	15.0	18.0	15.0	18.0	17.5

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split implemented in Q4 2020.



Condensed statement of financial position

(SEK million)	Q2 20	Q2 21	2019	2020
Non-current assets				
Goodwill	64.5	39.7	64.4	39.7
Other intangible assets	249.3	14.9	269.6	16.9
Tangible assets	21.7	22.6	28.1	7.6
Lease assets	73.0	27.1	81.4	39.0
Deferred tax assets ⁶	111.0	74.0	111.0	74.0
Total non-current assets	519.4	178.3	554.5	177.2
Current assets				
Inventories	210.8	175.5	349.6	166.3
Loans to the public	2,150.9	-	2,070.4	-
Current interest-bearing investments	350.0	-	255.0	-
Current non-interest-bearing receivables	156.9	65.7	226.8	81.5
Cash and cash equivalents ⁴	312.6	185.3	553.9	230.1
Total current assets	3,181.1	426.4	3,455.6	477.9
Total assets	3,700.6	604.7	4,010.0	655.1
Equity				
Equity attributable to parent company shareholders	764.7	241.0	888.5	249.8
Total equity	764.7	241.0	888.5	249.8
Non-current liabilities				
<i>Non-interest-bearing</i>				
Other provisions	0.5	0.3	0.7	0.1
<i>Interest-bearing</i>				
Loan facility	275.4	-	292.4	-
Bond	100.0	-	100.0	-
Lease liabilities	43.5	15.7	53.6	19.0
Total non-current liabilities	419.3	16.0	446.6	19.1
Current liabilities				
<i>Interest-bearing</i>				
Credit facility	75.0	-	-	-
Deposits from the public	1,849.7	-	1,819.1	-
Lease liabilities	30.7	11.8	29.1	20.5
<i>Non-interest-bearing</i>				
Accounts payables	122.8	119.6	316.3	143.7
Other liabilities	185.4	66.4	190.5	69.4
Accrued expenses and deferred income	253.1	149.9	319.9	152.5
Total current liabilities	2,516.5	347.7	2,674.9	386.2
Total equity and liabilities	3,700.6	604.7	4,010.0	655.1

Condensed statement of changes in equity

(SEK million)	Q2 20	Q2 21	2019	2020
Opening balance	813.1	234.3	994.5	888.5
Comprehensive income for the period	-48.1	6.9	-108.7	505.0
Effects of long-term incentive plans	-0.3	-0.2	2.7	-2.0
New share issue	-	-	-	203.4
Distribution from shares in subsidiaries	-	-	-	-1,345.0
Closing balance	764.7	241.0	888.5	249.9

Condensed statement of cash flow

(SEK million)	Q2 20	Q2 21	H1 20	H1 21
Cash flow from operating activities before changes in working capital	-3.6	9.3	-38.6	5.9
Changes in working capital	88.6	6.1	13.5	-23.7
Cash flow from operating activities	85.0	15.4	-25.0	-17.8
Divestment of subsidiary, net liquidity impact ⁷	-	0.3	-	0.3
Investments in non-current assets	-1.0	-13.2	-2.4	-18.0
Cash flow from investing activities	-1.0	-12.9	-2.4	-17.6
Internal loan, net change	-70.9	-	-50.2	-
Utilised credit facility	-26.1	-	75.0	-
Repayment of lease liability	-4.0	-1.4	-7.9	-9.6
Dividend from subsidiaries	71.6	-	71.6	-
Cash flow from financing activities	-29.5	-1.4	88.5	-9.7
Change in cash and cash equivalents from continuing operations for the period	54.5	1.1	61.0	-45.1
Cash flow from discontinued operations				
Cash flow from operating activities	113.9	-	-223.4	-
Cash flow from investing activities	-23.1	-	-50.7	-
Cash flow from financing activities	-3.8	-	-27.6	-
Change in cash and cash equivalents from discontinued operations for the period	87.0	-	-301.7	-
Change in cash and cash equivalents for the period	-141.6	1.1	-240.7	-45.1
Cash and cash equivalents at start of period	170.9	184.5	553.9	230.1
Translation difference, cash and cash equivalents	0.1	-0.4	-0.6	0.3
Less cash from discontinued operations	-	-	-	-
Cash and cash equivalents at end of period	312.6	185.3	312.6	185.3

Depreciation and amortisation of non-current assets

(SEK million)	Q2 20	Q2 21	H1 20	H1 21
Depreciation of tangible assets	-0.2	-0.4	-1.0	-0.8
Amortisation of intangible assets	-2.6	-2.1	-4.9	-4.2
Total depreciation and amortisation (not including IFRS 16)	-2.8	-2.5	-5.9	-5.0
IFRS 16 related depreciation and amortisation	-4.1	-4.5	-8.0	-9.5
Total depreciation and amortisation (including IFRS 16)	-6.9	-7.0	-13.9	-14.5

Net revenue by geographical area

(SEK million)	Q2 20	Q2 21	H1 20	H1 21
Sweden	175.7	192.4	309.3	332.6
Nordics, including Sweden	364.3	374.5	635.6	659.5
Rest of world	27.1	22.2	58.4	49.0
All regions	391.4	396.7	694.0	708.5



Condensed income statement parent company

(SEK million)	Q2 20	Q2 21	H1 20	H1 21	LTM
Net revenue	0.8	0.2	1.8	0.2	1.1
Gross profit	0.8	0.2	1.8	0.2	1.1
Administrative expenses	-18.2	-2.6	-31.4	-8.4	-14.3
Operating profit or loss	-17.4	-2.4	-29.7	-8.2	-13.2
FINANCE INCOME AND COSTS					
Profit or loss from shares in subsidiaries*	-	-	-	-	40.6
Net financial items	67.6	-	66.7	-	-67.8
Profit or loss after financial items	50.1	-2.4	37.1	-8.2	-40.4
GROUP CONTRIBUTIONS					
Group contributions received	-	-	-	-	-
Group contributions paid	-	-	-	-	-12.0
Profit or loss before tax	50.1	-2.4	37.1	-8.2	-52.4
Tax	-	-	-	-	-23.0
Net income for the period**	50.1	-2.4	37.1	-8.2	-75.3

*Profit/loss from shares in subsidiaries consists primarily of an extra dividend from CDON, a write-down of the carrying amount of shares in CDON and transaction costs related to the distribution of Qliro AB.

**Net income for the period = comprehensive income for the parent company



Condensed statement of financial position parent company

(SEK million)	Q2 20	Q2 21	2019	2020
Non-current assets				
Tangible assets	0.2	-	0.4	-
Participations in Group companies	1,084.9	253.1	1,068.9	253.4
Deferred tax asset	94.7	71.7	94.7	71.7
Total non-current assets	1,179.7	324.8	1,163.9	325.1
Current assets				
Current non-interest-bearing receivables	5.7	4.1	3.6	5.0
Receivables from Group companies	0.2	-	5.8	-
Total current receivables	5.8	4.1	9.4	5.0
Cash and bank balances	53.5	10.9	8.3	31.6
Total cash and cash equivalents	53.5	10.9	8.3	31.6
Total current assets	59.4	14.9	17.7	36.5
Total assets	1,239.1	339.7	1,181.5	361.6
Equity				
Restricted equity	155.8	185.8	155.8	185.8
Unrestricted equity	992.0	147.7	953.2	155.8
Total equity	1,147.8	333.4	1,109.0	341.6
Provisions				
Other provisions	0.5	-	0.7	0.1
Total provisions	0.5	-	0.7	0.1
Current liabilities				
Short-term interest-bearing loans	75.0	-	-	-
Short-term interest-bearing loans, Group companies	-	-	50.2	-
Liabilities to Group companies	0.2	1.0	10.9	13.6
Non-interest-bearing liabilities	15.6	5.2	10.7	6.4
Total current liabilities	90.8	6.2	71.9	20.0
Total liabilities	91.3	6.3	72.5	20.1
Total equity and liabilities	1,239.1	339.7	1,181.5	361.6

Alternative performance measures

Gross margin – a measure of how well goods are sourced and sold in relation to net revenue

Gross profit divided by net revenue. Gross margin is what Nelly Group previously described as product margin. More information about the calculation components of net revenue and cost of goods sold can be found under the income statement definitions on page 20.

Return rate – a measurement of the value of goods returned by customers

The sales value of returned goods divided by total sales before returns.

Inventory share of net revenue LTM – a measure of how efficiently the sourcing of goods is planned and executed

Closing inventory balance divided by net revenue over a rolling twelve-month period. Note that historical inventory balances for CDON AB and Qliro AB have been excluded to facilitate comparison between periods.

Own brand share of sales – the share of sales of Nelly's own brands

Calculated by dividing total sales of own brands by total sales.

No. of active customers LTM Nordic ('000) – a gauge of how well Nelly attracts new and retains existing customers

The number of unique customers in the Nordic countries during a rolling twelve-month period.

No. of sessions Nordic ('000) – an indicator of how well the website generates consumer traffic

The number of unique site visits from Nordic IP addresses to nelly.com or nlyman.com during a specified period. Sessions multiplied by the conversion rate translates into customer sales before returns.

No. of orders Nordic ('000) – a measure of how many orders Nelly generates during a specified period

The number of orders that Nordic customers have placed at nelly.com or nlyman.com during a given period. Orders multiplied by the average order value translate into customer sales before returns.

Average order value – the average customer "basket size" in SEK

The number of items multiplied by average item value for orders placed at nelly.com or nlyman.com during a given period.

Conversion rate Nordic – a gauge of the proportion of customers visiting the site that place an order

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com. The conversion rate multiplied by number of sessions translates into customer sales before returns.

No. of employees – a measure of the number of employees during a given period

Calculated by dividing number of hours worked together with paid holiday and other short-term absence with scheduled working time. Note that the number of employees has been adjusted to match continuing operations.

Share of women employed – a measure of the number of women in relation to total number of employees

The number of women divided by total number of employees, calculated in the same way as number of employees above.

Income statement definitions

Net revenue – *all income from B2C customers, B2B sales and any other revenue*

Includes sales after returns, commissions, invoicing fees, outbound freight fees, return fees, marketing income and other revenue.

Cost of goods sold – *all costs to bring goods to the warehouse shelf*

Includes product cost, inbound freight cost, customs and other costs related to bringing goods to the warehouse shelf.

Fulfilment and distribution costs – *all costs to bring goods from the warehouse shelf to the customer*

Warehousing, handling costs and freight costs to the customer.

Marketing costs – *all costs to generate customer interest and traffic to the site*

Performance and brand marketing costs such as search engine optimisation and brand-building activities.

Administrative and other operating expenses – *all other costs to operate the company*

Includes salaries and social security contributions, IT costs, depreciation, consultants, studio and other operating expenses.

Net financial items – *the net of finance income and finance costs*

Includes costs related to interest, currency gains or losses and other finance income and costs.



Notes

Note 1 – Accounting policies

The report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting principles are unchanged from those applied in the previous report for the same period.

In compliance with IFRS 16, Nelly Group makes assessments that affect its financial reporting and the amounts of assets and liabilities. Actual outcomes may differ from these assessments.

The parent company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities*.

Note 2 – Fair value of financial instruments

The fair values of financial assets and liabilities do not differ significantly from their carrying amounts.

Note 3 – Segment reporting

Nelly does not report any segments as defined by IFRS 8. Central operations (i.e. costs related to functions managing the former Qliro Group) were previously reported as a separate segment, but as these functions have been integrated into Nelly's operations, these costs are both significantly lower than previously and are also no longer managed separately.

Note 4 – Cash and cash equivalents

The following table shows cash and cash equivalents for continuing and discontinued operations.

SEK million	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21
Cash and cash equivalents, continuing operations	116.7	122.5	177.3	173.2	230.1	230.1	184.5	185.3
Cash and cash equivalents, discontinued operations	437.1	48.5	135.3	48.8	-	-	-	-
Cash and cash equivalents, total	553.9	170.9	312.6	222.0	230.1	230.1	184.5	185.3

Notes

Note 5 – Discontinued operations

Discontinued operations refer mainly to the divestment of Qliro AB and CDON AB, and to a lesser extent to costs related to the sale of Health and Sports Nutrition Group HSNB AB.

The wholly owned subsidiary Qliro AB was admitted to trading on Nasdaq Stockholm. The first trading day was 2 October 2020. The wholly owned subsidiary CDON AB was admitted to trading on First North Growth Market. The first trading day was 6 November 2020.

The tables below show the distributed operations attributable to the previously wholly owned subsidiaries Qliro AB and CDON AB.

Additional information can be found in the 2020 Annual Report and the Q4 2020 Interim Report.

Note 6 – Deferred tax asset

The Group's deferred tax assets are based on loss carryforwards in the Swedish operations. Management has made assumptions about the company's future earnings and the possibility of future utilisation of these loss carryforwards is evaluated on this basis.

The Group's recognised loss carryforwards amounted to SEK 609.1 million on 31 December 2020 and continue indefinitely. More information can be found in Note 9 of the 2020 Annual Report.

Note 7 – Divestment of QGS

The dormant company Qliro Group Services AB was divested in Q2 2021.


(SEK million)	Q2 20	Q2 21	H1 20	H1 21
Income	292.5	-	581.4	-
Expenses	-332.3	-	-654.6	-
Profit or loss before tax	-39.8	-	-73.2	-
Tax	8.1	-	11.6	-
Profit or loss after tax but before capital gain on the distribution of discontinued operations	-31.7	-	-61.6	-
<i>Capital gain/loss on distribution of Qliro AB and CDON</i>	<i>-2.7</i>	-	<i>-2.7</i>	-
Profit or loss after tax, discontinued operations	-34.3	-	-64.2	-

(SEK million)	Q2 20	Q2 21	H1 20	H1 21
Net cash flows from discontinued operations				
Cash flows from operating activities	113.9	-	-223.4	-
Cash flows from investing activities	-23.1	-	-50.7	-
Cash flows from financing activities	-3.8	-	-27.6	-
Net cash flows from discontinued operations	87.0	-	-301.7	-

(SEK million)	Q2 20	Q2 21	2019	2020
Distributed assets and liabilities*				
Intangible assets	-	-	-	-249.1
Tangible assets	-	-	-	-17.3
Lease assets	-	-	-	-16.6
Deferred tax asset	-	-	-	-27.2
Inventories	-	-	-	-29.4
Loans to the public	-	-	-	-2,200.7
Current investments	-	-	-	-375.1
Current non-interest bearing receivables	-	-	-	-86.9
Cash and cash equivalents	-	-	-	-100.5
Loan facility	-	-	-	127.7
Deposits from the public	-	-	-	1,958.5
Bond	-	-	-	100.0
Lease liabilities	-	-	-	16.8
Current non-interest bearing liabilities	-	-	-	234.4
Net assets and liabilities from discontinued operations	-	-	-	-665.3

*Refers to assets and liabilities distributed for Qliro AB at 30 September 2020 and CDON AB at 31 December 2020





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