



Half-year report 2022

1 JANUARY TO 30 JUNE

NELLY

Nelly Group half-year report 2022

Q2 2022 – Financial highlights

- Net revenue fell to SEK 339.4 (396.7) million, corresponding to a decrease of 14.5% (1.4%)
- The gross margin increased to 47.6% (46.0%). Gross profit totalled SEK 161.4 (182.3) million
- Operating loss was SEK -18.5 (7.0) million, corresponding to an operating margin of -5.5% (1.8%). Operating profit excluding provisions related to communicated organisational changes amounted to SEK -8.0 million.
- Net income was SEK -19.4 (7.5) million, corresponding to earnings per share of SEK -1.07 (0.42)

H1 2022 – Financial highlights

- Net revenue fell to SEK 627.5 (708.5) million, corresponding to a decrease of 11.4% (2.1%)
- The gross margin increased to 46.0% (45.0%). Gross profit totalled SEK 288.9 (318.7) million
- Operating profit was SEK -42.4 (-8.0) million, corresponding to an operating margin of -6.8% (-1.1%). Operating profit excluding provisions related to communicated organisational changes amounted to SEK -31.9 million.
- Net income was SEK -47.9 (-10.0) million, corresponding to earnings per share of SEK -2.66 (-0.55)

“During the first half of 2022 we saw weak financial performance for Nelly and a fall in total customer footfall, which clearly shows that we did not deliver what our customers want frequently enough in a manner that also generates stable long term profitability. In the past quarter, we extensively transformed all parts of our operations, and this work will continue in the coming quarters.”

Helena Karlinder-Östlundh, acting CEO of Nelly Group AB



CEO comments on the first half of the year

Nelly must return to profitability

Our continued transformation towards profitability, which has now been intensified, means that we are refining our customer journey and simplifying all areas of our business.

During the first half of 2022, we saw weak financial performance for Nelly and a decline in total customer traffic, which clearly shows that we did not deliver what our customers want frequently enough in a manner that also generates stable long term profitability. During the past quarter, we have initiated an extensive transformation across all parts of our business, and this work will continue in the coming quarters.

Fast pace of change

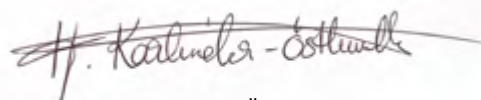
We appointed a number of new leaders in June, including the Chief Assortment Officer and the Chief Technology Officer. I was appointed to the role of acting CEO. Nelly Group also announced that Ludvig Anderberg has been appointed as the new CEO. He left the company in 2018 and will return in this role on 22 August. In connection with these changes, many skilled employees in the company were given the opportunity to assume greater responsibilities. All these appointments were handpicked from internal candidates to create a strong management team with deep knowledge of fashion, extensive understanding of our customers and proven ability to drive transformation. We are now working together to simplify our crossfunctional core processes to move towards profitability and refine the Nelly customer journey.

Our assortment strategy has been revised to optimise the autumn and spring collections, creating an offering that better meets our customers' needs and is easier to navigate. We will also focus on our own high-margin brands to an even greater extent and invest more selectively in external brands and categories where we see both demand and profitability. More generally, we will reduce the breadth of our assortment considerably and make it easier for our customers to find what they want.

In the coming quarters, we will continue to implement changes to strengthen our business and reduce costs. This will be done through higher efficiency and simplification in areas where complexity does not add value. For

example, this applies to our portfolio of systems. We have a large number of IT systems, which all need maintenance but may not all be needed in the future to deliver a great customer journey. Here, we will optimise and rationalise. We also need to continue to enhance our logistics efficiency, primarily through our automated warehouse, which, in June, delivered our lowest ever cost per item handled.

As we enter the second half of 2022, we do so with a strong team, a clear plan and our customers and products firmly in focus. Nelly's deep-rooted strengths lie in our skilled staff, our origin as a pioneer of e-commerce and, above all, in our brand's broad follower base among young women in the Nordic region. We are resetting the company to achieve profitability before we once again prioritise growth.



Helena Karlinder-Östlundh
Acting CEO of Nelly Group AB



Key ratios

	Q2 21	Q2 22	H1 21	H1 22
Net revenue growth	1.4%	-14.5%	2.1%	-11.4%
Gross margin	46.0%	47.6%	45.0%	46.0%
Warehousing and distribution costs as share of net revenue	17.1%	15.9%	17.3%	16.5%
Marketing cost as share of net revenue	10.1%	12.6%	10.2%	12.6%
Operating margin	1.8%	-5.5%	-1.1%	-6.8%
Return rate	36.0%	40.6%	33.6%	38.2%
Inventory share of net revenue LTM	14.4%	18.5%	14.4%	18.5%
Own brand share of sales	38%	39%	37%	37%
No. of active customers Nordic LTM (thousand)	1,125	1,099	1,125	1,099
No. of sessions Nordic (thousand)	27,794	26,345	51,421	49,287
No. of orders Nordic (thousand)	709	613	1,263	1,133
Average order value Nordic	763	831	739	798
Conversion rate Nordic	2.5%	2.3%	2.5%	2.3%
No. of employees	279	223	289	221
Proportion of women employed	62%	64%	62%	64%

* Alternative performance measures are described on page 18. Calculations may differ from other companies' definitions of similar measures.



This is Nelly

The Nelly brand

From the very start, Nelly has been a leader in fashion and e-commerce directly to customers. In 2004, we were an e-commerce pioneer. We now have a vibrant customer base consisting mainly of young women throughout the Nordic region. 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, giving her inspiration to find her entire look both for everyday wear and special occasions.

Efficient operations enable the customer experience

Our target audience has grown up with digital media, and e-commerce is second nature. We have 1.1 million active customers who place 2.5 million orders a year via our site or our app. They choose Nelly on account of our reasonably priced, trend-aware, inclusive offering.

Our fashion-focused, customer-focused organisation analyses and engages with our target audiences daily from our hub at the heart of Sweden's e-commerce industry in Borås. Here, we have invested in a high-capacity automated warehouse, which has reduced fulfilment and distribution costs, shortened delivery times and reduced our environmental footprint. We will soon also launch our new site, which will simplify and enhance the customer experience even further.

Celebrating the Nelly generation of young women

Nelly is a very well-known brand in the mind of young Nordic women who love fashion. Our brand awareness is much higher than our market share. A core consumer need is to 'feel fab' every day, whatever the occasion. 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. We empower femininity in life-affirming and sustainable ways. We and our customers live according to the motto 'always celebrate the fab you!'.



A photograph of three young men standing in a desert landscape under a clear blue sky. The man on the left is Black, the man in the middle has long blonde hair, and the man on the right is white. They are all wearing casual clothing like hoodies and sweaters. The man in the middle has his arm around the man on the right.

Financial calendar

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

The 2022 year-end report will be presented on 3 February 2023

The interim report for the first quarter will be presented on 28 April 2023

Second quarter and first half-year explained

Lower sales on a weak e-commerce market

Net revenue for Q2 2022 amounted to SEK 339.4 (396.7) million. The 14.5% reduction is mainly due to lower sales before returns, combined with a higher return rate. Sales fell despite a higher average order value and higher organic traffic. However, the paid traffic declined and the conversion rate was lower than in the previous year. The price rises introduced by Nelly at the start of Q2 had a positive impact on the gross margin, but a negative impact on sales. The market was subject to high campaign pressure and competition for new customers as customers used physical stores to a greater extent than in the previous two years. Own brand sales during Q2 2022 amounted to 39% (38%). In local currencies, net revenue decreased by 16.0%.

The return rate for Q2 2022 was 40.6% (36.0%). The higher return rate was primarily due to a return to historically more normal return behaviour from low levels in Q2 2020 and 2021 and the price rises introduced during the quarter.

Net revenue for the first six months of 2022 amounted to SEK 627.5 (708.5) million, a reduction of 11.4%. In local currencies, net revenue decreased by 13.5% in the first six months of 2022.

Improved gross margin

The gross margin improved by 1.6 percentage points to 47.6% (46.0%) in Q2 2022. This improvement was driven primarily by lower volumes of outlet sales and higher shipping revenue than in the previous year after the terms and conditions were updated and the fact that active work on alternative shipping options produced results. The gross margin for the first half of the year was 46.0% (45.0%).

Lower warehousing and distribution expenses

Warehousing and distribution expenses amounted to SEK 53.9 (68.0) million for the second quarter. Measured as a proportion of net revenue, the expenses amounted to 15.9% (17.1%).

The reduction in the percentage was due to lower warehousing expenses, both in absolute figures and measured as a proportion of sales,

which was one result of Nelly delivering only from the new automated warehouse in Borås since Q4 2021. The former manual warehouse in Falkenberg was closed in Q3 2021. The core processes in the new automation solution are now working well and the adjustment work has now given way to work on continuous improvements. The work to realise target cost savings potential during the year is going to plan.

Distribution expenses also fell during the quarter as lower volumes were handled. Warehousing and distribution expenses for the first half of the year amounted to SEK 103.3 (122.2) million.

Investments in influencer marketing and social media

Marketing expenses for Q2 2022 amounted to SEK 42.9 (40.0) million. The main reason for the increase in expenses for marketing in the quarter is activities in influencer marketing and social media, for example the TikTok event 'Nelly House'. Direct marketing expenses fell in line with the reduction in paid traffic. Marketing expenses for the first half of the year amounted to SEK 79.2 (71.9) million.

Administrative and operating expenses increased on account of non-recurring expenses

Nelly Group's administrative and other operating expenses in Q2 were SEK 83.1 (67.4) million. The change compared with Q2 2021 is primarily due to: (i) provisions related to communicated organisational changes of SEK 10.5 million, mainly payment to the outgoing CEO and management team members during their notice periods and (ii) higher lease-related depreciation as per IFRS 16 as the new automated warehouse entered operation in October 2021.

Operating profit

Operating profit for Q2 totalled SEK -18.5 (7.0) million. Operating profit excluding provisions related to organisational changes amounted to SEK -8.0 million. The lower operating profit was primarily due to lower sales, which were behind the lower gross profit, and provisions for communicated organisational changes. Operating profit for the first half of the year amounted to SEK -42.4 (-8.0) million.

Net income for the period and earnings per share

Nelly Group reported net income of SEK -47.9 (-10.0) million for the period 1 January to 30 June 2022. Earnings per share amounted to SEK -2.66 (-0.55) for the first half of the year. The lower profit compared with 2021 is primarily attributable to the lower operating profit.

Lower inventory turnover rate

The inventory turnover rate was lower during the quarter than in Q2 2021, primarily as a result of lower sales. The inventory balance as at 30 June 2022 increased by 23% in relation to the previous year. Inventory as a percentage of net revenue, rolling 12 months, amounted to 18.5% (14.4%). The percentage of older inventory as at 30 June 2022 was higher than in the previous year, but still lower than before the pandemic. As of 2022, the inventory balance is booked inclusive of the value of expected future returns. See Note 7 for further information.

Cash flow and cash and cash equivalents

Cash flow from operations totalled SEK 42.6 (15.4) million in the second quarter of the year. The increase on the corresponding period of 2021 is due to changes in working capital. In Q2 2022, SEK 9.4 million of the Covid-19-related payment respite for employer's contributions and tax payments that Nelly made use of in 2020 and 2021 was repaid. A further SEK 41.8 million in new respite was also utilised. The payment respite for employer's contributions and tax payments amounted to SEK 55.4 (39.6) million at the end of the quarter.

Cash flow from investing activities amounted to SEK -3.6 (-12.9) million. Investments mainly concern IT projects. Investments in the previous year were dominated by the warehouse project.

As in the previous year, cash flow from financing activities amounted to SEK -6.3 (-1.4) million, which was entirely attributable to lease liability repayments under IFRS 16.

Cash and cash equivalents amounted to SEK 83.3 (185.3) million as at 30 June 2022 and the Group's available credit facilities had not been utilised.

Total assets as at 30 June 2022 were SEK 853.8 million compared with SEK 925.4 million as at 31 December 2021. The decline in total assets was mainly related to lower current assets. Equity amounted to SEK 157.1 million, compared with SEK 204.4 million at the year-end, corresponding to an equity/assets ratio of 18.4% and 22.1%.

Parent company

The parent company Nelly Group AB (publ) reported no sales in the first half of 2022.

Administrative expenses for the first half of 2022 amounted to SEK -6.7 (-8.4) million. The parent company's net income for the period 1 January to 30 June 2022 was SEK -6.7 (-8.2) million. Cash and cash equivalents in the parent company amounted to SEK 5.5 million as at 30 June 2022 compared with SEK 4.7 million at the year-end.



Other information

Nelly Group shares

As of 30 June 2022, Nelly Group had 18,494,973 issued shares, 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.

Audit

This half-year report has not been reviewed by 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 47-49 of the [2021 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.

Borås, 15 July 2022

*Mathias Pedersen
Chairman of the Board*

*Josephine Salenstedt
Board member*

*Maj-Louise Pizzelli
Board member*

*Sandra Backlund
Board member*

*Stefan Palm
Board member*

*Daniel Hörnqvist
Board member*

*Helena Karlinder-Östlundh
Acting CEO*

Webcast on the H1 report

Analysts, investors and the media are invited to a [webcast](#) on H1 on 15 July at 13.00. The presentation will be delivered in English by CFO John Afzelius. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

This interim 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.

For further information, please contact:

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This information is information 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 on 15 July 2022.



Condensed income statement – Group

(SEK million)	Q2 21	Q2 22	H1 21	H1 22	LTM
Net revenue	396.7	339.4	708.5	627.5	1,347.3
Cost of goods sold	-214.4	-178.0	-389.9	-338.6	-738.3
Gross profit	182.3	161.4	318.7	288.9	609.0
<i>Gross margin</i>	46.0%	47.6%	45.0%	46.0%	45.2%
Warehousing and distribution costs	-68.0	-53.9	-122.2	-103.3	-234.0
Marketing costs	-40.0	-42.9	-71.9	-79.2	-165.0
Administrative and other operating expenses	-67.4	-83.1	-132.5	-148.8	-283.0
Operating profit	7.0	-18.5	-8.0	-42.4	-73.0
<i>Operating margin</i>	1.8%	-5.5%	-1.1%	-6.8%	-5.4%
Net financial items	0.5	-1.2	-1.9	-6.3	-12.9
Profit before tax	7.5	-19.8	-9.9	-48.7	-86.0
Tax	0.0	0.4	-0.1	0.8	0.3
Profit after tax	7.5	-19.4	-10.0	-47.9	-85.7
<i>Attributable to</i>					
Parent company shareholders	7.5	-19.4	-10.0	-47.9	-85.7
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0	18.0
Average number of ordinary shares (millions)	18.0	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0	18.0
Basic and diluted earnings per share (SEK)	0.42	-1.07	-0.55	-2.66	-4.76

Consolidated statement of comprehensive income

(SEK million)	Q2 21	Q2 22	H1 21	H1 22	LTM
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences for the period	-0.6	-0.8	1.0	0.3	1.0
Total comprehensive income for the period	6.9	-20.2	-9.0	-47.6	-84.7
<i>Total comprehensive income attributable to</i>					
Parent company owners	6.9	-20.2	-9.0	-47.6	-84.7
Total comprehensive income for the period	6.9	-20.2	-9.0	-47.6	-84.7
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0	18.0
Average number of ordinary shares (millions)	18.0	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0	18.0

Condensed statement of financial position

(SEK million)	Q2 21	Q2 22	2020	2021
Non-current assets				
Goodwill	39.7	39.7	39.7	39.7
Other intangible assets	14.9	25.2	16.9	21.1
Property, plant and equipment	22.6	13.6	7.6	15.1
Lease assets ⁶	27.1	299.9	39.0	313.5
Deferred tax asset ⁴	74.0	74.6	74.0	73.8
Deposits	-	6.1	-	6.1
Total non-current assets	178.3	459.1	177.2	469.4
Current assets				
Inventories ⁷	202.8	249.9	192.6	205.0
Current non-interest-bearing receivables	65.7	61.5	81.5	53.6
Cash and cash equivalents	185.3	83.3	230.1	197.5
Total current assets	453.7	394.7	504.2	456.1
Total assets	632.0	853.8	681.4	925.4
Equity				
Equity attributable to parent company shareholders	241.0	157.1	249.8	204.4
Total equity	241.0	157.1	249.8	204.4
Non-current liabilities				
Non-interest-bearing				
Other provisions	0.3	-	0.1	-
Interest-bearing				
Lease liabilities	15.7	251.6	19.0	266.3
Total non-current liabilities	16.0	251.6	19.1	266.3
Current liabilities				
Interest-bearing				
Lease liabilities	11.8	54.9	20.5	50.1
Non-interest-bearing				
Accounts payable – trade	119.6	127.6	143.7	144.3
Other liabilities	66.4	80.3	69.4	90.0
Accrued expenses and deferred income	177.2	182.3	178.8	170.3
Total current liabilities	375.0	445.1	412.5	454.7
Total equity and liabilities	632.0	853.8	681.4	925.4

Condensed statement of changes in equity

(SEK million)	Q2 21	Q2 22	2020	2021
Opening balance	234.3	177.3	888.5	249.8
Comprehensive income for the period	6.9	-20.2	505.0	-45.9
Effects of long-term incentive plans	-0.2	0.0	-2.1	0.5
Private placement	-	-	203.4	-
Dividend from participations in subsidiaries to shareholders	-	-	-1,345.0	-
Closing balance	241.0	157.1	249.8	204.4

Condensed statement of cash flow

(SEK million)	Q2 21	Q2 22	H1 21	H1 22
Cash flow from operating activities before changes in working capital	9.3	-11.3	5.9	-28.4
Changes in working capital	6.1	53.9	-23.7	-65.8
Cash flow from operations	15.4	42.6	-17.8	-94.2
Divestment of subsidiaries, net liquidity impact ⁵	0.3	-	0.3	-
Investments in non-current assets	-13.2	-3.6	-18.0	-7.8
Cash flow to/from investing activities	-12.9	-3.6	-17.6	-7.8
Repayment of lease liability	-1.4	-6.3	-9.6	-12.4
Cash flow to/from financing activities	-1.4	-6.3	-9.6	-12.4
Change in cash and cash equivalents for the period	1.2	32.8	-45.0	-114.4
Cash and cash equivalents at start of period	184.5	50.9	230.1	197.5
Translation difference, cash and cash equivalents	-0.4	-0.4	0.3	0.2
Cash and cash equivalents at end of period	185.3	83.3	185.3	83.3

Depreciation and amortisation of non-current assets

(SEK million)	Q2 21	Q2 22	H1 21	H1 22
Depreciation of property, plant and equipment	-0.4	-0.8	-0.8	-1.7
Amortisation of intangible assets	-2.1	-1.6	-4.2	-3.3
Depreciation and amortisation (not including IFRS 16)	-2.5	-2.4	-5.0	-5.0
Amortisation of right-of-use assets	-4.5	-8.1	-9.5	-16.2
Depreciation and amortisation (including IFRS 16)	-7.0	-10.5	-14.5	-21.2

Net revenue by geographical area

(SEK million)	Q2 21	Q2 22	H1 21	H1 22
Sweden	192.4	163.2	332.6	298.1
Nordics, including Sweden	374.5	327.3	659.5	600.0
Rest of world	22.2	12.0	49.0	27.5
All regions	396.7	339.4	708.5	627.5



Condensed income statement – parent company

(SEK million)	Q2 21	Q2 22	H1 21	H1 22	LTM
Net revenue	0.2	-	0.2	-	1.4
Gross profit	0.2	-	0.2	-	1.4
Administrative expenses	-2.6	-4.2	-8.4	-6.7	-11.7
Operating profit	-2.4	-4.2	-8.2	-6.7	-10.3
FINANCIAL INCOME AND EXPENSES					
Net financial items	0.0	0.0	-	0.0	-0.1
Profit after financial items	-2.4	-4.2	-8.2	-6.7	-10.4
APPROPRIATIONS					
Group contributions paid	-	-	-	-	-30.0
Profit before tax	-2.4	-4.2	-8.2	-6.7	-40.4
Tax	-	-	-	-	-
Net loss for the period*	-2.4	-4.2	-8.2	-6.7	-40.4

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



Condensed statement of financial position – parent company

(SEK million)	Q2 21	Q2 22	2020	2021
Non-current assets				
Participations in Group companies	253.1	253.1	253.4	253.1
Deferred tax asset	71.7	71.7	71.7	71.7
Total non-current assets	324.8	324.8	325.1	324.8
Current assets				
Current non-interest-bearing receivables	4.1	3.3	5.0	2.3
Total current receivables	4.1	3.3	5.0	2.3
Cash and bank balances	10.9	5.5	31.6	4.7
Total cash and cash equivalents	10.9	5.5	31.6	4.7
Total current assets	14.9	8.8	36.5	7.0
Total assets	339.7	333.6	361.6	331.7
Equity				
Restricted equity	185.8	185.8	185.8	185.8
Unrestricted equity	147.7	107.9	155.8	114.3
Total equity	333.4	293.6	341.6	300.1
Provisions				
Other provisions	0.0	0.0	0.1	0.0
Total provisions	0.0	0.0	0.1	0.0
Current liabilities				
Liabilities to Group companies	1.0	37.7	13.6	29.5
Non-interest-bearing liabilities	5.2	2.3	6.4	2.1
Total current liabilities	6.2	39.9	20.0	31.6
Total liabilities	6.3	39.9	20.1	31.7
Total equity and liabilities	339.7	333.6	361.6	331.7

Key ratios and 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 18.

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 for the period divided by net revenue over a rolling twelve-month period. See also Note 7. 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 Group 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 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

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.

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 in the Nordics during a given period.

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.

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

Calculated using the number of actual hours worked, together with paid holiday and other short-term absence, compared with the scheduled working time.

Share of women employed – *a measure of the percentage of women in the total number of employees*

The number of women divided by the 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, operations-related currency gains and other revenue

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

Warehousing 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 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

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 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 Nelly Group AB (publ)'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 in Nelly's other operations and the cost is significantly lower, the segment is no longer reported separately.

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

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

Note 4 – Deferred tax asset

The Group's deferred tax assets are based on historical losses. 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 650.9 million on 31 December 2021. More information can be found in Note 8 of the [2021 annual report](#).

Note 5 – Divestment of QGS

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

Note 6 – 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.

Note 7 – Inventories include expected returns

Up to and including Q4 2021, expected returns were recognised net as a return reserve under liabilities. As from Q1 2022, expected returns are recognised gross as an asset item included in inventories and a liability item included in accrued expenses in accordance with IFRS 15. As from Q1 2022, comparative figures are also recognised accordingly.





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