



# **Year-end report 2021**

1 JANUARY TO 31 DECEMBER

# **NELLY**

# A stronger Nelly

## Nelly Group 12M 2021

### Q4 2021 – Financial highlights

- Net revenue increased to SEK 407.2 (393.8) million, corresponding to growth of 3.4% (-1.6%)
- Gross profit increased to SEK 176.7 (168.3) million, corresponding to a gross margin of 43.4% (42.7%)
- Operating profit was SEK -3.2 (0.2) million, corresponding to an operating margin of -0.8% (0.1%)
- Net income from continuing operations was SEK -8.4 (-9.9) million, corresponding to earnings per share of SEK -0.47 (-0.55)

### Q4 2021 – Significant events

- 9 % growth in Nordic core business
- More efficient purchasing of marketing and new channel initiatives launched
- Continued customer growth and higher customer engagement
- Efficient core processes in the new automated warehouse are starting to produce results
- Good inventory turnover rate and saleable inventory


### January–December 2021

#### The period in brief

- Net revenue increased to SEK 1,428.4 (1,394.1) million, corresponding to growth of 2.5% (-4.0%)
- Gross profit increased to SEK 638.7 (612.1) million, corresponding to a gross margin of 44.7% (43.9%)
- Operating profit was SEK -38.6 (-45.9) million, corresponding to an operating margin of -2.7% (-3.3%), and included costs related to warehouse relocation of SEK 26 million
- Net income from continuing operations was SEK -47.8 (-71.1) million, corresponding to earnings per share of SEK -2.65 (-4.44)

### 2021 - Significant events

- 5 % growth in Nordic core business
- Major organisational changes were implemented and key roles to a large extent filled
- New automated warehouse in operation, project completed on time and well below budget
- Sustainability targets reached for 2021



*“After a year of extensive internal changes, our clear focus is now external: on our brand, market and customers”*

*Kristina Lukes, CEO*

# CEO's comments

## Higher growth in core business

During the quarter Nelly's core business, DTC in the Nordics, grew by 9%, with a growing share of Nelly's own brands.

Our customers seek fashion and lifestyle inspiration for all occasions from Nelly. In recent years, we have developed our range to improve our ability to meet this need for both party and everyday fashion. We are also gradually adding other products to our range, so that our customers can feel fab every day.

## We are building a platform for growth

The commitment our growing community generates every day makes Nelly unique. We are gradually improving our range to enhance the brand that our 1.2 million customers deserve. Our committed base of customers and followers gives us the potential and the opportunity for future growth with a focus on a higher frequency of purchasing.

During the quarter, the numbers of followers of our own channels grew, in part because we developed our community via TikTok and more interactive content. Our organic traffic grew during the quarter, primarily driven by sales through our app. Live shopping initiatives also helped boost sales and engagement. In November, we launched our Nelly Lounge customer community, which attracted highly committed members and in which we now also have a secondhand channel for members to buy, sell and exchange Nelly products from, to and with each other. We are delivering on our sustainability targets and realising many of the initiatives demanded by our customers.

For the second quarter in a row, the number of customers increased, primarily in Sweden and Norway. Overall, we are growing in our core market of our own channels in the Nordics. Outside the Nordics, B2B sales are falling, primarily because Zalando is reducing its purchases as it repositions its volumes towards a marketplace model that we, so far, have chosen not to transition to.

## The right platform for profitable growth

During the year, we implemented a major relaunch, creating a platform for profitable growth.

The first part involved creating a new operating platform with a new automated warehouse. This was completed successfully. We are beginning to see results in the form of lower warehouse expenses and are now making adjustments to the warehouse to achieve our target of SEK 35 million in annual savings, and are developing the 'last mile' and returns processes. The aim is to create an appreciated delivery experience for our customer and we have already reduced our environmental impact and created capacity for growth.

The second part involved restructuring our operations. During the year, about 150 employees left Nelly and we hired nearly 100 new employees, introduced a new organisation, built up new departments for sales, marketing and data analysis, closed two offices and centralised the organisation in Borås.

The third part involved starting to reposition the Nelly brand with a clear focus on customer engagement and a higher frequency of purchasing. We now have an assortment strategy, marketing channel development plan and data-driven analysis in place to deliver on our targets, with additional activities planned for 2022.

We are now shifting from focusing on internal processes to giving our customers all the attention and have the platform, capacity and position to boost sales to our customers with a wider offering of both everyday and party fashion. Both we and our beloved Nelly community are now longing for a year of parties, joy and 'fabness', every day!



Kristina Lukes  
VD Nelly Group AB





## Key ratios

	Q4 20	Q4 21	2020	2021
Net revenue growth	-1.6%	3.4%	-4.0%	2.5%
Gross margin	42.7%	43.4%	43.9%	44.7%
Operating margin	0.1%	-0.8%	-3.3%	-2.7%
Return rate	32.5%	35.1%	34.4%	34.8%
Inventory share of sales LTM	11.9%	12.6%	11.9%	12.6%
Own brand share of sales	38.4%	38.3%	42.4%	39.4%
No. of active customers Nordic LTM ('000)	1,128	1,137	1,128	1,137
No. of sessions Nordic ('000)	27,785	29,199	107,625	103,632
No. of orders Nordic ('000)	718	752	2,564	2,579
Average order value Nordic	702	751	712	749
Conversion rate Nordic	2.6%	2.6%	2.4%	2.5%
No. of employees	294	199	318	250
Proportion of women employed	56%	66%	60%	64%

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



# This is Nelly

## The Nelly brand

Since the beginning, Nelly has been built through innovative influencer marketing and digital sales. 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 our 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 a young woman's everyday life. Her idols, icons and friends wear our clothing – in real life and in her social media streams. She reaches out to us for continuous inspiration for her entire look, from top to toe. We meet her need to feel fab beyond fashion.

## Optimised operational platform

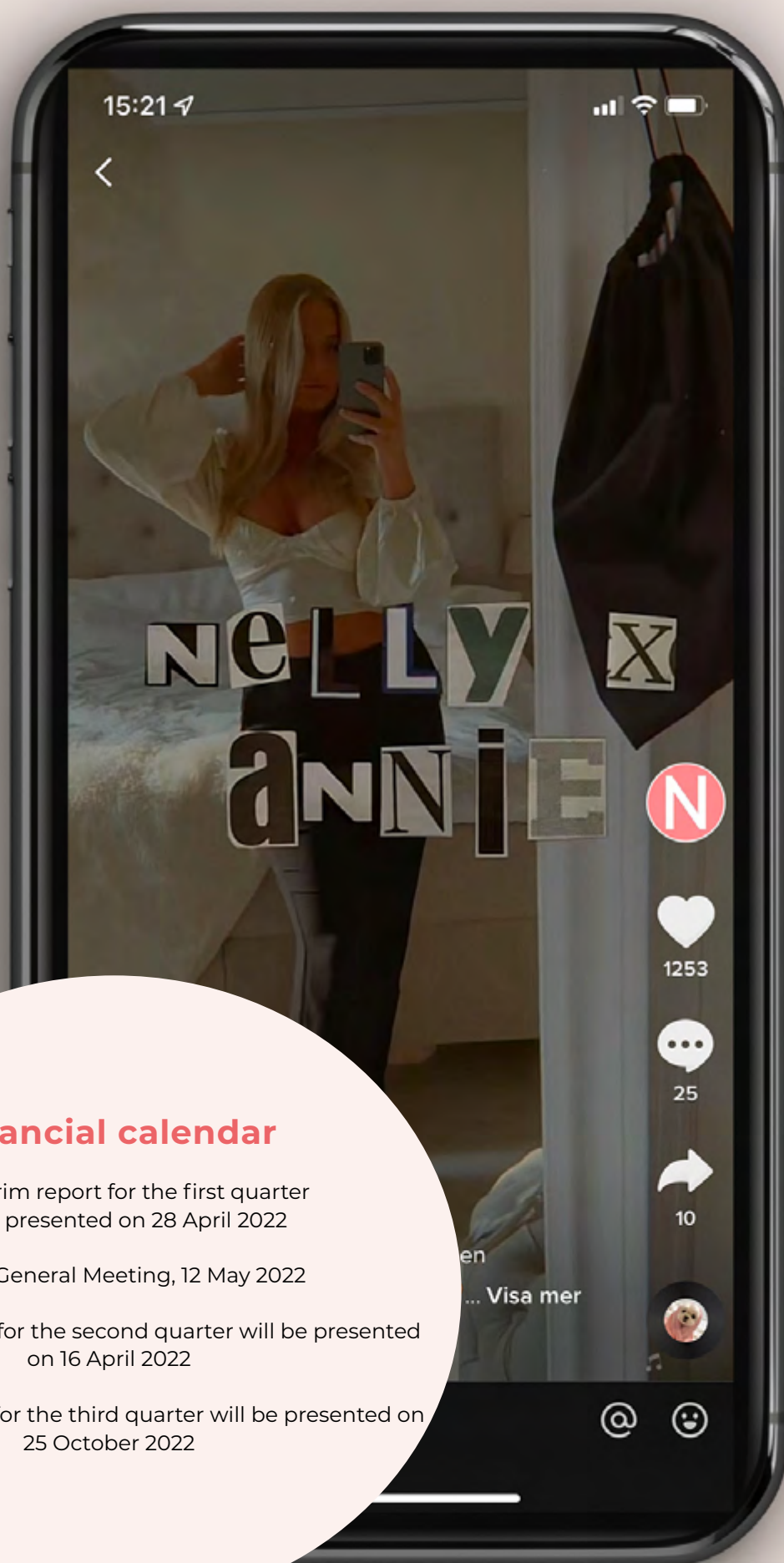
The popularity of online shopping is accelerating and e-commerce is a given for our target audience. Our community-based platform, with 1.2 million active customers placing 2.6 million orders every year, enables a short time-to-market for all emerging trends and consumer behaviours.

Our data- and customer-focused organisation analyses and engages with our target audiences daily from our hub at the heart of Sweden's e-commerce and fashion industries: Borås. We have invested 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 on average 18 times a year, including fashion, shoes, accessories, cosmetics, hair care products and intimates. Our range consists of our own brands and carefully selected complementary brands. On top of that, Nelly offers the inspiration and knowledge to create an entire look. For every day. 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 interim report for the first quarter will be presented on 28 April 2022

Annual General Meeting, 12 May 2022

The interim report for the second quarter will be presented on 16 April 2022

The interim report for the third quarter will be presented on 25 October 2022

*Nelly's level of activity on channels such as TikTok grew in the second half of 2021*

# The fourth quarter and 2021 explained

## Strong growth in core business

Net revenue for Q4 2021 amounted to SEK 407.2 (393.8) million. The 3% increase was due primarily to strong growth in Nelly's core business in the Nordics, which grew 9% during the quarter. Total growth was lower, mainly because Nelly's sales to markets outside the Nordics fell dramatically on the previous year, primarily on account of lower B2B sales. Zalando has reduced its purchases, as it is repositioning its transactions towards a marketplace model. Nelly has, so far, decided not to accept the offer to supply to Zalando's marketplace. As in previous quarters in 2021, several categories of everyday fashion grew during the quarter, compared with both 2020 and 2019. Sales of party fashion grew compared with 2020, but were still significantly lower than before the pandemic. In local currencies, net revenue increased by 2% in Q4. Net revenue for 2021 amounted to SEK 1,428.4 (1,394.1) million, and corresponds to a net revenue growth of 2.5%. The growth in the Nordic core business amounts to 4.7%

The return rate for Q4 2021 was 35.1% (32.5%). The increase was partly due to lower B2B sales, which have no right of return, but also a return to more normal return behaviour from very low levels in the period March 2020 to March 2021. However, the return rate in the quarter was approximately 2 percentage points lower than before the pandemic. This was due to both the sales mix and active measures such as excluding customers with unsustainable return behaviour.

Own brand sales during Q4 2021 amounted to 38.3% (38.4%). The proportion has fallen considerably compared with before the pandemic, mainly because sales of party fashion have fallen and Nelly's own brands are heavily over-represented in this part of the range. The proportion of own brands did not increase during the quarter compared with 2020, mainly on account of lower B2B sales, which are exclusively own brands. In Nelly's core business in the Nordics the proportion of own brands did increase.

## Improved gross margin

The gross margin for Q4 2021 was 43.4% (42.7%). The higher gross margin was mainly due to an improved underlying margin and lower inventory write-downs and loss-making outlet sales than last year, in turn mostly driven by a more fresh

inventory. Active inventory management has been effective, leading to lower levels of older inventory compared with 2020. Gross profit improved by SEK 8.4 million, amounting to SEK 176.7 (168.3) million. Higher inbound delivery freight expenses reduced the gross margin by approximately 0.5 percentage points during the quarter and approximately 0.4 percentage points in 2021. Delays and friction in the inbound supply chain also caused indirect expenses such as for additional work in various parts of the organisation and changes to plans for campaigns.

The gross margin for 2021 was 44.7% (43.9%). Gross profit for 2021 improved by SEK 26.6 million, amounting to SEK 638.7 (612.1) million.

## Efficient core processes in the new automated warehouse are starting to produce results

Fulfilment and distribution expenses amounted to SEK 65.0 (64.0) million. Measured as a proportion of net revenue, the expenses amounted to 16.0% (16.3%).

The reduction in the percentage was due to lower fulfilment expenses, both in absolute figures and measured as a proportion of sales, which was a result of Nelly delivering from the new automated warehouse in Borås in Q4. The former manual warehouse in Falkenberg was closed in Q3. The core processes of the new automation solution achieved target efficiency on several occasions. Some peripheral processes have not yet been adjusted and the focus is now on achieving the target cost saving potential.

However, distribution expenses rose during the quarter, driven primarily by higher volumes than in the corresponding period in 2020 and also by a higher proportion of parcels than letters, resulting in increased outbound freight expenses included in the totals for the fulfilment and distribution expenses line.

## More efficient purchasing of marketing

Marketing expenses for Q4 2021 amounted to SEK 44.4 (41.7) million. Measured as a proportion of net income, marketing expenses amounted to 10.9%, which is slightly higher than 10.6% in Q4 2020, but considerably lower than 13.2% in Q3 2021. The decrease on the previous quarter is



mainly due to changes in working methods for how Nelly purchases marketing, which produced an increasingly positive effect during the quarter.

Marketing expenses for 2021 amounted to SEK 157.7 (131.9) million. The increase is mainly due to higher expenses in the first nine months of the year and in particular in Q3.

### **Administrative and operating expenses**

Nelly Group's administrative and other operating expenses in Q4 were SEK 70.6 (62.3) million. The increase on Q4 2020 was due to: (i) higher payroll expenses as the notice given in Q3 2020 had a positive impact on Q4 2020, (ii) higher lease-related depreciation in accordance with IFRS 16 as the new automated warehouse entered use in October 2021 and (iii) higher expenses for services such as IT and consultancy, mainly as a result of selling and brand investments and new initiatives. Reduced expenses for group functions and administration for the listed Nelly Group company also had a positive impact as these functions were fully integrated in Nelly's Borås-based administration in 2021.

Administrative and other operating expenses in 2021 were SEK 266.7 (272.1) million. The improvement was mainly due to lower expenses for group functions, as described above, which compensated for higher operating expenses.

### **Operating profit**

Nelly Group's operating profit for Q4 2021 amounted to SEK -3.2 (0.2) million. The lower operating profit was mainly due to the fact that the higher gross profit was outweighed by higher administrative and other operating expenses in the quarter, as described in the paragraph above.

Operating profit for 2021 amounted to SEK -38.6 (-45.9) million. In total, the operating profit was reduced by warehouse project expenses of SEK 26 million in 2021. The improvement in operating result in 2021 was due mainly to a higher gross profit and lower expenses, apart from marketing expenses, which increased significantly. The expenses for fulfilment and distribution fell

slightly, although they included warehouse project expenses of SEK 26 million.

### **Net income for the period and earnings per share**

Nelly Group reported net income from continuing operations for the period 1 October to 31 December 2021 of SEK -8.4 (-9.9) million. Net financial items totalled SEK -4.6 (-0.3) million. The reduction was mainly due to lease-related interest expenses in accordance with IFRS 16 attributable to the new automated warehouse having entered into use. Tax amounted to SEK -0.6 (-9.8) million. The higher tax expense in Q4 2020 was attributable to a write-down of SEK 9.8 million of a deferred tax asset. Earnings per share for continuing operations were SEK -0.47 (-0.55). Earnings for the same period, including discontinued operations, amounted to SEK -8.4 (508.8) million. The much higher earnings for 2020 were due to the dividend from CDON. See Note 5. Earnings per share amounted to SEK -0.47 (28.31). Net income for 2021 was SEK -47.8 (512.1) million or SEK -2.65 (31.97) per share.

### **Continued good control of inventory levels**

The inventory turnover rate declined marginally compared with Q4 2020. The inventory balance for continuing operations as at 31 December 2021 increased by 8% compared with the previous year and Nelly, thereby, retains inventory levels that are about 20–30% lower than the period before Q2 2020. Inventory as a percentage of net revenue, rolling 12 months, remained good at 12.6% (11.9%). The percentage of older inventory on 31 December 2021 was lower than the previous year, mainly due to Nelly's focus on targeting outgoing inventory levels each season. A low volume of older inventory implies a more attractive customer offering and better margins going forward.

The inventory turnover rate for the current season's goods continued to be strong. In 2020, Nelly focused on reducing inventory levels by means of clear targets for the outgoing season's inventory levels and liquidating old inventory through on-site campaigns and outlet partners.



In 2021, Nelly has maintained its focus on maximising in-season sales and, consequently, minimising outgoing season inventory levels, as this supports margins over the product cycle and is more capital efficient.

### **Solid cash position**

Cash generated from operations amounted to SEK 70.1 (63.7) million in Q4. The slightly stronger cash flow during the period is primarily due to higher cash flow from operations. Cash generated from operations for the period 1 January to 31 December 2021 period was SEK 18.7 (24.1) million. The underlying cash generated from operations was considerably better than in 2020, but Nelly freed up less operating capital in 2021 than in 2020 when it dramatically reduced its capital tied up in inventory. These lower levels were largely retained in 2021.

Cash flow from investing activities amounted to SEK -1.2 (-2.4) million in Q4 2021. For 2021, cash flow from investing activities amounted to SEK -22.9 (-6.2) million. The increase in investments was primarily related to the initial investments in Nelly's new warehouse, which entered into use in Q3.

Cash flow from financing activities of SEK -12.2 (-4.5) million was attributable to lease liability repayments under IFRS 16 (see Note 8) and a warehouse-related deposit paid during the quarter. Cash flow from financing activities totalled SEK -29.3 (95.8) million for 2021, driven by the same factors as for the quarter. The positive cash flow from financing activities in 2020 was generated mainly from a dividend from a discontinued operation since proceeds from the 2020 new share issue were mostly used as a shareholder contribution in discontinued operations and for repayment of previously utilised credit facilities. See Note 5 below.

Cash and cash equivalents amounted to SEK 197.5 (230.1) million as at 31 December 2021 and the Group's available credit facilities had not been utilised. The payment respite for employer's contributions, and VAT 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 on page 10.

Total assets as at 31 December 2021 were SEK 899.9 million compared with SEK 655.1 million as at 31 December 2020. The higher amount of total assets was mainly related to increased lease liabilities under IFRS 16. See Note 8. Equity amounted to SEK 204.4 million, compared with SEK 249.8 million, corresponding to an equity ratio of 23% and 38%. The change in equity is mainly due to the loss for 2021. The principal reason for the lower equity ratio was the increase in lease liabilities under IFRS 16. See Note 8 below.

### **Parent company**

The parent company, Nelly Group AB (publ), reported net revenue of SEK 1.4 (0.2) million in Q4 2021. Net revenue for 2021 amounted to SEK 1.6 (2.7) million for the parent company.

Administrative expenses for the period October to December 2021 amounted to SEK 2.5 (4.3) million. The decrease in expenses 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 before tax for the period 1 October to 31 December 2021 was SEK -31.1 (-17.0) million. The fall in net income for both the quarter and 2021 were mainly due to Group contributions made of SEK 30.0 (12.0) million. The parent company's net income before tax for 2021 was SEK -41.9 (-7.0) million.

Cash and cash equivalents in the parent company amounted to SEK 4.7 (31.6) million as at 31 December 2021.

## Other information

### Nelly Group shares

As at 31 December 2021, Nelly Group AB had 18,494,973 shares issued, of which 18,026,266 were ordinary shares and 468,707 were class 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.

### Nomination Committee

In accordance with the nomination committee instructions adopted at Nelly Group's 2021 AGM, a representative of the largest shareholder, Rite Ventures, convened a nomination committee to prepare proposals for Nelly Group's 2022 AGM. The nomination committee consists of Peter Lindell, appointed by Rite Ventures, Alexander Antas, appointed by Mandatum Private Equity Partnership, Mandatum Private Equity and Anders Böös, appointed by AGB Kronlund. The nomination committee has appointed Peter Lindell to be its chair.

Shareholders who wish to submit nominations for Board members for Nelly Group may send written proposals to Nelly Group AB (publ), FAO: Company Secretary, PO Box 690, SE-501 13 Borås, Sweden.

### 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 affected 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 party wear. Party dresses were Nelly's biggest product group before the pandemic. However, the increase in e-commerce and higher demand for other categories, such as everyday and sports wear, have partially offset this effect.

Nelly has benefited from reduced sick pay expenses and a payment respite for employer's

contributions, and VAT and tax payments, which were part of the government's measures in response to the pandemic. The latter had a positive impact of SEK 39.6 million on 2020 cash flow and is part of current liabilities as at 31 December 2021. The net impact of Covid-related government support on operating profit was SEK 0.9 (6.8) million in 2021.

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

### Audit

This interim report has not been reviewed by the Nelly Group's auditors.

### 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](#).

Borås, 4 February 2022

Mathias Pedersen      Christoffer Häggblom  
Chair                      Director

Maj-Louise Pizzelli      Josephine Salenstedt  
Director                      Director

Stina Westerstad      Kristina Lukes  
Director                      CEO



### **Webcast on the interim report**

Analysts, investors and the media are invited to a [webcast](#) presentation of Q4 on 4 February 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 year-end report contains forward-looking statements. Information in this report that is not a historical fact should be seen as a forward-looking statements. 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.

### **For further information, please contact:**

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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. The information was released for publication through the agency of the above-mentioned contacts at 08:00 a.m. on 4 February 2022.*



## Condensed income statement – Group

(SEK million)	Q4 20	Q4 21	2020	2021
<b>Net revenue</b>	<b>393.8</b>	<b>407.2</b>	<b>1,394.1</b>	<b>1,428.4</b>
Cost of goods sold	-225.5	-230.5	-781.9	-789.6
<b>Gross profit</b>	<b>168.3</b>	<b>176.7</b>	<b>612.1</b>	<b>638.7</b>
<i>Gross margin</i>	42.7%	43.4%	43.9%	44.7%
Fulfilment and distribution costs	-64.0	-65.0	-254.0	-252.9
Marketing costs	-41.7	-44.4	-131.9	-157.7
Administrative and other operating expenses	-62.3	-70.6	-272.1	-266.7
<b>Operating profit or loss</b>	<b>0.2</b>	<b>-3.2</b>	<b>-45.9</b>	<b>-38.6</b>
<i>Operating margin</i>	0.1%	-0.8%	-3.3%	-2.7%
Net financial items	-0.3	-4.6	-1.7	-8.6
<b>Profit or loss before tax</b>	<b>-0.1</b>	<b>-7.8</b>	<b>-47.5</b>	<b>-47.2</b>
Tax	-9.8	-0.6	-23.5	-0.6
Profit or loss after tax for continuing operations	-9.9	-8.4	-71.1	-47.8
Profit or loss after tax for discontinued operations <sup>5</sup>	518.7	-	583.2	-
<b>Profit or loss after tax</b>	<b>508.8</b>	<b>-8.4</b>	<b>512.1</b>	<b>-47.8</b>
<b>Attributable to:</b>				
Parent company shareholders	508.8	-8.4	512.1	-47.8
Shares outstanding at end of period (millions)*	18.0	18.0	18.0	18.0
Average number of shares outstanding (million)*	18.0	18.0	16.0	18.0
Average number of shares, diluted (millions)*	18.0	18.0	16.0	18.0
Basic and diluted earnings per share for continuing operations (SEK)*	-0.55	-0.47	-4.44	-2.65
<b>Basic and diluted earnings per share, including discontinued operations (SEK)*</b>	<b>-28.31</b>	<b>-0.47</b>	<b>31.97</b>	<b>-2.65</b>

\*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.



## Consolidated statement of comprehensive income

(SEK million)	Q4 20	Q4 21	2020	2021
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation differences for the period	-4.9	0.6	-7.1	1.9
<b>Total comprehensive income for the period</b>	<b>503.9</b>	<b>-7.8</b>	<b>505.0</b>	<b>-45.9</b>
<i>Total comprehensive income attributable to:</i>				
Parent company owners	503.9	-7.8	505.0	-45.9
Non-controlling interests	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>503.9</b>	<b>-7.8</b>	<b>505.0</b>	<b>-45.9</b>
Shares outstanding at end of period (millions)*	18.0	18.0	18.0	18.0
Average number of shares outstanding (millions)*	18.0	18.0	16.0	18.0
Average number of shares, diluted (millions)*	18.0	18.0	16.0	18.0

\*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)	Dec 31, 20	Dec 31, 21
<b>Non-current assets</b>		
Goodwill	39.7	39.7
Other intangible assets	16.9	21.1
Property, plant and equipment	7.6	15.1
Lease assets <sup>8</sup>	39.0	313.5
Deferred tax asset <sup>6</sup>	74.0	73.8
Deposits	-	6.1
<b>Total non-current assets</b>	<b>177.2</b>	<b>469.4</b>
<b>Current assets</b>		
Inventories	166.3	179.5
Current non-interest-bearing receivables	81.5	53.6
Cash and cash equivalents <sup>4</sup>	230.1	197.5
<b>Total current assets</b>	<b>477.9</b>	<b>430.6</b>
<b>Total assets</b>	<b>655.1</b>	<b>899.9</b>
<b>Equity</b>		
Equity attributable to parent company shareholders	249.8	204.4
<b>Total equity</b>	<b>249.8</b>	<b>204.4</b>
<b>Non-current liabilities</b>		
<b>Non-interest-bearing</b>		
Other provisions	0.1	-
<b>Interest-bearing</b>		
Lease liabilities <sup>8</sup>	19.0	266.3
<b>Total non-current liabilities</b>	<b>19.1</b>	<b>266.3</b>
<b>Current liabilities</b>		
<b>Interest-bearing</b>		
Lease liabilities	20.6	50.1
<b>Non-interest-bearing</b>		
Accounts payable – trade	143.7	144.3
Other liabilities	69.4	90.0
Accrued expenses and deferred income	152.4	144.8
<b>Total current liabilities</b>	<b>386.2</b>	<b>429.2</b>
<b>Total equity and liabilities</b>	<b>655.1</b>	<b>899.9</b>

## Condensed statement of changes in equity

(SEK million)	2020	2021
<b>Opening balance</b>	<b>888.5</b>	<b>249.8</b>
Comprehensive income for the period	505.0	-45.9
Effects of long-term incentive plans	-2.1	0.5
Directed new share issue	203.4	-
Distribution from shares in subsidiaries	-1,345.0	-
<b>Closing balance</b>	<b>249.8</b>	<b>204.4</b>

## Condensed statement of cash flow

(SEK million)	Q4 20	Q4 21	2020	2021
Cash flow from operating activities before changes in working capital	-2.4	5.3	-45.3	-6.7
Changes in working capital	66.1	64.8	69.5	25.5
<b>Cash flow from operations</b>	<b>63.7</b>	<b>70.1</b>	<b>24.1</b>	<b>18.7</b>
Divestment of subsidiary, net liquidity impact <sup>7</sup>	-	-	-	0.2
Investments in non-current assets	-2.4	-1.2	-6.2	-23.1
<b>Cash flow to/from investing activities</b>	<b>-2.4</b>	<b>-1.2</b>	<b>-6.2</b>	<b>-22.9</b>
New share issue	-	-	203.4	-
Shareholder contribution	-	-	-125.0	-
Internal loan, net change	-	-	-50.2	-
Repayment of lease liability <sup>8</sup>	-4.6	-6.1	-16.8	-23.1
Change in financial assets	-	-6.1	-	-6.1
Dividend	-	-	84.4	-
<b>Cash flow to/from financing activities</b>	<b>-4.5</b>	<b>-12.2</b>	<b>95.8</b>	<b>-29.3</b>
<b>Change in cash and cash equivalents from continuing operations for the period</b>	<b>56.7</b>	<b>56.6</b>	<b>113.8</b>	<b>-33.4</b>
<b>Cash flow from discontinued operations</b>				
Cash flow from operating activities	-6.6	-	-343.2	-
Cash flow from investing activities	-1.9	-	-74.2	-
Cash flow from financing activities	-0.9	-	80.5	-
<b>Change in cash and cash equivalents from discontinued operations for the period</b>	<b>-9.4</b>	<b>-</b>	<b>-336.9</b>	<b>-</b>
<b>Change in cash and cash equivalents for the period</b>	<b>47.3</b>	<b>56.6</b>	<b>-223.1</b>	<b>-33.4</b>
<b>Cash and cash equivalents at start of period</b>	<b>222.0</b>	<b>140.5</b>	<b>553.9</b>	<b>230.1</b>
Translation difference, cash and cash equivalents	0.2	0.4	-0.4	0.8
Less cash from discontinued operations	-39.3	-	-100.2	-
<b>Cash and cash equivalents at end of period</b>	<b>230.1</b>	<b>197.5</b>	<b>230.1</b>	<b>197.5</b>

## Depreciation and amortisation of non-current assets

(SEK million)	Q4 20	Q4 21	2020	2021
Depreciation of property, plant and equipment	-0.6	-0.8	-2.8	-1.9
Amortisation of intangible assets	-2.3	-1.7	-8.7	-7.7
<b>Total depreciation and amortisation (not including IFRS 16)</b>	<b>-2.9</b>	<b>-2.5</b>	<b>-11.5</b>	<b>-9.6</b>
Amortisation of right-of-use assets <sup>8</sup>	-4.6	-8.0	-16.9	-25.5
<b>Total depreciation and amortisation (including IFRS 16)</b>	<b>-7.5</b>	<b>-10.5</b>	<b>-28.4</b>	<b>-35.1</b>

## Net revenue by geographical area

(SEK million)	Q4 20	Q4 21	2020	2021
Sweden	184.2	195.6	638.9	682.2
Other Nordics	176.7	196.6	641.2	657.8
<b>Nordics, including Sweden</b>	<b>360.9</b>	<b>392.2</b>	<b>1,280.1</b>	<b>1,340.0</b>
Rest of world	32.9	15.0	114.0	88.4
<b>All regions</b>	<b>393.8</b>	<b>407.2</b>	<b>1,394.1</b>	<b>1,428.4</b>





## Condensed income statement – parent company

(SEK million)	Q4 20	Q4 21	2020	2021
<b>Net revenue</b>	<b>0.2</b>	<b>1.4</b>	<b>2.7</b>	<b>1.6</b>
<b>Gross profit</b>	<b>0.2</b>	<b>1.4</b>	<b>2.7</b>	<b>1.6</b>
Administrative expenses	-4.3	-2.5	-37.3	-13.4
<b>Operating profit or loss</b>	<b>-4.1</b>	<b>-1.1</b>	<b>-34.6</b>	<b>-11.8</b>
<b>FINANCIAL INCOME AND EXPENSES</b>				
Profit or loss from shares in subsidiaries*	-0.9	-	40.6	-0.1
Net financial items	-	-	-1.0	-
<b>Profit or loss after financial items</b>	<b>-5.0</b>	<b>-1.1</b>	<b>5.0</b>	<b>-11.9</b>
<b>GROUP CONTRIBUTIONS</b>				
Group contributions paid	-12.0	-30.0	-12.0	-30.0
<b>Profit or loss before tax</b>	<b>-17.0</b>	<b>-31.1</b>	<b>-7.0</b>	<b>-41.9</b>
Tax	-10.5	-	-23.0	-
<b>Net income for the period**</b>	<b>-27.5</b>	<b>-31.1</b>	<b>-30.0</b>	<b>-41.9</b>

\*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)	Dec 31, 20	Dec 31, 21
<b>Non-current assets</b>		
Participations in Group companies	253.4	253.1
Deferred tax asset	71.7	71.7
<b>Total non-current assets</b>	<b>325.1</b>	<b>324.8</b>
<b>Current assets</b>		
Current non-interest-bearing receivables	5.0	2.3
<b>Total current receivables</b>	<b>5.0</b>	<b>2.3</b>
Cash and bank balances	31.6	4.7
<b>Total cash and cash equivalents</b>	<b>31.6</b>	<b>4.7</b>
<b>Total current assets</b>	<b>36.5</b>	<b>7.0</b>
<b>Total assets</b>	<b>361.6</b>	<b>331.7</b>
<b>Equity</b>		
Restricted equity	185.8	185.8
Unrestricted equity	155.8	114.3
<b>Total equity</b>	<b>341.6</b>	<b>300.1</b>
<b>Provisions</b>		
Other provisions	0.1	-
<b>Total provisions</b>	<b>0.1</b>	<b>-</b>
<b>Current liabilities</b>		
Liabilities to Group companies	13.6	29.5
Non-interest-bearing liabilities	6.4	2.1
<b>Total current liabilities</b>	<b>20.0</b>	<b>31.6</b>
<b>Total liabilities</b>	<b>20.1</b>	<b>31.7</b>
<b>Total equity and liabilities</b>	<b>361.6</b>	<b>331.7</b>

# Key ratios and alternative performance measures

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**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.

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

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

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**Inventory share of sales 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.

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**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

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

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

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**No. of sessions Nordic (000)** – an indicator of how well Nelly generates traffic to the website

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.

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**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 translates into customer sales before returns.

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**Average order value in the Nordics** – the average customer basket value in SEK

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

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**Conversion rate in the Nordics** – 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 the number of visitors equals the number of orders per customer.

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**No. of employees** – a measure of the number of employees at a specific point in time

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.

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**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.

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# Income statement definitions

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**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, operations-related currency gains and other revenue

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

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

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**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

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**Marketing costs** – *all costs to build the value of the brand and generate traffic to the website*

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

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**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

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**Net financial items** – *the net of financial income and expenses*

Includes expenses for interest, currency gains/losses of a financial nature and other finance income and expenses





## 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 policies 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.

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.

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### Note 4 – Reconciliation of cash and cash equivalents

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

SEK million	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Cash and cash equivalents, continuing operations	122.5	177.3	173.2	230.1	184.5	185.3	140.5	197.5
Cash and cash equivalents, discontinued operations	48.5	135.3	48.8	-	-	-	-	-
<b>Cash and cash equivalents, total</b>	<b>170.9</b>	<b>312.6</b>	<b>222.0</b>	<b>230.1</b>	<b>184.5</b>	<b>185.3</b>	<b>140.5</b>	<b>197.5</b>

## Notes

### 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 discontinued 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 as at 31 December 2020. More information can be found in Note 9 of the 2020 Annual Report.

### Note 7 – Divestment of Qliro Group Services

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

### Note 8 – Recognition of lease for the new warehouse premises

Nelly took over the new leased premises in Borås on 1 July 2021. Nelly paid no rent in 2021 and has a rent discount in 2022. However, the total expenses of the lease have been spread over the term of the lease.

The lease is recognised in accordance with IFRS 16, which means that a liability and an asset were recognised in the balance sheet on possession of the premises.

(SEK million)	Q4 20	Q4 21	2020	2021
Income	40.4	-	881.3	-
Expenses	-49.5	-	-972.6	-
<b>Profit or loss before tax</b>	<b>-9.1</b>	-	<b>-91.3</b>	-
Tax	-0.1	-	12.4	-
<b>Profit or loss after tax but before capital gain on the distribution of discontinued operations</b>	<b>-9.2</b>	-	<b>-78.9</b>	-
<i>Capital gain/loss on distribution of Qliro AB and CDON</i>	527.9	-	662.1	-
<b>Profit or loss after tax for discontinued operations</b>	<b>518.7</b>	-	<b>583.2</b>	-


(SEK million)	Q4 20	Q4 21	2020	2021
<b>Net cash flows from discontinued operations</b>				
Cash flows from operating activities	-6.6	-	-343.2	-
Cash flows from investing activities	-1.9	-	-74.2	-
Cash flows from financing activities	-0.9	-	80.5	-
<b>Net cash flows from discontinued operations</b>	<b>-9.4</b>	-	<b>-336.9</b>	-

(SEK million)	Q4 20	Q4 21	2020	2021
<b>Distributed assets and liabilities*</b>				
<b>Intangible assets</b>	<b>-84.1</b>	-	<b>-249.1</b>	-
<b>Tangible assets</b>	<b>-1.7</b>	-	<b>-17.3</b>	-
<b>Lease assets</b>	-	-	<b>-16.6</b>	-
<b>Deferred tax asset</b>	-	-	<b>-27.2</b>	-
<b>Inventories</b>	<b>-29.4</b>	-	<b>-29.4</b>	-
<b>Loans to the public</b>	-	-	<b>-2,200.7</b>	-
<b>Current investments</b>	-	-	<b>-375.1</b>	-
<b>Accounts receivable – trade and other receivables</b>	<b>-21.9</b>	-	<b>-86.9</b>	-
<b>Cash and cash equivalents</b>	<b>-39.7</b>	-	<b>-100.5</b>	-
<b>Loan facility</b>	-	-	<b>127.7</b>	-
<b>Deposits from the public</b>	-	-	<b>1,958.5</b>	-
<b>Bond</b>	-	-	<b>100.0</b>	-
<b>Lease liabilities</b>	-	-	<b>16.8</b>	-
<b>Accounts payable – trade and other payables</b>	<b>112.4</b>	-	<b>234.4</b>	-
<b>Net assets and liabilities from discontinued operations</b>	<b>-64.3</b>	-	<b>-665.3</b>	-

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







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