NELLY

DOCUMENTATION TO THE EXTRAORDINARY GENERAL MEETING ON 12 DECEMBER 2024

The Board's statement according to Chapter 18 Section 4 of the Companies Act

The Board of Nelly Group AB (publ) has proposed that the Extraordinary General Meeting to be held on 12 December 2024 resolves on a dividend to the shareholders of SEK 0.83 per ordinary share. The Board has proposed Monday 16 December 2024 as the record date for the dividend. Due to the proposal, the Board hereby submits the following statement in accordance with Chapter 18 Section 4 of the Companies Act.

As of 31 December 2023, unrestricted equity amounted to SEK 259,029,577. The Annual General Meeting 2024 resolved to carry forward the retained earnings and share premium reserve as well as the year's profit. The amount available for distribution according to Chapter 17, Section 3 of the Companies Act thus amounts to SEK 259,029,577 prior to the proposed dividend resolution.

The Group's equity ratio amounts to 22.3 percent before the proposed dividend and amounts to 19.2 percent taking into account the proposed dividend. The Board finds that the company's restricted equity is fully covered after the proposed dividend.

In view of the proposed dividend, the Board has considered the company's and the group's consolidation requirements and liquidity through an assessment of the financial position of the company and the group, as well as the possibilities of the Company and the Group to discharge its obligations in the long term. The proposed dividend does not jeopardize the company's ability to make the investments that have been deemed necessary. The company's financial position does not give rise to any other assessment than that the company can continue its operations and that the company is expected to comply with its obligations in a short as well as long term perspective. In addition to the assessment of the company's consolidation requirements and liquidity, the Board has also taken into consideration all other known circumstances that may impact the company's financial position.

With reference to the above, the Board makes the assessment that the proposed dividend is justifiable considering the requirements that the nature, scope and risks of the operations pose on the size of the company's and the group's equity, as well as the company's and the group's consolidation requirements, liquidity and position in general.

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Borås in November 2024

Nelly Group AB (publ)

THE BOARD OF DIRECTORS

The Board's report according to Chapter 13 Section 6 and Chapter 18 Section 6 of the Companies Act

The Board of Nelly Group AB (publ) has proposed that the Extraordinary General Meeting to be held on 12 December 2024 resolves on a directed issue of a maximum of 67,257 ordinary shares and a dividend to the shareholders of SEK 0.83 per ordinary share. Due to the proposal, the Board hereby submits the following report in accordance with Chapter 13 Section 6 and Chapter 18 Section 4 of the Companies Act.

Since the annual report for the financial year 2023 was presented 10 April 2024, no events of material significance for the company's financial position have occurred in addition to those specified below.

- On 26 April 2024, Nelly announced in a press release that the principal shareholder Rite Internet Ventures Holding AB (via the wholly owned subsidiary Rite Ventures SPV AB) ("**Rite Ventures**") had announced that it had acquired shares in Nelly, increasing its holding to the equivalent of 30.11 percent of shares and votes, thus passing the threshold for the obligation to make a mandatory bid.
- On 22 May 2024, Nelly announced that the independent Bid Committee had recommended Nelly shareholders not to accept the bid offer of SEK 17.00 per share made by Rite Ventures on 8 May 2024.
- On 7 June 2024, Rite Ventures announced that, on the acceptance deadline for the bid offer published on 8 May 2024, shareholders corresponding to approximately 3.94 percent of the total number of shares and votes in Nelly had accepted the bid. Rite Ventures thus controls approximately 34.06 percent of the total number of shares and votes outstanding in Nelly.

No decisions have been made regarding value transfers since the annual report for the financial year 2023 was presented and no changes have occurred to the company's restricted equity since 31 December 2023.

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Borås in November 2024

Nelly Group AB (publ)

THE BOARD OF DIRECTORS

Auditor's statement as referred to in Chapter 13, section 6 of the Companies Act (2005:551) regarding the board of directors' report on material events during the period 2024-04-11 – 2024-11-19

To the general meeting of Reputation and Nelly Group AB (publ), reg. no. 56035-6940

We have reviewed the board of directors' report dated 2024-11-19.

The board of directors' responsibility for the report

The board of directors is responsible for producing the report pursuant to the Companies Act and for ensuring that there is the degree of internal control which the board deems necessary to enable it to produce the report without any material inaccuracies, whether they be due to improprieties or mistakes

Responsibility of the auditor

Our task is to provide our opinions based on our review. We have performed the review in accordance with FAR's recommendation RevR 9 "*Auditor's other statements according to the Companies Act and the Companies Regulation*". This recommendation requires that we plan and perform the review in such a way as to ensure, with a limited degree of certainty, that the report does not contain any material inaccuracies. The firm applies International Standard on Quality Management 1, and thereby maintains a comprehensive system for quality control which includes documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of Nelly Group AB (publ), in accordance with the rules of professional ethics for accountants in Sweden and have complied with all professional ethics requirements in accordance with these rules.

The review comprises, through various measures, collecting evidence of financial and other information in the report. The auditor selects which measures will be performed, by means of, among other things, assessing the risks of there being material inaccuracies in the report due to either improprieties or mistakes. In this risk assessment, for the purpose of formulating review measures which are appropriate based on the circumstances, but not for the purpose of providing an opinion as to the efficiency of the companies' internal control, the auditor takes into consideration those aspects of the internal control which are relevant to the manner in which the board has produced the report. The review has been limited to an overall analysis of the report and its documentation, as well as enquiries made of the employees of the company. Consequently, my verification is based on a limited degree of certainty as compared with an audit. We believe that the evidence that we have obtained is a sufficient and appropriate basis for our opinion.

Opinion

Based on our review, no circumstances have come to light which give cause to believe that the board of directors' report does not accurately reflect material events in respect of the company during the period 2024-04-11 – 2024-11-19.

Other information

The sole purpose of this statement is to satisfy the requirement imposed by Chapter 13, section 6 of the Companies Act and the statement may not be used for any other purpose.

The date indicated by electronic signature

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Auditor’s statement as referred to in Chapter 18, section 6 of the Companies Act regarding the board of directors’ report and proposal concerning distributions of profits

To the general meeting of Nelly Group AB (publ), reg. no 556035-6940

We have reviewed the board of directors’ report and proposal dated 2024-11-19.

The board of directors’ responsibility for the report and proposal

The board of directors is responsible for producing the report and proposal pursuant to the Companies Act and for ensuring that there is the degree of internal control which the board deems necessary to enable it to produce the report and proposal without any material inaccuracies, whether they be due to improprieties or mistakes

Responsibility of the auditor

Our task is to express an opinion on the post-distribution based on our review. We have conducted the review in accordance with FAR's recommendation RevR 9 *The Auditor’s Other Statements Pursuant to the Swedish Companies Act and the Companies Ordinance*. This recommendation requires that we plan and perform the review to obtain reasonable assurance that the board's report does not contain material misstatements. The audit firm applies the International Standard on Quality Management 1, which requires the firm to design, implement, and manage a system of quality management including policies or procedures regarding compliance with professional ethical requirements, standards for professional practice, and applicable legal and regulatory requirements.

We are independent of Nelly Group AB (publ), in accordance with the rules of professional ethics for accountants in Sweden and have complied with all professional ethics requirements in accordance with these rules.

The review comprises, through various measures, collecting evidence of financial and other information in the report and proposal. The auditor selects which measures will be performed, by means of, among other things, assessing the risks of there being material inaccuracies in the report due to either improprieties or mistakes. In this risk assessment, for the purpose of formulating review measures which are appropriate based on the circumstances, but not for the purpose of providing an opinion as to the efficiency of the companies’ internal control, the auditor takes into consideration those aspects of the internal control which are relevant to the manner in which the board has produced the report and proposal. The review includes an evaluation of the appropriateness and fairness in the board of directors’ assumptions. We believe that the evidence that we have obtained is a sufficient and appropriate basis for our opinion.

Opinion

We believe that the report is accurate and we recommend that the general meeting allocate the profit in accordance with the board of directors’ proposal.

Other information

The sole purpose of this statement is to satisfy the requirement imposed by Chapter 18, section 6 of the Companies Act and the statement may not be used for any other purpose.

Göteborg, 19 November 2024

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

ANNUAL REPORT 2023

NELLY

Contents

Nelly

Nelly is one of the best-loved fashion destinations for young women in the Nordic region. We offer a vibrant world of fashion and every day we inspire our target group with trends and head-to-toe looks from our own brand Nelly and carefully selected brands from an international portfolio.

ANNUAL REPORT 2023

NELLY WAS LAUNCHED IN 2004 and was a pioneer in e-commerce and digital marketing. Today, we have a vibrant community of customers and are one of the best-loved places for young women in the Nordic region to buy fashion. With 'Celebrate the fab you' as our core concept, we are determined to always praise women around us and celebrate life, whatever the occasion!

Our success is based on a keen nose for trends and a high level of engagement among the target group. We are the fashion destination for a million customers in the Nordic region. We are always looking for new ways to inspire our target group and boost our attractiveness to them.

We have 2.5 million members of Nelly.com in the Nordic region and 1.2 million followers of our social media profiles. We offer our community daily inspiration in terms of trends and looks from our own brand, and a portfolio of carefully selected external brands. Our customers continually reach out to us for inspiration. Not only for a head-to-toe look that doesn't break their bank account – we also meet their need to feel fab beyond fashion.

Nelly's target group are young fashionistas. Our customers are digital natives and have grown up with social media and e-commerce. We want to inspire them to be nothing but themselves and to shine at all times. From the very start, Nelly has been strong on party wear, and we soon became known for our own-brand party dresses and shoes. We still love party fashion, but our offer also includes fashion for every occasion, covering everything from nights in, down the gym and coffee in town to work and parties. Our message is that life is one long party to be celebrated, no matter what the occasion!

NLYMan
Men's clothes have been part of our offer since 2008. In 2014, the men's department was separated off and the NLYMan.com site was launched, a fashion destination for men online. NLYMan offers clothing, shoes and accessories from carefully selected brands, for every occasion.

Business model
The core of Nelly's business is the collections of our own designs, supplemented with selected products from external brands from an international portfolio. Clothing and accessories are purchased from manufacturers both globally and in local markets. Relationships with manufacturers are governed in part by the code of conduct for business partners. The products are transported to Nelly's logistics centre in Borås, marketed digitally and primarily sold via our own stores at Nelly.com and NLYMan.com. Our investments in our brand, range and logistics have allowed us to make things easy for our customers.

Strategy & offer
Nelly offers fashion and beauty products for young women via Nelly.com and our Flagship Store, and fashion for young men via NLYMan.com. We have a direct-to-consumer strategy with a strong own brand, combined primarily with digital sales directly to our target group. Our aim is to offer high-quality products that fit well at competitive price points. The range consists of Nelly's own trend-conscious brands, supplemented by a carefully selected range from brands that are attractive to our customers.

The market
We sell directly to our target group so we can control the entire customer experience and focus on the Nordics.

'During the year, we continued to work intensively on our range to make it clearer and more attractive.'

Helena Karlinder-Östlundh, CEO of Nelly Group

1
billion SEK in net revenue in the Nordics

88
million visits in the Nordics

1.9
million purchases in the Nordics

1
million customers in the Nordics

Comments by the CEO

2023 WAS AN EVENTFUL YEAR for Nelly. We continued our transformation work and implemented several major changes that made the company even stronger and boosted its long-term competitiveness. Nelly's working capital was increased by means of a successful preferential share issue at the start of the year. We also saw heartening signs that the changes were beginning to take effect, in particular as we delivered three profitable quarters in the year and produced an operating profit for the full year of 2023.

During the year, we continued to work intensively on our range to make it clearer and more attractive. We further reduced the variety of the range in accordance with our strategy and were able to enhance our position in several important product categories that form the foundation of Nelly customers' everyday wardrobe. Our own brand range accounted for a larger part of these sales than in the previous year, which also had a positive impact on the return rate. The new processes and working methods introduced in purchasing in 2022 were further consolidated in 2023, and we have now created the right conditions for our seasonal collections to go from strength to strength.

At the end of the third quarter, we opened the doors to Nelly's first Flagship Store on Drottninggatan in Stockholm. It has been enjoyable and rewarding to meet our customers in person. The in-store customer offer consists mainly of Nelly's own brand range and this now gives us further opportunities for brand-building and in-depth customer understanding. In addition to day-to-day customer service, in 2024 we will focus on offering inspiring events and using the store to continuously create engaging content for our social media channels.

Since the start, a key element of our transformation work has been to create a less complex, stronger organisation that is able to operate efficiently. We also saw significant advances in this area in 2023. At the start of the year, we carried out yet another reorganisation to establish even clearer areas of responsibility and achieve sustainable expenses. In the second half of the year, we recruited a new Chief Technology Officer and a new Chief Financial Officer, and when I was appointed permanent CEO at the end of the third quarter, the management team was complete. This is key to our ability to ensure continuity and a long-term approach in the company going forward.

With a new Chief Technology Officer in place, in the fourth quarter we were able to able to accelerate the rate of change in the work on our system landscape. New partnerships were established with several strong suppliers, and we are now involved in a number of exciting implementation projects that will further enhance the customer experience with more personalisation and inspiration. This also means that Nelly is moving away from proprietary solutions in many areas and towards more modern, more stable third-party systems that are subject to continuous development by the suppliers.

Sustainability continues to be an important part of our business

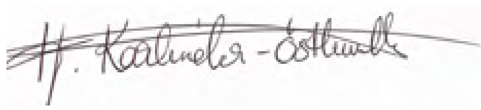
Sustainability is an integral part of our operations, and we welcome the new laws and regulations that are currently being prepared in the EU as they will give the entire fashion industry a solid, shared framework within which to operate. We still generate our highest environmental impact in product manufacture. Consequently, it is important to complete our move to a narrower range better suited to our customers. This will ensure high stock movement and increase the likelihood of customers reusing their garments repeatedly over a longer period of time. Reduced variety also improves our ability to ensure the availability of more sustainable materials, and both transport and logistics can be optimised more easily. The changes we have already made in this area meant that we needed fewer production units in 2023, for example, allowing us to work more closely with our remaining suppliers, in particular on the transition to renewable energy. We extended our engagement in this area during the year to include China as well as Turkish suppliers.

We continue to work purposefully towards our targets. In 2023, we increased the share of more sustainable materials in our own brand products to 52% (31%). From a social perspective, it is also important to us to ensure compliance with regulations at the production units we use for our own brand products. Consequently, it is our aim for them to be inspected by external inspectors every year within the period for the valid audit cycle. The 2023 outcome here was 98% (92%), with all production units in the countries classified as risk countries audited. Our full sustainability report for 2023, in which we examine our sustainability work in detail, is presented later in the annual report.

Good prospects for the next phase of our transformation journey

In 2023, we delivered several major improvements for Nelly, which puts us in a good position to tackle the challenges that remain. Going forward, we are going to have a clear focus on reversing the downward trend we saw throughout 2023, both in traffic to our site and the conversion rate and, as a consequence, in net revenue. Ultimately, we know that a strong range combined with a smooth, inspiring shopping experience are the keys to our success. In 2023, we passed several important milestones on our journey towards achieving this objective, encouraging us to continue our transformation work. Finally, I would like to take this opportunity once again to thank all our wonderful customers and, of course, the entire Nelly team, who continue to drive our transformation journey with undiminished vigour.

SEK million	2023	2022
Net revenue	1,060.8	1,299.0
Gross profit	507.9	566.2
Gross margin (%)	47.9%	43.6%
Operating profit/loss	10.9	-56.1
Operating margin (%)	1.0%	-4.3%



Helena Karlinder-Östlundh
CEO of Nelly Group AB

Financial review

The year in brief

Nelly Group announced in January 2023 that Ludvig Anderberg was leaving his role as CEO at his own request and being replaced by Helena Karlinder-Östlundh.

Nelly Group announced in February 2023 that the Board of Directors had decided to hold a preferential share issue to enable Nelly's continued transition to profitability. As a result, a fully subscribed share issue in April gave Nelly an injection of around SEK 53 million before issue expenses.

Net revenue for 2023 was SEK 1,060.8 (1,299.0) million, corresponding to a fall of 18.3%, compared with 9.1% in the previous year. The fall in net revenue is mainly on account of lower sales directly to end customers (B2C), as the focus in the year was on profitability rather than growth.

Gross profit was SEK 507.9 (566.2) million, corresponding to a gross margin of 47.9% (43.6%). Lower customs and shipping costs, lower campaign activity to customers and a higher proportion of sales of own brands made a positive contribution to the gross margin compared with 2022.

Operating profit improved in 2023 and was SEK 10.9 (-56.1) million, corresponding to an operating margin of 1.0% (-4.3%).

Profit/loss after tax was SEK -1.5 (-71.7) million, corresponding to earnings per share of SEK -0.06 (-3.98).

Cash flow from operating activities was SEK 59.3 (-65.0) million, driven primarily by improved cash flow from operating activities and lower debt maturity in inventories and trade receivables.

Five-year summary

SEK million	2023	2022	2021	2020	2019
Operating income and earnings					
Net revenue	1,060.8	1,299.0	1,428.4	1,394.1	1,452.2
Gross profit	507.9	566.2	638.7	612.1	684.5
Operating profit/loss (EBIT)	10.9	-56.1	-38.6	-45.9	-61.7
Profit/loss before tax	-2.3	-71.6	-47.2	-47.5	-73.1
Profit/loss after tax (Profit/loss for the period)	-1.5	-71.7	-47.8	-71.1	-86.8
Profitability and related key ratios					
Gross margin, %	47.9%	43.6%	44.7%	43.9%	47.1%
Operating margin, %	1.0%	-4.3%	-2.7%	-3.3%	-4.3%
Return on capital employed, %*	6.1%	Neg	Neg	Neg	Neg
Return on equity, %**	Neg	Neg	Neg	Neg	Neg

**Return on capital employed, % = Operating profit/loss (EBIT)/Equity and any liabilities classified as interest-bearing, excluding lease liabilities*

*** Return on equity, % = Profit/loss after tax (Profit/loss for the period)/Equity*

Financial and operational information

SEK million	2023	2022	Change, %
Net revenue	1,060.8	1,299.0	-18.3%
of which Nordics	1,043.3	1,245.6	-16.2%
of which outside Nordics	17.5	53.4	-67.2%
Cost of goods sold	-552.9	-732.7	-24.5%
Gross profit	507.9	566.2	-10.3%
Gross margin, %	47.9%	43.6%	4.3 pp
Warehousing and distribution costs	-171.3	-205.1	-16.5%
Marketing costs	-100.5	-148.0	-32.1%
Administrative expenses	-223.1	-268.7	-17.0%
Other operating income	0.7	1.0	-30.0%
Other operating expenses	-2.8	-1.5	86.7%
Operating profit/loss	10.9	-56.1	119.4%
Operating margin, %	1.0%	-4.3%	5,3p.e
Opening inventory balance	225.6	205.0	10.0%
Closing inventory balance	152.3	225.6	-32.5%
Inventory share of net revenue, rolling twelve-month period	14.4%	17.4%	-3,0p.e
Percentage of sales of own brands	38.2%	35.1%	3,1p.e
Return rate	35.8%	36.0%	-0,2p.e
No. of active customers in the Nordics, thousand	973	1,083	-10.2%
Number of visits in the Nordics, thousand	88,185	96,159	-8.3%
Number of orders in the Nordics, thousand	1,876	2,267	-17.2%
Average order value in the Nordics, SEK	777	794	-2.1%
Conversion rate Nordic	2.1%	2.4%	-0,3p.e
No. of employees	158	221	-28.5%
Proportion of women employed	61%	61%	-

*Definitions for alternative key ratios can be found on page 115.

Sustainability report

Nelly Group AB (Nelly) sees it as both an opportunity and an obligation to act from an economically, socially and environmentally sustainable perspective. The company works hard to take even more responsibility for sustainable development.

THE 2023 SUSTAINABILITY REPORT includes Nelly Group AB (publ) (Nelly) and its wholly owned subsidiary Nelly NLY AB. This is Nelly's seventh sustainability report prepared as per Chapters 6 and 7 of the Swedish Annual Accounts Act. The sustainability report contains non-financial information, including work relating to environmental issues, human rights, staff and anti-corruption. The auditor's opinion on the statutory sustainability report is on page 114. Nelly reports on its sustainability work in the focus areas Respect the Planet, Fair & Equal and Empower Femininity.

Nelly's sustainability work is overseen operationally by the Production, Sourcing and CSR Manager in collaboration with the sustainability team, which consists of key individuals from several departments to ensure that all areas of operations focus on sustainability. The management team has ultimate responsibility for sustainability work.

Nelly's management team consists of the Chief Executive Officer, Chief Financial Officer, Chief Sales Officer, Chief Assortment Officer, Chief Technology Officer and Chief Operations Officer.

The CEO is responsible for administrative compliance with the Board's guidelines. The CEO and management are responsible for strategy, financing, financial control, risk management, internal and external communication, reporting and other tasks.

'Our sustainability work is a continuous journey of improvement that must never come to an end. While we should be pleased to achieve progress and pass milestones, we need to constantly set new goals and focus areas for our continued work. This report covers the most important parts of Nelly's sustainability work in 2023.'

Helena Karlinder-Östlundh, CEO

Nelly's sustainability initiatives

Nelly sells clothes and accessories, primarily via e-commerce and to a target group of young women, with the Nordic region as its principal market. Nelly caters for its male target group via NLY MAN. The business model is based on its own designs and brands and a supplementary range of products from external brands. Nelly's own brand products are purchased from manufacturers in China, Turkey, India, the UK, Bangladesh and Cambodia. The products are transported to Nelly's logistics centre in Borås, marketed primarily digitally and sold mainly via Nelly.com and NLYMAN.com.

NELLY'S THREE FOCUS AREAS

Nelly's business model contributes to manufacturing, transport and storage, which have a major impact on people and the environment. This means that Nelly needs to assume responsibility to reduce negative impacts and help build a more sustainable society. The company has a sustainability strategy for the entire value chain. Its approach to sustainability is through the following three focus areas:

- **Respect the Planet** – to reduce our impact on the environment and climate, and to offer more sustainable products
- **Fair & Equal** – for how the company treats people and has an impact on them throughout the value chain
- **Empower Femininity** – to create a community in which the company's principal target group, young women, feels respected and celebrated

With clear goals, the sustainability work is an important, integral part of Nelly's operations. Nelly's long-term focus involves:
- Working constantly to achieve the company's sustainability goals in the short and long terms
- Continually improving transparency and communication with customers and stakeholders
- Working actively and creatively in all three sustainability areas: Respect the Planet, Fair & Equal and Empower Femininity
- Incorporating and evaluating new business models for long-term sustainable business

The main focus in 2023 was on climate initiatives linked to the company's overall climate goals and on offering more sustainable textile products by means of dedicated work to increase the proportion of more sustainable materials in the products. Good long-term relationships with suppliers for the company's own production are essential to ensure a shared approach to sustainability challenges. Travel to visit new and existing suppliers was resumed and combined with collaboration on digital platforms. The company continues to engage with suppliers to raise awareness and promote the transition to renewable energy. This work has been extended from Turkish suppliers to include suppliers in China as well. Encouraging suppliers to make the transition to renewable energy is a priority focus area as this has a large positive impact on reducing emissions linked to the production of textile materials, which accounts for a large proportion of Nelly's total emissions.

Nelly's risk and materiality analysis was renewed in 2020 and forms the basis of the company's sustainability work. The aim of the risk and materiality analysis was to identify the most important sustainability issues and define the sustainability-related risks that may affect the company. It is important to understand stakeholders' requirements and expectations in relation to sustainability work to ensure that we focus on the right factors. Investors, customers, suppliers and other partners are examples of stakeholders that are important to the company. Dialogue with stakeholders linked to requirements for and expectations of the company's sustainability work is conducted through board meetings, supplier meetings, collaboration forums and customer contacts. The work on the risk and materiality analysis was started by representatives of management and the sustainability team. Risks were identified and the materiality analysis was used to establish important goals and KPIs. A number of sustainability issues were identified based on The Textile Exchange, SASB Materiality Map, the company's stakeholders and other actors in the industry. A check was then carried out to ensure that the company was addressing the most important sustainability issues.

MATERIAL SUSTAINABILITY ISSUES FOR NELLY

The sustainability issues identified as material for Nelly's operations and their impact are listed below. The sustainability issues are linked to the focus areas Respect the Planet and Fair & Equal and are monitored with KPIs for each issue. Initiatives in the Empower Femininity area are carried out based on one or more of the company's principles for the area and are not measured using fixed KPIs (see page 44).

RESPECT THE PLANET:
Greenhouse gas emissions
Choice of materials
Chemicals management
Packaging
Returns and transport
End-of-life waste

FAIR & EQUAL:
Gender equality, diversity and equal treatment
Responsible supply chain
IT security & customer privacy
Anti-corruption and transparency

EMPOWER FEMININITY

NELLY'S OVERALL SUSTAINABILITY GOALS:

Annually – Nelly's own production will only take place at factories inspected by external inspectors. 2023 result: 98% (92% in 2022). Read more on page 39 (the Responsible supply chain chapter)

2023 – Achieve net zero in our own operations (Scopes 1&2). Base year 2018. 2023 result: -89% (-88% in 2022)*

2025 – 50% of our textile products must be made of more sustainable materials. 2023 result: 38% (28% in 2022)

2030 – Reduce absolute greenhouse gas emissions by at least 50% by 2030 (Scope 3). Base year 2020. 2023 result: -41% (-16% in 2022)

** The goal of Net Zero in its own operations (Scopes 1&2) has not been achieved by 2023. Nelly is working towards achieving the target by 2025.*

THE UN SUSTAINABLE DEVELOPMENT GOALS

Collaboration between actors from the public sector, the business community and civil society
is needed to achieve the UN Sustainable Development Goals. Nelly's day-to-day work mainly concerns six of the UN Sustainable Development Goals:

Focus area	Sustainability issues	Link to UN Sustainable Development Goals
Respect the Planet	· Greenhouse gas emissions · Transport · Packaging · Returns · Chemicals management · Choice of materials · Product quality ·Product life cycle	Goals 12, 13 and 17
Fair & Equal	· Psychosocial working environment · IT security and customer privacy · Anti-corruption and transparency · Responsible supply chain	Goals 3, 5, 8 and 17
	· Gender equality, diversity and equal treatment	Goals 3 and 5
Empower Femininity		

GOAL 3: GOOD HEALTH AND WELL-BEING.

Nelly actively promotes employee well-being. The company does this in part by offering a contribution to preventive healthcare, ergonomic workplaces and recreational activities. Regular digital employee surveys are conducted for all employees to monitor health and safety and be able to take rapid action where necessary. See page 35 in the Employees chapter.The company also wants to help boost the self-esteem of its target group (see page 44 in the Empower Femininity chapter).

GOAL 5: GENDER EQUALITY.

Nelly carries out both promotion and prevention activities to prevent discrimination in the workplace. The company promotes the equal value of employees and ensures that everyone is treated with respect and dignity, as stipulated by the Swedish Discrimination Act. See page 35 in the Employees chapter. Nelly is a member of Amfori BSCI, a key focus of which is to combat discrimination and harassment in the production chain. See page 39 in the Responsible supply chain chapter. The company works actively to create a community in which its principal target group, young women, feels respected and celebrated. By designing collections and offering products for different body shapes and sizes, the company aims to offer garments suitable for a wide range of customers. See page 44 in the Empower Femininity chapter.

GOAL 8: DECENT WORK AND ECONOMIC GROWTH.

Nelly works to maintain long-term supplier relationships and create economic growth with decent working conditions. See page 39 in the Responsible supply chain chapter.

GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION.

For example by increasing the proportion of more sustainable materials and offering more environmentally-friendly packaging, the company contributes to more sustainable consumption and production. See page 25 in the More sustainable materials chapter & page 29 in the Packaging chapter.

GOAL 13: CLIMATE ACTION.

Nelly works with STICA (Scandinavian Textile Initiative for Climate Action) to reduce climate impact. Greenhouse gas emissions are calculated for the company's own operations (Scopes 1, 2) and the entire value chain (Scope 3). See page 21 in the Climate impact chapter.

GOAL 17: GLOBAL PARTNERSHIPS FOR THE GOALS.

The Sustainable Development Goals are easier to achieve with global partnership and collaboration. Nelly is involved in global partnerships through strong involvement in the international initiatives Amfori, Better Cotton, STICA and The International Accord. See page 17 in the Partnerships chapter.

RISKS

A risk and materiality analysis was carried out in 2020 to identify the sustainability-related risks that may have a negative impact on the company and to establish the main sustainability issues. With additional risks identified, these then formed the basis of the company's continued sustainability work and are reported with the measures taken by the company.

RISKS FOR EACH SUSTAINABILITY AREA

Focus area	Risk	Action
Respect the Planet	Production, warehousing and transport involve risks of environmental and climate impact, in part as a result of energy consumption, resource usage, waste and greenhouse gas emissions. Requirements from investors and customers to report on the company's climate impact need to be met. There is a risk of Nelly becoming a less attractive choice unless there is a clear action plan to reduce climate impact in place.	Nelly applies a continuous environmental strategy to reduce emissions and reports on climate impact in Scopes 1, 2 and 3.
Respect the Planet	Sustainably produced products and associated sustainability labels are becoming increasingly common among competitors and there is a risk of Nelly not offering sufficient more sustainable alternatives to customers and business partners.	Based on its sustainability strategy, Nelly is working to increase the proportion of more sustainable materials in its products and to ensure a sustainable supply chain for the products it produces. The company has also enhanced the transparency of its sustainability communication with customers and other stakeholders.
Respect the Planet	Increased demand for more sustainable materials may result in scarcity, with increased costs as a result.	Nelly has reduced variety in favour of greater purchasing depth. This entails better opportunities for negotiation and the ability to ensure the availability of more sustainable materials.
Respect the Planet	E-commerce means that products cannot be tried on in advance, which may result in returns and increased transport and emissions. In addition, there may be greater use of packaging, leading to unnecessary resource use.	Nelly takes a range of strategic action to reduce unnecessary returns and the use of packaging. Clear product descriptions and presentations, and acting on recurring reasons for returns are a couple of examples of Nelly's continuous strategic work to reduce unnecessary returns.
Respect the Planet	Chemicals requirements are constantly becoming stricter, and there is a risk that they are not complied with by all suppliers. This entails a risk of Nelly not being able to meet the stricter requirements for safe products.	Suppliers to Nelly make a contractual undertaking to comply with EU chemicals legislation and to ensure that products supplied to Nelly comply with existing legislation. Random sample tests are also carried out for Nelly's own brand products to ensure compliance.
Respect the Planet	Nelly's business concept is based on sales of clothes and products made in other countries. There is a risk of production being interrupted on account of unforeseen factors such as pandemics or strikes in the transport sector.	Nelly's production is spread across several countries and continents to reduce the company's vulnerability to unforeseen production disruption or stoppages.
Respect the Planet	Future requirements for reduced clothing production as a result of consumer requirements, statutory requirements or materials shortages may entail risks for the company in its current form.	Nelly has begun to work towards a more circular business model. For example, it has initiated dialogue with relevant partners and regularly studies new initiatives to ensure a long-term sustainable business model.
Fair & Equal	Nelly's value chain includes a large number of brands, suppliers and factories. Nelly owns no factories, and there is a risk of violations of human rights in the supply chain, for example child labour, forced labour and harassment. In addition to the harm caused to those affected, this may entail risks for Nelly linked to the company's reputation and result in reduced sales.	Nelly communicates regularly and works closely with its suppliers and has a comprehensive Code of Conduct to prevent breaches of human rights. To manage risks in the supply chain and ensure that human rights requirements are met, our suppliers' operations are regularly subject to inspections by third parties such as Amfori and Sedex. If Nelly learns of a breach of human rights by a supplier, action is taken immediately. Partnerships are ended in the event of serious violations.

Focus area	Risk	Action
Fair & Equal	If the company is unable to attract the right talent, offer them opportunities to develop and provide a good working environment, it may lose employees and individual employees may suffer from stress-related illness.	Nelly works continuously on well-being factors, welcomes whistle-blowers and regularly consults its employees to create a good working environment and find out what needs to be improved. This is done through both direct dialogue and anonymous recurring digital employee surveys.
Fair & Equal	Lack of gender equality and diversity may lead to less ability to understand the market and customers. There is also a risk of discrimination if initiatives to promote gender equality and non-discrimination fail. This may lead to psychosocial risks for employees.	Nelly aims to achieve gender equality and diversity in its Board of Directors and management team, and among its other employees. The company has clear policies and associated action plans to ensure that harassment and bullying do not exist in the workplace and so that it can take corrective action if any such behaviour is identified.
Fair & Equal	Nelly conducts digital marketing and sales of clothing and other products. Data breaches, loss of customer data or public disclosure of data on individual customers may affect confidence in the company's ability to manage security and adversely affect business.	The company takes a structured approach to data security issues and secure processing of personal data in accordance with the General Data Protection Regulation (GDPR).
Fair & Equal	Nelly operates in an international environment with complex regulations. Among other things, there are a growing global focus on and initiatives concerning supervision in areas related to corruption. Many of Nelly's own products are produced in countries in which the risk of corruption may be deemed higher than in the Nordic region. There is a risk of Nelly's corporate governance, internal controls and compliance processes failing to prevent Nelly from being in breach of laws or regulations. If Nelly fails to comply with laws and regulations and other standards, the consequences may include fines and damage to Nelly's reputation. There is also a risk of individual employees not complying with Nelly's policies and guidelines, which may result in Nelly incurring expenses for non-compliance and Nelly's reputation being adversely affected. Nelly also depends on its suppliers and manufacturers complying with local laws and regulations, health and safety standards, human rights and laws to prevent corruption and discrimination, etc.	Nelly's producers of its own products have undertaken to follow Amfori BSCI's code of conduct and thus not be involved in any form of corruption. Suppliers are inspected regularly to ensure compliance with the code, and Nelly communicates continually with its suppliers on the areas contained in the code of conduct. To counteract corruption and promote good business ethics, Nelly has a code of conduct (ethics policy) with which all employees must be familiar. The code of conduct is signed by employees when they join the company, and it is available on the intranet.
Empower Femininity	Empower Femininity as a new sustainability area must be managed carefully and intelligently to avoid the risk of criticism for so-called "Femwashing".	Nelly strives to be responsible, clear and honest in its communication. The company continually evaluates its initiatives and communication to minimise the risk of Femwashing.

Nelly’s collaborations

Global improvements are driven by collaborations between different types of actor in many countries. Initiatives to achieve a more sustainable future have greater impact if they are implemented in collaboration with other actors.

Scandinavian Textile Initiative for Climate Action (STICA)

STICA supports the Nordic textiles industry in its work to reduce climate impact through cooperation, knowledge sharing and shared tools. Nelly has been a member since the start of 2019, and this membership forms the basis of Nelly's climate work. Nelly has undertaken to reduce its climate impact in line with the 1.5 degree target and report emissions in accordance with the GHG Protocol.

Sustainable Fashion Academy

Sustainable Fashion Academy (SFA) is a non-profit organisation under the Scandinavian Textile Initiative for Climate Action (STICA). Its mission is to accelerate progress towards science-based sustainability goals and the UN Sustainable Development Goals (SDG) by harnessing the strength and influence of the clothing and textile industries. A number of environmental regulations and social policies are being developed in the EU that set high standards for brands and manufacturers. SFA helps companies enhance their knowledge of future legislation and policies, and leading practice in the area of sustainability and accelerate the process to reduce climate impact.

Amfori BSCI

Amfori BSCI works to improve the working conditions in the global supply chain. Amfori has 2,000 members and supports companies in their work to create an ethical supply chain through collaboration, knowledge sharing and shared tools. Nelly has been a member since 2018 and requires its suppliers to sign Amfori's code of conduct. Membership gives Nelly the opportunity to influence decision-makers and legislators in the EU on fair trade and human rights.

The Better Cotton Initiative

Better Cotton is a non-profit organisation that aims to improve global cotton production by making it better for the environment and for the people who work in its production. Better Cotton trains cotton growers worldwide in the use of greener cultivation methods. Nelly has been a member since 2019 and undertakes to report its targets and annual purchase volumes to the organisation.

CSR Västsverige

CSR Västsverige is a network for sustainability that offers its members help with processes for strategic and systematic sustainability work. It offers courses, seminars and network meetings to companies and organisations with the focus on exchange of experience.

Human Bridge

Human Bridge is an aid organisation working to help people worldwide in various crisis situations. Human Bridge collects textiles, which are then sorted. The money generated is donated to various aid initiatives. Nelly has been working with Human Bridge since 2018 by donating garments from sample management and/or with production defects.

Swedish Shoe Environmental Initiative

Swedish Shoe Environmental Initiative (SSEI) is a network within the Swedish shoe industry. Its aim is to improve knowledge of environmental issues with a focus on shoe production. It organises seminars and network activities to permit discussion between actors in the industry.

Textilimportörerna

Textilimportörerna is a trade association for all companies trading in textiles, leather goods, clothing and shoes. It provides sector-specific service to member companies and helps them keep up to date with all aspects of trade in these goods, with focus areas in sustainability, textile labelling, customs issues and chemicals management.

The International Accord

The International Accord is an independent, legally binding agreement between brands and trade unions that contains commitments to ensure a safe, healthy textile industry in Bangladesh. The organisation also works to set up worker protection programmes in other countries that produce textiles and garments. The aim is to enable a working environment in which no employee needs fear fire, building collapse or other workplace accidents that can be prevented with adequate health and safety measures.

Respect the Planet

As a company in the fashion industry, Nelly has a great responsibility to reduce its climate and environmental impact. This work is carried out in the Respect the Planet sustainability area, where the focus is on reducing environmental and climate impact and offering more sustainable products. In partnership with other actors, Nelly strives to manage world resources carefully.

THE FASHION INDUSTRY ACCOUNTS FOR A SIGNIFICANT PROPORTION of global emissions and thus a large part of the world's climate impact. Valuable natural resources are used in the production of clothes and risk being wasted on garments that have a useful life that is far too short or are discarded prematurely. Nelly wants to help change this unsustainable behaviour. Collaboration with other actors in the industry is required to achieve success. The work needs to cover the entire process, from the producer to the means of transport to the customer.

In its Respect the Planet sustainability area, Nelly has established time-based targets for reducing its impact on the climate and the environment. This work is based on Nelly's material sustainability issues with clear goals and KPIs that are monitored and improved constantly.

NELLY'S OVERALL SUSTAINABILITY GOALS:

Annually Nelly's own brand products will only be made by externally inspected factories.
2023 Nelly will achieve net zero in its own operations (Scopes 1 and 2). Base year 2018
2025 50% of textile products will be made of more sustainable materials.
2030 Emissions of greenhouse gases in the value chain will have decreased by 50%. Base year 2020

Transparency in the production chain is important to achieve more sustainable development. With ever higher demand for more sustainable materials and greater interest in sustainability among consumers and stakeholders, it is in Nelly's interest to encourage its customers to make more sustainable choices. In 2023, the company improved its sustainability communication on its websites to enhance transparency, clarify information about more sustainable choices of materials and offer customers guidance on how they can help extend the life of products and take a more sustainable approach to fashion. Every year, Nelly publishes a full list of its suppliers and factories on its e-commerce site. In partnership with Amfori, factories are inspected regularly, and the audit results for these factories are analysed. Read more on page 39 (Responsible supply chain chapter).

In the second half of the year, the company worked towards opening its first permanent physical store in Stockholm. In the construction of the store and the choice of interior fittings, the company focused on materials and choices that will be sustainable. The majority of the hangers used in the store are made of Fasal, which is a mixture of 60% wood waste and 40% recycled polypropylene. The wood waste is PEFC-certified and is primarily spruce and pine sawdust from the furniture industry in Germany and Austria. Polypropylene is recycled plastic cups. The material is recycled and can also be recycled. New hangers can be made from the same material up to 10–15 times.

In Nelly's travel policy, employees are encouraged to avoid flying, wherever possible, and to choose greener alternatives for business travel instead. Under the company's vehicle policy, electric vehicles need to be chosen to be approved as company cars.

HIGHLIGHTS OF RESPECT THE PLANET 2023

- Complete climate calculation carried out
- Nelly's total emissions in 2023 fell by 41% on the base year 2020
- Nelly's continued involvement with STICA in training its Turkish suppliers in energy supply issues and supporting the transition to renewable energy was extended to include suppliers in China
- New e-commerce bags made of 100% recycled materials. New dyes and treatments mean the bags are 100% recyclable
- 52% of Nelly's own brand products consist of more sustainable materials

'We are embracing our responsibility for the climate. Our objectives are not just part of our accounting. It is our commitment to actively reduce our impact on the planet and create a better and more sustainable future for everyone.'

Maria Biederbeck, Production, Sourcing & CSR Manager.

RESPECT THE PLANET

Climate impact

Nelly's environmental work mainly involves climate-related issues and analysis and monitoring of our overall climate impact. A central part of this work is our collaboration with other companies in the textile industry under the Scandinavian Textile Initiative for Climate Action, STICA. With STICA partners, Nelly has mapped and analysed its entire climate impact, evaluated and adopted long-term goals and taken mitigating action to reduce emissions. As a member of STICA, Nelly has undertaken to reduce its greenhouse gas emissions by 50% by 2030, from the base year 2020. This undertaking is in line with the global requirements to achieve the goal of restricting global warming to 1.5 degrees.

IN 2023, Nelly completed a full climate report in which greenhouse gas emissions in Scopes 1, 2 and 3 were reported according to the Greenhouse Gas Protocol. For the third year in a row, the report also included total emissions for products purchased, Tier 1. Most of Nelly's climate impact continues to be in the production stage of the value chain, primarily in material production. This forms the foundation of Nelly's long-term climate goals for Scope 3 and governs the development of measures to reduce climate impact.

NELLY'S CLIMATE GOAL

Nelly's goal for its own operations (Scopes 1 and 2) is to reach net zero by 2023. Base year 2018.

Nelly's Scope 3 goal is to reduce absolute greenhouse gas emissions by 50% by 2030. Base year 2020.

IMPACT REDUCTION MEASURES

Nelly works constantly to identify and implement materials with lower climate impact. In this way, Nelly encourages its suppliers to continue to look for and offer more sustainable alternatives throughout the value chain. Read more about the goals in the strategy in the Sustainable materials and Packaging sections.

In addition to reducing its climate impact in production and distribution, Nelly also focuses on analysing purchasing and order processes in its desire to increase sustainability. In 2023, the company worked on reducing the variety of products in favour of greater depth per order. Reducing product variety reduces not only administrative work and costs of warehousing and production changeovers but also the company's environmental impact. By focusing on a smaller number of products and greater depth per order, Nelly is able to optimise transport and logistics, resulting in fewer deliveries and lower greenhouse gas emissions.

The advantages of reducing variety and increasing the depth per order also extend far beyond the environmental aspects. This may help improve efficiency and productivity by reducing lead times and improving inventory turnover. It may also improve customer satisfaction by ensuring that demand can be met and that products are available when they are needed. With this work towards a more sustainable, more efficient business model, the company aims to reduce its environmental impact and enhance its competitiveness.

As the manufacture of textile materials and products is one of Nelly's major sources of climate impact, it is essential for companies in the supply chain to operate with renewable energy. With Turkey and China, the company's principal markets for own brand products, Nelly has chosen to become actively involved in STICA's working groups on climate goals for Turkey and China. By means of this collaboration, companies are able to actively encourage their suppliers to make the transition to renewable energy.

Joint suppliers in Tier 1, representing production units, were identified in 2021. The opportunities to use certified renewable energy and solar cells were also investigated. The work to identify actors in Tier 2, i.e. material manufacturing units, and to identify their energy sources began in 2023. All of Nelly's Turkish suppliers continued to undergo third-party analysis to identify and improve their energy supply and implemented improvements. Nelly is focusing on suppliers in China in the next step. It is worth noting that several of Nelly's suppliers installed solar panels in 2023, and more are planned for 2024.

In 2023, the company had the opportunity, via STICA, to work with other companies with similar business models to take a joint look at suppliers of external brands to identify and ensure joint climate goals.

Nelly's warehouse facility is environmentally certified and energy-efficient and is designed for efficient logistics. The warehouse is run on renewable energy and district heating certified with Bra Miljöval (Good Environmental Choice). The company's logistics facility is located near the company's head office, and internal transport has been virtually eliminated as transport is no longer necessary between Falkenberg and Borås. There is daily monitoring to make processes more efficient, reduce energy consumption and ensure efficiency in fork-lift usage, time use and capacity utilisation of trucks. In 2023, Nelly's third-party warehouse for returns management installed solar panels, and 13% of the third-party warehouse's power consumption during the year was generated by these panels.

Global challenges such as war continued to present some challenges for Nelly's logistics in 2023. Nelly has also been affected by the problems prevailing in the Red Sea at the end of 2023 and start of 2024. Nelly is working to address these challenges in the short and long terms to ensure sustainable shipping methods, where possible. Despite the measures taken, the company has been forced on occasion to find alternatives to shipping by sea, for example shipping by air from Asia. Nelly has production units in several parts of the world for both remote and local markets, which results in fewer shipment-related risks. Shipment options with lower environmental impact are prioritised as the first choice for customer purchases.

Nelly's internal travel policy urges employees to use trains and public transport where possible to reduce climate impact. All company cars are electric cars in accordance with the company's vehicle policy, and charging points for both private and company cars are available outside the head office and warehouse.

During the pandemic, much of the company's travel was replaced by digital meetings with suppliers and partners, resulting in significant reductions in emissions and opportunities for effective remote communication and collaboration. Despite the increase in travel in 2023 after pandemic restrictions were lifted, the company has learned the importance of combining digital tools with in-person meetings, which has laid the foundation for new strategic decisions on foreign travel. Nelly mainly prioritises visits to new and existing suppliers for factory visits and other significant meetings. This enhances business relations, makes effective communication and collaboration possible, and allows for detailed monitoring and inspection.

CLIMATE RESULTS

The Group's climate results show that total emissions in 2023 were 13,985 tonnes CO2e, a decrease of 5,701 tonnes compared with 2022, and 41% on the base year 2020. The majority of emissions are in Scope 3, in which the biggest category, purchased products, accounts for 93% of total emissions. This category includes Tier 1 product manufacturing, material and textile production and packaging material. In 2023, Tier 1 product manufacturing fell by 39% and packaging material by 62% on the base year. Nelly increased the proportion of more sustainable materials, with the result that emissions related to material and textile production in 2023 fell by 33% on the base year. In total, the category of purchased products fell by 37% on the base year.

The second highest emissions category, Transport and distribution, accounted for 6% of the Group's total emissions in 2023, a reduction of 70% on the base year. The reduction is due to the transition to fossil-free transport options, where the largest portion involves switching to HVO100 and that Nelly has stopped flying parcels in distribution where replacement alternatives are available. Emissions related to business travel have increased by 95% on the base year, which is partly explained by a new calculation category having been added in 2021, and that the base year is a pandemic year where the number of business trips increased after the pandemic. In 2023, the company also opened a physical store in Stockholm, which means increased business travel. In 2023, the result for Scopes 1 and 2 was 26.3 tonnes of CO2e, which means that Nelly reduced greenhouse gas emissions in its own operations by 89% on the base year 2018. However, the reduction does not meet Nelly's goal for its own operations (Scope 1 and 2), which was to reach net zero by 2023. The work to achieve the goal continues in the organisation with the ambition to reach the target by 2025.

GREENHOUSE GAS EMISSIONS

KPI: Direct emissions from sources under the company's control (Scope 1) in tonnes CO2e: 10.9

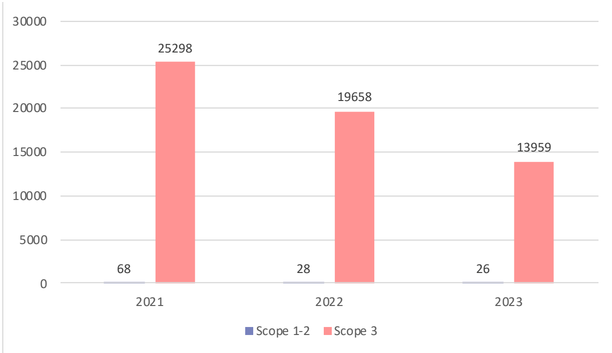
KPI: Indirect emissions from consumption of power, district heating and district cooling (Scope 2) in tonnes CO2e: 15.35

KPI:
1. Other indirect emissions from the value chain (Scope 3) (total) in tonnes of CO2e: See chart

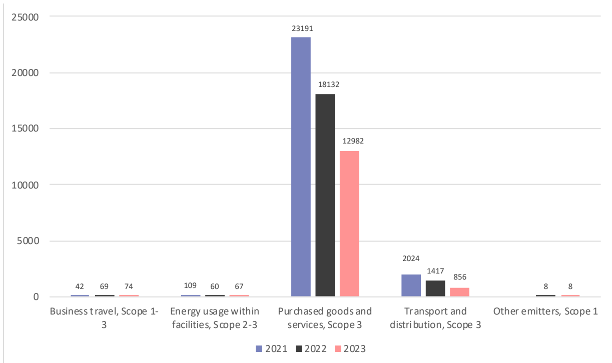
2. Other indirect emissions from the value chain (Scope 3) (Purchased products) in tonnes of CO2e: See chart

3. Other indirect emissions from the value chain (Scope 3) (Transport) in tonnes of CO2e: See chart

Total emissions, tonnes CO2e



Emissions per category, tonnes CO2e



Climate calculation method

Nelly's climate calculations have been performed according to the GHG protocol, in which the company's greenhouse gas emissions were divided into 3 scopes (1–3). Scope 1 comprises direct emissions from own operations, in Nelly's case refrigerant leakage and business travel. Scope 2 includes indirect emissions from consumption of power and heating in own operations, in which the climate calculation method is market-based. Scope 3 represents indirect emissions related to production of materials and fuel for purchased products, transport beyond the control of Nelly, power-related activities not covered by Scope 2 and third-party activities.

The climate calculations were primarily based on actual data and supplemented by estimated sources where a need was identified. Emission factors applied for Scopes 1 & 2 and energy-related and fuel-related emissions in Scope 3 come from the Swedish Transport Administration, the Swedish Energy Markets Inspectorate (Ei), IEA and AIB European residual mixes. Emissions related to material and textile production and packaging material were calculated with emission factors from Higg MSI. For transport-related emissions, emission factors taken from Network of transport Measures (NTM) were applied. Emission factors for business travel come from ICAO Carbon Calculator (adjusted for RFI 2.7), the Swedish Transport Administration, Hertz Sustainability report 2019, the report "Branschläget 2018" (Industry Status 2018) by Svenska Taxiförbundet, NTM, and "Travel and climate, Methodology Report. Version 2.0," by Larsson & Kamb (2019). Emissions related to outsourced warehouse operations were estimated with emission factors from AIB Residual Mixes 2018 and 2020, and Värmevärde: SNV 2018.

RESPECT THE PLANET

More sustainable materials

Nelly is working actively to increase the proportion of more sustainable materials in its textile product range. As the manufacture of textile materials has the greatest climate impact, this is a top priority goal. Clear goals have been set for Nelly's materials strategy up to 2025. Deciding which materials are beneficial from a sustainability perspective is relative, and the answer varies within the industry. When Nelly uses the term 'more sustainable materials', the company means materials produced with less climate and/or social impact than conventional equivalents. The materials that Nelly has currently chosen to classify as more sustainable are recycled fibres, EcoVero®, TENCEL®, organic cotton and cotton grown according to the principles of Better Cotton.

DEVELOPING the textile value chain is the shared aim of many companies in the textile industry, which permits unique collaboration between companies. Nelly therefore collaborates actively with several leading companies in the textile industry to jointly promote the use of more sustainable materials. Nelly is a proud member of Better Cotton, an organisation with the aim of improving cotton production worldwide. In 2021, Better Cotton launched its climate strategy with the target of reducing greenhouse gas emissions from all cotton grown according to its principles by 50% by 2030. This target harmonises with Nelly's climate ambitions, and the company therefore plans to switch to using only cotton grown according to Better Cotton principles for its own brand products by 2025. By marketing more sustainable products, the company helps customers make more sustainable choices. The materials strategy contains criteria for sustainable material choices based on industry standards and international certifications.

Nelly's offer comprises both own brands and external brands. In 2023, own brands accounted for approximately 38% of sales and external bands for approximately 62%. Success in the area of sustainability depends not only on Nelly's work in its own operations, but also on that of the external partners and their development. By communicating its sustainability goals and ambitions, Nelly encourages its external partners to promote their own sustainability initiatives. Nelly is able to exert influence by making requirements for the use of more sustainable materials and reducing purchases from suppliers that fail to meet the requirements. Many of Nelly's bestselling external brands have made great progress in this area.

In 2023, Nelly increased the total percentage of more sustainable materials from 28% in 2022 to 38%, and thus achieved its annual target of 35%. The percentage for Nelly's own brand products increased from 31% to 52%. The percentage of cotton grown according to Better Cotton principles for own brand products was 58%, meaning that the target of 70% for 2023 was not achieved. This is primarily because an increased proportion of recycled polyester was prioritised and the variety was reduced. As a significant proportion of Nelly's own brand products contain polyester, the switch from conventional polyester to recycled polyester was given high priority. Recycled polyester accounted for 43% in 2023, with the result that Nelly achieved its interim target of 40% for the year. The proportion of EcoVero® for own brand products as a replacement for viscose was 40%, exceeding the annual target of 30%, an increase of 18% from 22% in 2022.

Nelly's materials strategy contains the following targets:

2023:

· 35% of all textile products will be made of more sustainable materials (2023 result: 38%)
· 70% of the cotton purchased by Nelly for its own production will be cotton from Better Cotton (2023 result: 58%)
· 40% of all polyester will be replaced with recycled polyester (own brand products) (2023 result: 43%)
· 30% of all viscose will be replaced with EcoVero® (own brand products) (2023 result: 40%)

2024:

· 45% of all textile products will be made of more sustainable materials
· 80% of the cotton purchased by Nelly for its own production will be cotton from Better Cotton
· 60% of all polyester will be replaced with recycled polyester (own brand products)
· 50% of all viscose will be replaced with EcoVero® (own brand products)

2024:

· 50% of textile products will be made of more sustainable materials
· 80% of all polyester will be replaced with recycled polyester (own brand products)
· All cotton purchased for own brand products will be cotton grown according to the principles of Better Cotton

CHOICE OF MATERIALS

KPI: Percentage of more sustainable materials in textile products (clothing, underwear/swimwear, textile accessories): 38%

KPI: Percentage of more sustainable materials in own brand textile products (clothing, underwear/swimwear, textile accessories): 52%

KPI: Percentage of cotton from Better Cotton in own brand products (clothing, underwear/swimwear, textile accessories): 58%

RESPECT THE PLANET

Product quality and product safety

Product quality and safety is extremely important, and Nelly will offer products that are socially and environmentally sustainable. The products must be free of harmful and toxic chemicals with a negative impact on humans, animals and nature. This requires clear guidelines and close partnerships with suppliers. Nelly is responsible for ensuring that its products meet quality and chemicals requirements and sets quality requirements for its suppliers through supplier agreements for business partners.

CHEMICALS ARE USED IN TEXTILE PRODUCTION and it is essential to comply with legislation in this field. As a member of Textilimportörerna, Nelly receives regular information on areas such as chemicals legislation and any amendments to such legislation. By communicating with and updating suppliers, Nelly ensures that the products do not contain any prohibited or environmentally harmful chemicals.

Suppliers undertake, by signing agreements, to comply with relevant chemicals restrictions. The company sends out an updated chemicals guide with news, test methods and statutory requirements twice a year. Nelly focuses on ensuring quality and chemicals contents through chemicals tests and quality control in the production process. For own brand products, compliance with quality and chemicals requirements is checked by means of third-party audits, own factory visits, tests at external laboratories and internal tests. Nelly examines products in terms of risk, decides which products should be tested and inspected and follows up on the results. Random sample checks are also carried out.

A total of 38 quality and chemicals inspections were carried out in production in 2023. The company's updated range strategy with its lower number of variants in the collections also results in fewer inspections. No products needed to be recalled during the year because they contained banned chemicals.

'Product quality and safety are a fundamental part of our sustainability work and a promise to our customers.'

Maria Biederbeck, Production, Sourcing & CSR Manager

Nelly maintains a continuous dialogue with all suppliers to monitor their production processes and achieve constant improvements. Corrective Action Plans (CAPs) are used to ensure the implementation of development and improvements. These action plans are decisive in ensuring that all suppliers act proactively and guarantee compliance with human rights, employee rights, environmental protection and anti-corruption standards. The action plans are established within specified time frames, and the actions are carried out in partnership with the suppliers transparently and with humility. Examples of improvements carried out in 2023 include improved production routines to reduce overtime working, inspection of working conditions and safety, inspection of power supplies and water use to reduce climate impact, and improvements in chemicals management.

The complaint rate was 1 percent in 2023, which is in line with company targets.

Animal ethics

Nelly protects the well-being of animals and therefore makes requirements for products of animal origin by means of its Animal Welfare Policy. The company has endorsed the Swedish animal rights organisation Djurens Rätt's Fur Free Retailer Programme, which means that Nelly does not sell products containing fur. Nelly's Animal Welfare Policy is available at https://nelly.com/se/hållbarhet/produkter/

CHEMICALS MANAGEMENT

KPI: Number of products withdrawn because they contained banned chemicals: 0

PRODUCT QUALITY

KPI: Number of quality control inspections (own brand): 26

RESPECT THE PLANET

Packaging

E-commerce involves a large number of packaging units, and Nelly works actively to reduce the volume of packaging and improve existing packaging. In many cases, packaging is needed to protect goods and products during transport. Plastic is usually used to provide effective protection against moisture and mould for long-distance transport. However, there is potential to work more sustainably by improving materials choices and packaging methods.

NELLY continued to work actively during the year to minimise the volume of air transported by means of procedures and reviews with staff and optimisation of load carriers. In 2023, the company replaced its e-commerce bags that are sent to consumers and switched to 100% recycled materials and ensured, by means of new dyes and treatments, that the bags are 100% recyclable. All e-commerce boxes used for delivery to customers are made of 100% recyclable materials.

During the year, the company began to explore opportunities to completely eliminate packaging material made of non-renewable materials and found that interesting alternatives to paper are starting to appear that are renewable but above all increase the volume of air transported. Nelly follows developments closely with the hope of finding adequate alternatives to plastic in e-commerce bags.

Optimised use of packaging materials is important for cost-effectiveness, profitability and environmental impact. Nelly works constantly to optimise its packing process, for example by tailoring packaging to the size of the product to minimise both packaging materials and empty space. In 2023, recycled plastic accounted for 75% of total plastic consumption for e-commerce bags, and recycled paper accounted for 100% of total paper consumption for e-commerce boxes.

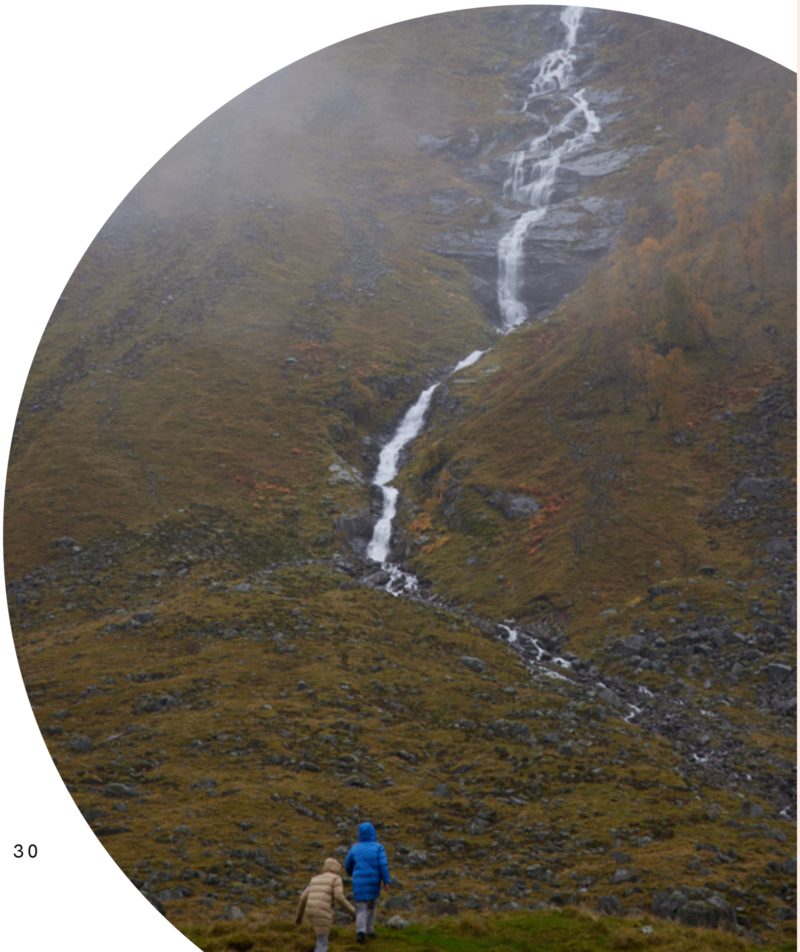
At the end of September 2023, Nelly opened a Flagship Store, the company's first permanent physical store. FSC MIX bags which support responsible forestry are offered in the store. FSC MIX on a product means that the product has been made of a mixture of materials from FSC-certified forests, recycled materials and/or FSC-inspected timber. In addition to paper bags, the store offers gift bags for wrapping products. Like the paper bags, they consist of FSC MIX paper. To help promote sustainable consumption and reuse of bags, the company makes a charge for these paper products.

PACKAGING

KPI:

1. kg recycled plastic/total plastic consumed in e-commerce bags (%): **75%**

2. kg recycled paper/total paper consumed in e-commerce boxes (%): **100%**



RESPECT THE PLANET

Returns and shipments

Returns and shipments are a natural part of e-commerce with clothing. It is important to take a strategic approach to shipments and to minimise the number of unnecessary returns for both financial and environmental reasons. Nelly works actively to reduce the climate impact on shipments and minimise the number of unnecessary returns.

CLOTHES SALES have a higher return rate than many other products sold online. This is partly because it is difficult to predict sizes and because some customers buy several garments in the same category so they can try on a range of styles. The company continually takes strategic measures to help customers find the right size, which is the main reason for returns. During the year, Nelly continued to implement its return strategy, in which it addresses the problems associated with returns from a 360-degree perspective. This produced good results in most product categories and the areas on which the company focused. A lower return rate will mean less transport, lower purchase quantities and thus lower emissions in the long term. In 2023, the return rate as a proportion of sales for Nelly's e-commerce decreased by 0.2 percentage points to 35.8%, compared with 36% in 2022. The number of products returned in relation to the number of products sold decreased by 1.1 percentage points.

Since 2018, Nelly has been using a digital returns process which provides the company with continuous information about customer returns. In 2023, Nelly signed a contract and began the implementation of a new returns platform to replace its previous proprietary digital returns solution. The new solution was launched in early 2024 and is expected to lead to a better customer journey, lower returns and less use of returns labels as this process will be fully digital. The new platform will enable deeper insight into customer returns behaviour, which Nelly can convert into knowledge to reduce the volume of unnecessary returns. The company continues to analyse returns, and corrections are made based on the analyses both immediately, for example via the sizing information on product pages, and when new collections are being developed and purchases made.

As part of the work to reduce the number of unnecessary returns, the company applied carefully selected criteria to identify customers who were abusing the returns system. In 2023, the company continued to block customers in this category from making purchases to reduce unnecessary returns and unsustainable returns behaviour. 4,178 customers were blocked during the year on account of unsustainable returns behaviour.

In 2023, Nelly opened its first physical store to create a new way of interacting with customers and to display its range. In the store, the company's customers have the opportunity to see, feel and try on the products before they buy them, which leads to a lower return rate. E-commerce continues to be the company's main focus and business.

INCOMING TRANSPORT

Nelly's own brand products are primarily shipped to the distribution centre in Borås by road and sea. Since 2018, the company has not used shipment by air in the planning phase for own-produced goods and only ships goods by air in the event of long delays. In 2023, flights were used for eleven incoming shipments of goods for resale due to major disruption in global logistics chains such as the situation in the Red Sea. In 2023, emissions from incoming shipments of goods were 23% lower than in the year before, which is explained by a reduction in the emissions for sea and road transport. Road transport accounted for the greatest reduction in tonnes of CO_2e as a result of both lower volumes and more efficient transport.

OUTGOING TRANSPORT

Nelly maintains a continuous dialogue with its distribution carriers to increase the proportion of fossil-free transport. Emissions for distribution to and from our customers have been reduced by 40% in 2023 compared with 2022. Fossil-free options include vehicles driven entirely using HVO100. During the year, Nelly decided to stop flying parcels in the distribution to customers where other options are available and deemed acceptable to the consumer.

In 2023, Nelly was live on a number of markets with a new shipping checkout, which will enable simplified, improved communication about the various shipping options' environmental impact. For example, in 2024 Nelly will begin to communicate shipping options bearing the Nordic Ecolabel when customers select a delivery method. The vast majority of deliveries to consumers in Sweden already bear the Nordic Ecolabel.

RETURNS

KPI: Number of e-commerce returns as a percentage of sales (return rate): 35.8%

KPI: Number of customers blocked as a result of unsustainable returns behaviour: 4,178

TRANSPORT

KPI: Proportion of CO_2e emissions per means of transport for incoming shipments, distribution in %: Air 55%, Sea 24%, Road 21%.

MINIMISE 'END-OF-LIFE' WASTE

Nelly strives to reuse or recycle unsold products to contribute to a more circular economy and minimise wastage of valuable resources. The company works continually to develop the ambition to minimise end-of-life waste.

Garments that are returned are cleaned and repaired in the returns warehouse so they can be resold. Products that cannot be resold via the company's usual channels go primarily to buyers and also to charitable organisations and materials recycling. Garments from sample management and garments with minor defects that are no longer merchantable via the company's channels were donated to the charitable organisation Human Bridge for reuse or recycling. 538 kg of garments were donated in 2023. 16 kg of garments needed to be sent for incineration in 2023 on account of mould during transport. Nelly aims to ensure a low proportion of garments are destroyed by working efficiently with producers, and by means of monitoring and inspection of production units.

END OF LIFE

KPI: Clothes (in kg) donated to Human Bridge: 538 kg

KPI: Products (in kg) sent for destruction: 16 kg

Fair & Equal

A central part of Nelly's sustainability work is about how the company treats and has an impact on people throughout the value chain. In its Fair & Equal sustainability area, the company aims to create a safe, healthy environment for employees and partners. Nelly must always follow the principles of good business ethics. Employees and manufacturers should feel proud of helping contribute to a transparent, fair industry.

A FAIRER fashion industry is an important part of Nelly's sustainability work. Nelly works with relevant partners to address the challenges in the fashion industry. The company is convinced that greater transparency in the supply chain is the key to a more sustainable future. Nelly also places great importance on constantly improving conditions for the company's own employees.

By means of a close, continuous dialogue with its suppliers, the company strives to adopt goals and implement improvement measures with them. As a member of Amfori BSCI, Nelly works actively to improve working conditions in the supply chain and bases its requirements for suppliers in terms of human rights and decent working conditions on Amfori BSCI's code of conduct. All suppliers of Nelly's own brand products must sign the code of conduct, which includes requirements for health, safety, fair pay and good working conditions. The code is based on international guidelines such as the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. To ensure compliance with the requirements of the code, suppliers are audited regularly by third-party companies.

Nelly takes a systematic approach to health and safety based on consideration and sound values. The company must be a workplace that promotes diversity and gender equality and is free of discrimination. The company's People organisation has processes for employee appraisals, management by objectives and monitoring of the physical and psychosocial working environment that are implemented by managers in the organisation. Nelly regularly conducts digital employee surveys to continually evaluate employees' well-being and working situation, and to be able to take rapid action if necessary. The entire company is subject to collective agreements.

It is crucial for Nelly that its employees have the right skills and commitment. With diversified, committed staff, Nelly is able to optimise its offering to its customers. Consequently, the company works strategically to attract, recruit, develop and retain its employees.

Good business ethics is essential for a company involved in e-commerce, where good business relationships are crucial to gaining the trust of customers and partners. Nelly takes a systematic approach to ensuring good business ethics and IT security. To perform its obligations to its customers, Nelly processes personal data. It is essential that this is done responsibly and in compliance with legislation and regulations.

FAIR AND EQUAL HIGHLIGHTS IN 2023

· 98% of the factories used to produce Nelly's own brand products underwent third-party audits within the specified audit cycle
· No zero tolerance cases were reported as per Amfori BSCI inspections
· 62% female workforce
· Good gender balance in the management team
· In 2023, Nelly received no reports of impropriety (whistleblowing).

Nelly considers it important, as a company, to contribute to its business and social environment. In early 2023, the company donated warm clothing to the disaster-hit areas of Turkey and Syria following the destructive earthquakes. In connection with International Women's Day, Nelly created a limited edition top. SEK 100 was donated to the women's rights organisation Kvinna till Kvinna for each garment sold. As a Christmas present for Human Bridge, Nelly donated money to be used for food packages in Ukraine. During the year, Nelly and its staff were involved in Stadsmissionen Göteborg's collection of graduation and prom clothing for young people in difficult financial situations.

FAIR & EQUAL

Employees

Nelly works to foster a productive, healthy workplace. A good working environment is a prerequisite for good health, high employee satisfaction and good performance. Gender equality and equity must characterise everything Nelly does.

NELLY ATTACHES great importance to ensuring that all employees are treated equally with respect and dignity, and are given equal opportunities for development. Nelly works actively on the concept of employee participation to make clear that everyone is responsible for contributing to a safe, attractive working environment in which every employee is treated with respect.

The ability to attract new employees and offer a workplace where people thrive, remain and progress is a success factor. Examples of benefits include flexible working hours for salaried employees, supplementation of parental leave pay, salary switching opportunities, agreements with occupational health service providers, a preventive health care allowance and discounts at several gyms. These benefits contribute in part to reducing social ill-health in the workplace and creating a better work-life balance. Activities to promote job satisfaction and community in the workplace are carried out in part by the Nelly Fun Squad, which consists of representatives of the various departments of the company.

The company has a policy and an action plan for gender equality and diversity that complement the code of conduct (the code of conduct is described in more detail on page 43). Diversity and gender equality are important, both to offer an attractive workplace and to ensure understanding of customer needs. Failure to promote gender equality and non-discrimination may lead to psychosocial problems for employees. The company also has a health and safety policy, and a policy and action plan to combat bullying and harassment. These policies are important in the work to prevent social ill-health and are available on the company's intranet.

All parts of the company are subject to collective agreements. There are local union branches at the warehouse and the head office, and they work well with the company. There are also health and safety committees in both locations with which the company works on its systematic health and safety work. Safety work, including safety reviews, is an important part of introductions for new employees and the ongoing work to reduce the risk of workplace accidents. In 2023, Nelly opened a Flagship Store in Stockholm, in connection with which a new collective agreement was signed. Nelly's workplaces are designed so that they can be adapted ergonomically to the needs of every employee. For example, monitors and workstations can be adjusted to suit an employee's height.

While the pandemic restrictions applied, the number of business trips was minimised, and they were replaced by sustainable digital working methods. These working methods made it possible for Nelly to continue to travel less than before the pandemic and to supplement travel with digital meetings. The company offers employees the flexibility to work at home and at the office, where this is compatible with the work performed.

In 2023, the company implemented a new tool for regular digital employee surveys as a supplement to the regular employee appraisal process. The tool allows Nelly to gauge the mood on and address issues that affect the working environment and to be able to take action fast, where necessary. At the end of the year, the company's People department attended all departments' feedback meetings on the results in this tool to support managers and employees.

The company's long-term goal is to enhance its staff by active development of leadership and employee participation. This work includes both individual initiatives and shared development days. The company works constantly to support its managers, for example via executive forums and leadership days, to develop their leadership skills.

The workforce was reduced between 2022 and 2023 by means of a cost-saving programme, including staff cuts. In connection with the staff cuts, the company offered training to new managers to equip them with tools. The first employee appraisal process after the staff cuts was adjusted to clarify new working methods and the focus going forward. In the spring of 2023, the company arranged a launch event for all employees to clarify the new organisational structure, the company's shared vision and focus going forward, and the company's new core values.

GENDER EQUALITY, DIVERSITY AND EQUAL TREATMENT
KPI: Gender distribution, employees: See table

KPI: Gender distribution, management team: See table

KPI: Gender distribution, Board of Directors: See table

KPI: Gender distribution, managers: See table

‘During the year, we worked on our new core values, which were developed and launched in early 2023. The core values describe the company’s culture and challenges, and give us guidance as Nelly employees, whatever our role may be. During the year, we continuously nominated and highlighted each other based on the core values. This was greatly appreciated and helped employees disseminate and understand the core values and contributed to their impact.’

Agneta Haglund, Head of People

Gender distribution of employees in Nelly Group[1]

	Proportion of women (2023)	Proportion of women (2022)
Total	62%	65%
Under 30	72%	72%
30–50	54%	60%
Over 50	64%	56%

Gender distribution, Board of Directors[1]

	Proportion of women (2023)	Proportion of women (2022)
Total	33%	50%
Under 30		
30–50	33%	67%
Over 50	33%	33%

Gender distribution, management team[1]

	Proportion of women (2023)	Proportion of women (2022)
Total	60%	50%
Under 30		
30–50	60%	50%
Over 50		

Gender distribution, managers[1]

	Proportion of women (2023)	Proportion of women (2022)
Total	73%	60%
Under 30	50%	75%
30–50	73%	59%
Over 50	100%	50%

[1)] Calculated on all employees during the year, reduced by the number of people who left during the year. The calculations are first carried out by month, and then an average is extrapolated for the full year of 2023. Both numbers and percentages have been rounded off.

FAIR & EQUAL

Responsible supply chain

Nelly strives to work closely and efficiently with its suppliers and sets standards for working conditions and human rights. Nelly wants to work with suppliers that, like the company itself, defend human rights and promote good working conditions, and wants to work with them to set joint goals for improving their partnership in the supply chain. Constant enhancement of transparency in the supply chain requires all parties to be open in their dialogues and to understand the importance of transparency.

RESPONSIBLE SUPPLY CHAIN

Nelly is a company in the clothing industry and its value chain includes a large number of brands, suppliers and factories. This means that there is a risk of negative impact in terms of social sustainability in the company's value chain. Nelly therefore focuses on risk assessment, setting standards, audits and measures linked to the supply chain.

Nelly's own brand products are made by 25 suppliers that, in turn, use 42 production units (Tier 1 factories). 41 of these are in the risk countries (according to Amfori's classification) China, Turkey, India, Bangladesh and Cambodia, and one is in the UK. In 2023, the company reduced the variety of the range, thus reducing the number of production units used for the year to 33. Nelly's ambition is to have long-term relationships with its suppliers to achieve a level of quality that is regular and high, and to ensure that human rights and decent working conditions are promoted strongly.

Nelly is convinced that transparency in the supply chain will contribute to a more sustainable future. The company has no factories of its own. However, it is responsible for inspecting working conditions, and it demands action be taken if it discovers shortcomings. With its suppliers, Nelly contributes to improvements via motivation, training and monitoring. Nelly publishes an annual list of the production units (Tier 1 factories) used for its own brand products.

RISK ANALYSIS AND ASSESSMENT BEFORE A CONTRACT IS SIGNED WITH A NEW SUPPLIER

Before new suppliers are contracted for own brand products, they are subject to a risk assessment for human rights that involves obtaining information from them, examining previous audit results and action plans and, if possible, a site visit. Based on this risk analysis, an action plan may be established when a partnership begins. For the supplier to be approved, the action plan must be fully implemented by the deadline set. If a supplier is not willing to follow the UN guiding principles on human rights or to work on constant improvement, no partnership begins.

CONDITIONS AND CODE OF CONDUCT FOR SUPPLIERS

Nelly has been an active member of Amfori BSCI since 2018. Via its membership, the company works with other purchasing companies. The aim of the partnership is to improve the working conditions in the global supply chain. All suppliers of Nelly's own brand products have signed Amfori BSCI's code of conduct and undertaken to comply with the code's guidelines in their operations, and to forward it to their subcontractors when they start working with them. The code is based on the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The code of conduct includes a ban on child labour, forced labour, discrimination, violence and harassment, and governs issues such as reasonable pay and working hours, the right to trade union negotiations and health and safety in the workplace.

MONITORING SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN AND HANDLING OF NON-COMPLIANCE

To ensure compliance with the requirements of the code, suppliers are audited regularly by third-party companies. The audit reports indicate both correct objectives and compliance, and non-compliance and breaches of the code of conduct. If Nelly identifies any breach of human rights and working conditions at a supplier, immediate action is taken by Amfori in partnership with Nelly and the manufacturer, always with the focus on protecting employees and creating an action plan for improvement. A supplier may be excluded in the event of serious breaches of the code, known as Zero Tolerance non-compliance. Examples of Zero Tolerance non-compliance are forced labour, child labour, discrimination, violence, assault or bribery. No Zero Tolerance non-compliance was identified in the audits in 2023.

Nelly welcomes auditing based on the Amfori BSCI code of conduct and Sedex audits. For external brands, compliance with human rights is ensured using purchasing agreements and a code of conduct with clauses on working conditions and human rights. The majority of the brands with which Nelly works have clear sustainability goals and high ambitions for their operations in terms of human rights and decent working conditions in the supply chain.

REQUIREMENTS FOR RESPECT FOR HUMAN RIGHTS IN

During 2023, 98% of the factories making Nelly's own brand products were audited with third-party inspections based on BSCI or Sedex within the specified audit cycle. Nelly prioritised the audit of manufacturing units in risk countries, and all had a valid audit result in 2023. Nelly's goal for the company's own brand products only to be produced in factories inspected by external inspectors is an annual goal and an ongoing project.

Amfori BSCI inspections are graded on a scale from A (highest) to E (lowest). All manufacturers are expected to strive to improve constantly, and Nelly promotes a close dialogue to set joint targets for improvements. Following a grade C or lower, an action plan is required from the manufacturer, followed by another inspection to ensure that action has been taken. The purpose of the action plan is to find the root cause of the non-compliance and identify measures or training that may lead to improvement. The 2023 audits mainly identified non-compliance in the areas of Decent working conditions, which may mean excessive working hours or too much overtime, and Health & safety, which may mean a lack of fire safety or use of protective equipment. Nelly prioritises improvement measures in these areas.

In 2023, the majority of factories recovered from the pandemic, enabling a return to the procedures for audits and other activities. Development work, training and workshops were carried out both digitally and in-person as travel to supplier countries outside Europe could be resumed.

COLLABORATION AND PARTNERSHIPS FOR BETTER CONDITIONS IN THE SUPPLY CHAIN

Nelly works with Better Cotton, The International Accord and Amfori to promote human rights. In 2022, Nelly began a partnership with a factory in Bangladesh and signed The International Accord for health and safety in the textile and garment industry. The International Accord is an independent, legally binding agreement between brands and trade unions containing commitments to ensure a safe, healthy textile industry in Bangladesh. This is an important partnership to ensure good conditions for factory workers. In 2023, Nelly began working with a new factory in Cambodia. A site visit was made in the autumn to ensure good conditions there.

RESPONSIBLE SUPPLY CHAIN

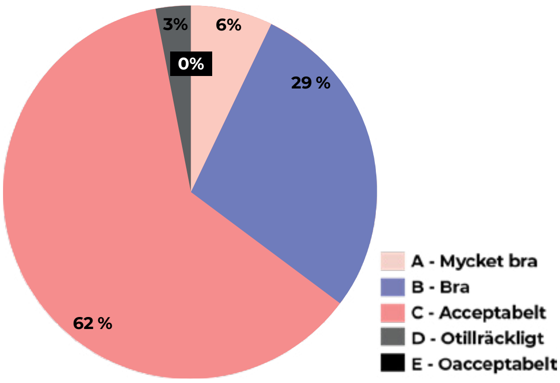
KPI: Percentage of factories with valid social third-party inspections (own brands): 98%

KPI: Audit results distributed over Amfori BSCI audits conducted (own brands): See chart

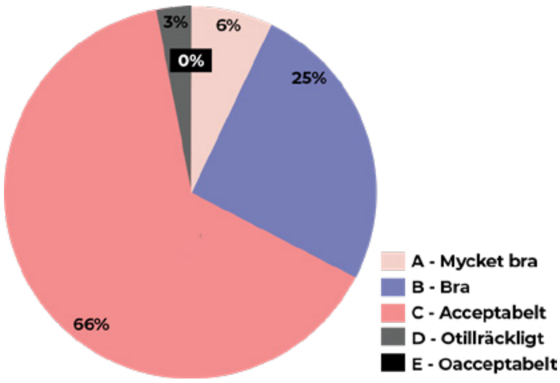
KPI: Number of suppliers (own brands): 25

KPI: Number of production units used in 2023 (own brands): 33

Audit results, 2023



Audit results, 2022



FAIR & EQUAL

Business ethics and IT security

Good business ethics and IT security are crucial to Nelly as an e-commerce company. Nelly is able to ensure good results by systematically applying policies in this area.

NELLY WORKS with many suppliers and partners, and good business relationships are crucial. Personal data has to be processed for Nelly to fulfil its obligations to customers such as delivering goods and for billing, and to be able to improve offers and services via customer surveys and marketing. To ensure that personal data is processed responsibly in accordance with the EU General Data Protection Regulation (GDPR), Nelly takes a systematic approach to data protection that is supervised by the data protection officer and supported by the rest of the organisation. By establishing an internal personal data processing policy, which specifies the requirements made at Nelly to ensure that the Group complies with laws and rules linked to the processing of personal data, Nelly has raised awareness of and knowledge about how personal data must be processed.

To ensure good internal control of any risks related to personal data processing, Nelly has established a framework in accordance with the provisions of the General Data Protection Regulation with regular reporting of the situation to management and the Board of Directors, and an action plan for any identified action required. Nelly continues to work actively on the internal control framework to continue to maintain the same high level of data protection. In addition to the internal control activities, Nelly's data protection work in 2023 focused on ensuring good personal data processing based on supplier audits, regular independent audits to ensure compliance with regulations and action to ensure adequate security in internal systems. For an e-commerce company such as Nelly, data security and privacy protection are business-critical, which is why the company works actively to raise internal awareness of data security. Nelly's well-established data security policy ensures that data is used securely by all employees, including external resources. Nelly works constantly to improve its approach to data security as the business environment and market change.

Nelly takes an active approach to managing personal data breaches. Depending on the risk posed to the data subject's privacy, such breaches are initially classified as low, medium or high risk breaches. In 2023, Nelly had a total of 59 personal data breaches, three of which were classified as medium risk, one as high risk and the remaining 55 as low risk. The high risk breach was reported to the Swedish Authority for Privacy Protection. The case was closed by the authority with no further action. The most common breaches are when packages are mistakenly sent to the wrong recipient, with the result that data relating to customer purchases is revealed to third parties such as another customer. Nelly constantly learns from the breaches that occur and uses the information to improve its work.

Nelly aims to practise a high level of business ethics and has zero tolerance for bribery and corruption. The company is aware of the risk of corruption and works to prevent corruption both in its own operations and in the company's international value chain. Nelly's producers of its own brand products have undertaken to follow Amfori BSCI's code of conduct and thus not be involved in any form of corruption. Suppliers are inspected regularly to ensure compliance with the code, and Nelly communicates continually with its suppliers on the areas contained in the code of conduct.

Nelly's code of conduct (ethics policy) for employees and its whistleblower policy are fundamental to the work to prevent corruption. The code of conduct for employees lays the foundation for good business relationships, describes the values employees must embody and discusses issues such as bribery, corruption, stock exchange rules, conflicts of interest, health and safety, and human rights. The code of conduct is sent out for signing with the contract of employment before an employee joins Nelly and is available on the intranet. Employees are expected to adhere to the code in their work and make sure that business partners know these principles.

To ensure a good internal environment in which employees and business partners feel confident about reporting suspicions of impropriety, Nelly has a whistle-blower policy that describes the entire whistle-blower process. An updated whistle-blower policy was adopted in the company in 2023. Suspicions can be reported anonymously, and the information will be investigated. Whistle-blowing is expected of employees when necessary. In 2023, Nelly received no reports of impropriety.

ANTI-CORRUPTION AND TRANSPARENCY
KPI: Number of confirmed whistleblower reports: 0

IT SECURITY & CUSTOMER PRIVACY
KPI: Number of identified data leaks
1. Number of breaches reported to the Swedish Authority for Privacy Protection
(formerly the Swedish Data Protection Authority): 1

2. Number of personal data breaches per risk classification:
High: 1, medium: 3, low: 55

Empower Femininity

Nelly's principal target group is young women, and the company works within the framework of Empower Femininity to create a community in which young women feel respected and celebrated.

EMPOWER FEMININITY has been a specific sustainability area in Nelly's sustainability strategy since the end of 2021, but the company previously also focused on empowering young adults. With Empower Femininity as part of its sustainability strategy, the company wants to take specific, even greater responsibility for its customers. With its position as a fashion destination for young women, Nelly is able to make a difference and help boost the self-esteem of this target group. The inside is just as important as the outside.

NELLY WILL WORK ON THE BASIS OF THE FOLLOWING PRINCIPLES IN THE AREA EMPOWER FEMININITY:

· Adapt the expression and tonality of communication with the target group to communicate joy, warmth and self-esteem to inspire young women to feel good about themselves, dare to be themselves and express themselves as they want
· Help boost and celebrate diversity
· Take a stand on relevant issues concerning the target group, where appropriate
· Support and/or promote initiatives, activities and projects that support the message and are in line with Nelly's values

Nelly does not retouch its models' natural, beautiful features and marks such as stretch marks, scars, birth marks and cellulite. The company wants to contribute to healthy standards for bodies in which such features and marks are normal.

The company promotes diversity in how its products are presented to ensure that more young women recognise themselves. Nelly uses a large proportion of User Generated Content, UGC, in its online stores. UGC is customers' own photos wearing the company's products. This contributes to diversity and offers customers an opportunity to see the products in reality, not only on models in a photographic studio.

In 2022 and 2023, Nelly focused on changing its visual expression in social media and e-commerce to communicate joy and self-assurance more clearly in line with Nelly's identity and the Empower Femininity sustainability area.

In the autumn of 2023, Nelly opened its first permanent physical store, a Flagship Store. The store offers Nelly an entirely new way of meeting and interacting with its customer group in person, and the service and atmosphere in the store must be warm and inviting. The store is intended to be a meeting place for the target group and other fashion enthusiasts, where they can not only find a selection of Nelly's range, but also feel welcome and taken care of by the staff. The ambition is to provide a place where customers feel comfortable experimenting with looks and outfits they might not normally try. The store is also intended to be used to hold various events for the company's customers. For example, in the spring of 2024, customers will have the opportunity to attend events ahead of graduation and proms for personal advice and inspiration to find clothes for these important celebrations.

The company has a strong position in graduation and prom clothing. In 2023, Nelly made a donation to Göteborg Stadsmission's temporary free store for young people in difficult financial situations who graduated in 2023. Nelly's donation came from both the company and its employees, who had the opportunity to contribute to the donation with intact, clean and appropriate clothing. Young people who live in difficult financial situations are sometimes forced to avoid activities and experiences that others in their proximity take part in. Without appropriate clothing, it may feel meaningless or difficult to attend graduation celebrations on the same terms as other students. Offering them prom and graduation clothing is one way of contributing to both joy and inclusion.

In connection with International Women's Day, the company produced a limited edition top, with SEK 100 per top sold being donated in full to the women's rights organisation Kvinna till Kvinna. Just like the company, Nelly's target group engages with issues relating to social sustainability. Consequently, Nelly wanted to highlight and contribute to the promotion of women's rights and equal value with its customers.

Empower Femininity is aimed at the company's principal target group and customer group, young women in the Nordic region.
Promotion of human rights, decent working conditions and gender equality, and prevention of discrimination and harassment on the basis of gender identity among employees in the supply chain are of great importance to the company and are addressed in the Fair & Equal focus area. See pages 35 (in the Employees chapter) and 39 (Responsible supply chain chapter). The company communicates actively with its partners based on its sustainability strategy with the aim of inspiring suppliers to pursue their own sustainability work.

HIGHLIGHTS OF EMPOWER FEMININITY IN 2023

- Work on UGC on product pages
- Changed visual expression in the company's channels
- Opened Nelly Flagship Store to meet and inspire customers in person
- Donation to Göteborgs Stadsmission's store for graduation and prom clothing
- To contribute to the defence of women's rights, the company produced a limited edition top for International Women's Day, with SEK 100 per top sold being donated in full to the women's rights organisation Kvinna till Kvinna.

"Nelly is one of the best-loved fashion destinations for young women in the Nordic region, which makes us feel proud and humble. We go to work every day for the sake of our customer, and have her at the centre of every decision. For us, it is a matter of course to do what we can to use the strong relations and platform we have built up with our customers as a positive force!'

Helena Karlinder-Östlundh, CEO

Directors' report

Directors' report

Nelly Group AB (publ) (Nelly) offers fashion and accessories primarily to young women in the Nordic region. The Board of Directors has its registered office in Borås. The company's postal address is Box 690, 501 13 Borås, Sweden and the street address is Lundbygatan 1, 506 30 Borås, Sweden. The corporate identity number is 556035-6940. Company shares are traded on the Nasdaq Stockholm Small Cap list under the ticker symbol NELLY.

Operations

Nelly offers fashion to trend-conscious young consumers primarily through Nelly.com and NLYMan.com. In 2023, net revenue was SEK 1,060.8 (1,299.0) million, and the operating profit was SEK 10.9 (-56.1) million. Profit/loss after tax amounted to SEK -1.5 (-71.7) million.

The sale of own brands amounted to 38.2 (35.1) percent of sales. The return rate amounted to 35.8 (36.0) percent. Nelly had an average of 158 (221) employees during the year, of whom 61 percent (61 percent) were women.

Financial position and earnings

SEK million	2023	2022
Net revenue	1,060.8	1,299.0
Gross profit	507.9	566.2
Gross margin (%)	47.9%	43.6%
Operating profit/loss	10.9	-56.1
Operating margin (%)	1.0%	-4.3%
Net financial items	-13.2	-15.4
Profit/loss before tax	-2.3	-71.6
Profit/loss after tax	-1.5	-71.7
Basic and diluted earnings per share (SEK)	-0.06	-3.98
Total assets	799.8	837.2

Net revenue

Net revenue was SEK 1,060.8 (1,299.0) million, corresponding to a fall in net revenue of 18.3%. Of net revenue for the year, SEK 548.9 (625.6) million was in Sweden, SEK 494.4 (620.0) million in the rest of the Nordic region and SEK 17.5 (53.4) million in the rest of the world. In local currencies, revenue fell by 18.2% for the full year of 2023.

Operating expenses

Cost of goods sold totalled SEK 552.9 (732.7) million, and the gross margin was 47.9 (43.6) percent. Lower customs and shipping costs, lower campaign activity to customers and a higher proportion of sales of own brands made a positive contribution to the gross margin compared with 2022.

Warehousing and distribution costs amounted to SEK 171.3 (205.1) million in 2023. The lower warehousing and distribution costs were the result of lower volumes processed.

Marketing expenses amounted to SEK 100.5 (148.0) million with reduced paid traffic and fewer brand-building activities driving the cost reduction.
Administrative expenses amounted to SEK 223.1 (268.7) million for 2023 as a whole, with the cost reduction driven primarily by lower payroll costs.

Operating profit/loss totalled SEK 10.9 (-56.1) million where a lower gross profit for the year was offset by significantly lower costs.

Net financial items

Net financial items totalled SEK -13.2 (-15.5) million. The improvement in net financial items for 2023 is primarily attributable to currency effects.

Tax

Tax recognised totalled SEK 0.8 (-0.1) million.

Profit/loss after tax

Profit after tax amounted to SEK -1.5 (-71.7) million. As at 31 December, the number of shares was 30,483,985, of which 30,015,278 ordinary shares and 468,707 C shares. Basic and diluted earnings per share amounted to SEK -0.06 (-3.98), based on the weighted average number of shares during the year.

Cash flow and financial position

Cash flow from operating activities before changes in working capital was SEK 47.7 (-22.4) million for the year. Cash flow from operations after changes in working capital amounted to SEK 59.3 (-65.0) million for the year. Investments in non-current assets, primarily IT investments, but also linked to the establishment of the store on Drottninggatan in Stockholm, totalled SEK -22.9 (-11.1) million for the year.

Cash flow from financing activities totalled SEK 17.8 (-25.0) million for the year. At the year end, total assets amounted to SEK 799.8 (837.2) million and equity amounted to SEK 178.6 (133.6) million. At the year end, the Group had cash and cash equivalents of SEK 151.1 (96.8) million and no interest-bearing liabilities. Deferred taxes and duties totalled SEK 108.7 (93.8) million.

Parent company

The parent company, Nelly Group AB, had revenue of SEK 1.9 (2.0) million for the year. Profit before tax amounted to SEK 11.4 (-70.0) million for the full year. Cash and cash equivalents in the parent company amounted to SEK 7.9 (2.3) million at year-end.

As at 31 December 2023, Nelly Group AB had 30,483,985 shares issued, of which 30,015,278 were ordinary shares and 468,707 were class C shares. The share capital was SEK 30,483,985, and each share had a quotient value of SEK 1.00. The class C shares are held by Nelly Group AB and may not be represented at general meetings.

Environmental initiatives

Nelly's ability to take responsibility for sustainable development is the key to strengthening the confidence of our customers, the capital market, employees and the public in us. The business requires warehousing, packaging and transportation. Customers, owners, employees and the public expect environmentally conscious choices and that the business is operated in a manner that is sustainable in the long term. The Group is constantly searching for new ways to further reduce its environmental impact. Nelly's sustainability efforts focus on three selected areas. Through these efforts we aim to take even more responsibility for sustainable development. The sustainability report is prepared in accordance with Chapters 6 and 7 of the Swedish Annual Accounts Act and can be found on page 10 of this annual report.

Employees

Nelly recognises that its employees are crucial to its operations. Attracting, developing and retaining employees is necessary to achieve success and meet established targets for growth and business development. The average number of employees was 158 (221) during the year. Information on average number of employees and payroll expenses is available in Notes 20 and 21.

Parent company

Nelly Group AB (publ) is the parent company of the Nelly Group and owns and manages financial assets in the form of shares in the Group's subsidiaries. The parent company holds shares in the subsidiaries as specified in Note 10. The parent company has the same risks and uncertainties as the Group. Parent company revenue totalled SEK 1.9 (2.0) million. Administrative expenses totalled SEK 10.1 (12.1) million and consist of expenses of a recurring nature, primarily related to running Nelly Group AB as a publicly listed company with expenses for central operations, board fees and auditing fees.

The profit from investments in subsidiaries was SEK 0.0 (0.1) million. Other net financial items totalled SEK -0.3 (0.0) million. The parent company received Group contributions from subsidiaries of SEK 20.0 (-60) million. Profit before tax amounted to SEK 11.4 (-70.0) million. Cash and cash equivalents in the parent company amounted to SEK 7.9 (2.3) million at the year-end.

Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at 31 December 2023 (SEK):

Share premium reserve	1,440,291,536
Retained earnings	-1,192,701,437
Profit for the year	11,439,478
Total	**259,029,577**

The Board proposes that the retained earnings, share premium reserve and profit for the year, a total of SEK 259,029,577, be carried forward.

As regards the company's earnings and position in general, please refer to the following financial statements with accompanying notes and comments.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Risk

Risk factors

Nelly is exposed to several risk factors. Some of the risks considered significant to the Group's future development are summarised below, in no particular order.

Industry and market risks
- E-commerce market trends
- Competition
- Seasonal variations
- Risks related to fashion trends
- Economic situation and consumer purchasing power

Operational risks
- Disruption in IT and control systems, including cyberattacks
- Supplier relationships
- Warehousing and distribution
- Expansion into new markets and new segments
- Ability to recruit and retain staff

Financial risks
- Currency risk
- Credit risk
- Interest rate risk
- Liquidity risk

Legal risks
- Legislation, regulations and compliance
- Intellectual property rights

Industry and market risks

The market

The market for e-commerce is undergoing change with continuous growth in recent years. There are no guarantees that the e-commerce market will continue to grow or that Nelly's products will continue to benefit from positive market developments.

Competition

Nelly's operations are highly competitive, and the actions of other players could affect demand and the requirements placed on our business. The Group has a strong position in selected segments of Nordic e-commerce and is continuously working to strengthen its competitiveness.

Seasonal variations

Nelly is exposed to seasonal variations and the second and fourth quarters are the strongest. Lower demand during a single quarter significantly affects net revenue and earnings negatively.

Risks related to fashion trends

Nelly is exposed to fluctuations in trends and fashion, as well as consumer preferences in terms of design, quality and price. Misjudging consumer preferences can lead to lower sales, surpluses of certain products and price cuts.

Economic situation and consumer purchasing power

Nelly's sales are affected by business cycles, developments in e-commerce and demand for the Group's products and services, especially in the Nordic region. The economy and consumers' purchasing power are affected by factors that are beyond the Group's control, such as interest rates, exchange rates, inflation levels, taxes, unemployment levels and other economic factors. A weakening of the economy with lower consumption may adversely affect financial position and earnings.

Operational risks

Disruption in IT and control systems and cyberattacks

Nelly's operations are dependent on reliable IT and control systems that are well suited to the business. The Group has made significant investments in IT and control systems. Even though improvements, maintenance, upgrades and support for these systems and processes are ongoing, it is not inconceivable that the systems may suffer malfunctions that could have a negative impact on financial position and earnings. There is also a risk of Nelly being exposed to cyberattacks which risk disrupting or stopping the company's online operations. The company works constantly to prevent and impede cyberattacks.

Supplier relationships

Nelly is dependent on hundreds of external suppliers. There are, however, alternatives to most of the current suppliers, which means that if the company loses one or more suppliers it will only have a limited negative impact.

Warehousing and distribution

If Nelly's warehouse were to be destroyed or to close, or if its equipment were to be damaged, the company might not be able to deliver products to its customers. The Group is dependent on transportation to and from the warehouse and is exposed to disruptions in its distribution network. In the event of a malfunction, the Group will attempt to repair the warehouse or use alternative warehouses or transportation. If this cannot be guaranteed, it could have a negative effect on financial position and profit. Nelly works continuously on risk prevention. The Group has insurance policies for property damage and production stoppages, but there is no guarantee that such amounts can be recovered in full or that the amounts recovered would cover potential losses.

Expansion into new markets and new segments

Nelly's long-term strategy is to grow. A careful analysis is made prior to each investment but any establishments in new geographical markets or new segments may lead to unforeseen costs or lower sales than expected.

Ability to recruit and retain staff

Nelly's success is highly dependent on its ability to recruit, retain and develop senior executives and other key individuals. The Group implements programmes and initiatives for staff development, talent identification and succession planning for key individuals.

Financial risks

Currency risk
Currency risk consists of risks in transactions in various currencies (transaction exposure) and risks when translating foreign operations into Swedish krona (translation exposure). The Group's reporting currency is Swedish krona. A significant portion of net revenue is from outside Sweden, which gives rise to transaction exposure. Translation of foreign operations into Swedish krona means that the Group is also somewhat vulnerable to translation exposure. Currency risks in operating activities are not normally hedged using financial

instruments. However, natural hedges are sought, for example, by purchasing and selling in the same currency. The most important currencies are NOK, DKK and EUR for sales. The most important purchasing currencies are SEK, USD, EUR and GBP.

Credit risk
Credit risk is defined as exposure to losses resulting from one party failing to fulfill its obligations. Exposure is based on the carrying amount of financial assets, of which the majority comprises trade receivables and cash and cash equivalents. Credit risk related to trade receivables is spread over many customers in small amounts, mainly private individuals. Trade receivables are sold to Qliro AB. Most of these trade receivables are sold with full transfer of the credit risk to the counterparty.

Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Group's financing costs.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to fulfil its commitments associated with financial liabilities. This risk is managed by ensuring that there is enough cash and cash equivalents and the ability to increase available financing. At the year end, the Group had cash and cash equivalents of SEK 151.1 (96.8) million and unutilised credit facilities of SEK 20.0 (30.0) million.

Legal risks

Legislation, regulations and compliance
Nelly pursues operations in several countries with different legislation, fiscal regulations and regulations governing some of the goods that the Group sells. If the business is spread to new customers, services or markets, it may be subject to new regulatory requirements. The Group endeavours to comply with laws and regulations and enlists the help of external expertise when required.

Intellectual property rights
Nelly is proactive about protecting its brands, name and domain name in the jurisdictions in which the Group operates. It may, nevertheless, transpire that the measures the Group takes are insufficient, which may have an adverse effect.

Disputes, claims and litigation
Companies within the Nelly Group may be involved in disputes in the normal course of business. Disputes, claims, investigations and legal proceedings can be time-consuming, disrupt normal operations, entail liability for damages and involve significant costs. In addition, it can be difficult to predict the outcome of complex disputes and litigations.

Shares and shareholders

Share data

Nelly Group AB's shares are listed on the Nasdaq Stockholm Small Cap under the ticker symbol Nelly. Nelly Group's market capitalisation on Nasdaq Stockholm on the last trading day of 2023 was SEK 480.1 million.

Shareholders on 31 December 2023

	Capital (%)	No. of shares
Rite Ventures	28.6%	8,714,520
Stefan Palm**	16.6%	5,062,605
Mandatum Life Insurance Company	9.6%	2,938,332
Avanza Pension	4.9%	1,488,107
eQ Asset Management Oy	2.7%	813,774
Anders Böös	2.0%	622,196
Nelly Group AB*	1.7%	511,454
Nordnet Pensionsförsäkring	1.6%	486,331
Klas Bengtsson	1.2%	355,000
Thomas Jakobsen	1.1%	343,289
no Sugar Enterprise AB	1.0%	298,000
Swedbank Försäkring	0.9%	266,520
Handelsbanken Fonder	0.6%	178,554
Lars Johannesson	0.6%	175,000
SEB Fonder	0.6%	166,887
15 biggest	73.5%	22,420,569
Other	26.5%	8,063,416
Total	100.0%	30,483,985

* Includes 468,707 class C shares held by Nelly. Own shares that are held by the company may not be represented at general meetings of shareholders. *Source: Modular Finance*

** Holds shares via the company Ettfemsjusjäl AB

Share capital

As at 31 December, the number of shares and votes was 30,483,985, of which 30,015,278 ordinary shares and 468,707 class C shares. The share capital was SEK 30,483,985, and each share had a quotient value of SEK 1.00. Each ordinary share and class C share entitles the holder to one vote. The class C shares are held by Nelly Group and are not entitled to dividends, and may not be represented at a general meeting. Share capital in the Group amounted to SEK 30,483,985 million at the year end. For changes in the share capital in 2022 and 2023, see Note 14. As at 31 December 2023, there were 8,300 (24,900) outstanding share rights attributable to the company's share-based incentive plans. See Note 21 for more information. The company is not aware of any agreements between shareholders that would limit rights to transfer shares.

Dividend

The parent company paid no ordinary dividend in 2023, and the Board proposes no dividend for the 2023 financial year.

Share price trend

In 2023, the share price moved from its lowest level of SEK 4.13 on 12 June to its highest level of SEK 16.40 on 14 December. On the last trading day of the year, the share price was SEK 15.75.
Source: Modular Finance

Trading volume

Average share turnover per day was 85,022, and the total share turnover for the year was 21,340,400. *Source: Modular Finance*

Ownership

Swedish share ownership accounted for 82.84% of the capital and votes, and foreign ownership for 17.16% of the capital and votes.
Source: Modular Finance

Authorisation

During the period up to the 2024 annual general meeting, the Board of Directors may decide on a new issue of ordinary shares, warrants and/or convertibles corresponding to maximum 25 percent of the total number of shares in Nelly at the time of the annual general meeting. A new issue of ordinary shares, warrants and/or convertibles may be held with or without departure from shareholders' preferential rights. Payment may be in cash, by capital contributed in kind or by offset. A new share issue departing from shareholders' preferential rights must be on market terms.

The purpose of the authorisation and the reason for any departure from shareholders' preferential rights is to enhance the company's financial flexibility by making it possible to inject new capital in the company to finance operations and the acquisition of companies, businesses or parts of them.

Corporate governance report

Corporate governance in Nelly Group is based on Swedish legislation and generally accepted good practice in the securities market. Nelly Group follows the Swedish Code of Corporate Governance ('the Code') and applied the Code with no exceptions in 2023.

General meetings

General meetings are the highest decision-making body in Nelly Group, at which shareholders exercise their voting rights. The Swedish Companies Act and the Articles of Association detail procedures on how notice is given of the AGM and extraordinary general meetings, along with who is entitled to participate and vote at the meetings. There are no restrictions on the number of votes each shareholder can cast at the AGM. The company has ordinary shares and class C shares, both of which carry one (1) vote per share. The Board of Directors may also decide that shareholders may exercise their voting rights at general meetings by postal voting in advance.

The AGM must be held within six months of the end of the financial year. The AGM makes decisions on adoption of the income statement and balance sheet for the company and the consolidated income statement and balance sheet, appropriation of the company's earnings according to the adopted balance sheet, discharge of liability for the Board and CEO, election of the Board and its chair, election of auditors and certain other matters provided for by law and the Articles of Association. The AGM for the 2022 financial year was held on 31 May 2023 in Stockholm, Sweden. The minutes of the AGM are available on the website at www.nellygroup.com. Nelly Group held an extraordinary general meeting in Stockholm on 14 March 2023. The extraordinary general meeting resolved to approve the Board of Directors' decision of 3 February 2023 on a new share issue with preferential rights for existing shareholders, comprising decisions to (a) amend the Articles of Association to enable a reduction in share capital without withdrawing shares, (b) reduce the share capital without withdrawing shares to enable a new issue of ordinary shares with preferential rights for shareholders, (c) approve the Board of Directors' decision on a new issue of ordinary shares with preferential rights for shareholders, (d) amend the Articles of Association to enable an increase in share capital by means of a bonus issue without issuing new shares, and (e) increase the share capital by means of a bonus issue without issuing new shares. The extraordinary general meeting also resolved to amend the Articles of Association to enable a reduction in share capital and to reduce the share capital without withdrawing shares to achieve a more appropriate capital structure in Nelly Group. The minutes of the extraordinary general meeting are available on the website at www.nellygroup.com. The annual general meeting for the 2023 financial year will be held in Stockholm on 13 May 2024. More information about the annual general meeting, including instructions on how to register, are included in the notice published in a press release on 10 April 2024 and is available on the website at www.nellygroup.com.

Shareholders

Information on Nelly's ownership structure, share capital and shares is available on page 53. The company's largest shareholders are Rite Ventures, with approximately 28.6 percent of shares and votes, and Stefan Palm (through ettfemsju själ AB), with approximately 16.6 percent of shares and votes. There are no other shareholders who have a direct or indirect shareholding in the company representing at least one tenth of the votes for all shares in the company.

Information to shareholders includes interim and full-year financial reports, financial statements and press releases on significant events.

All reports, press releases and other information can be found on the website at www.nellygroup.com.

Nomination Committee

Instructions for the Nomination Committee were adopted at the AGM on 12 May 2021. According to the instructions, which apply until a decision to amend the instructions for the Nomination Committee is made by a general meeting, the Nomination Committee must have at least three members appointed by the largest shareholders in the company who wished to appoint a member. The largest shareholder must convene the Nomination Committee and, within ten trading days after the information about the largest shareholders on the last trading day of the month in which the AGM was held has been published, contact the three largest shareholders to establish whether they want to appoint members of the Nomination Committee. If one of the three largest shareholders in terms of votes does not exercise their right to appoint a member, the shareholder convening the committee must request the next shareholder, up to the tenth largest shareholder, to appoint a member within one (1) week. If only two shareholders wish to appoint a member to the Nomination Committee after the tenth largest shareholder has been contacted, the third member of the Nomination Committee may also be appointed by these two shareholders. A member of the Nomination Committee who is appointed in this way may not be a member of the Board of Directors of the company or the company management. The members of the Nomination Committee must appoint a chair at their first (statutory) meeting. The Chair of the Board of Directors must be invited to the meetings of the Nomination Committee when the Nomination Committee deems this appropriate. If a member resigns prematurely, the Nomination Committee may decide to appoint a new member. Provided that the shareholder who appointed the member who resigned prematurely is one of the largest shareholders in the company, the shareholder must be asked to appoint a new member. If this shareholder refrains from appointing a member, the Nomination Committee may ask the next shareholder in size who has not previously appointed a member of the Nomination Committee. If the ownership structure of the company changes, the Nomination Committee may decide to change its composition so that the Nomination Committee appropriately reflects the ownership of the company. Even if changes are made to the company's ownership structure, no changes need be made to the composition of the Nomination Committee if the changes are minor or if a change occurs less than three months before the AGM, unless a change is justified by special circumstances. The task of the Nomination Committee is to prepare proposals for the election of the Board of Directors and auditor, remuneration for them, the Chair of general meetings and any necessary amendments to the instructions for the Nomination Committee. The current instructions for the Nomination Committee are available on the website at www.nellygroup.com.

The nomination committee for the 2023 AGM consisted of Jonathan Sundqvist, appointed by Rite Ventures, Stefan Palm, appointed by ettfemsju själ AB, and Alexander Antas, appointed by Mandatum Life Insurance Company. Jonathan Sundqvist was chair of the Nomination Committee. In its work, the Nomination Committee applied rule 4.1 of the Code on diversity policy. The Nomination Committee thus considered the importance of increased diversity on the Board in terms of gender, age and nationality, as well as experience, occupational background and business areas. Further information is available in the Nomination Committee's reasoned statement to the 2023 AGM, which is available on the website at www.nellygroup.com.

In accordance with the Nomination Committee instructions, a representative of the largest shareholder, Rite Ventures, convened a Nomination Committee to prepare proposals for Nelly Group's 2024 AGM. The Nomination Committee for the 2024 AGM consists of Hugo Näslund, appointed by Rite Ventures, Stefan Palm, appointed by ettfemsju själ AB, and Alexander Antas, appointed by Mandatum Life Insurance Company. Hugo Näslund was appointed chair of the Nomination Committee. The full proposals by the Nomination Committee for the 2024 AGM are included in the notice published in a press release on 10 April 2024 and are available on the website at www.nellygroup.com.

Board of Directors

The Board of Directors is elected at the AGM for the period up to and including the end of the following AGM. The Articles of Association do not include any restrictions regarding the eligibility of Board members. According to the Articles of Association, the Board should consist of a minimum of three and a maximum of nine members. The AGM on 31 May 2023 decided to re-elect Daniel Hörnqvist, Stefan Palm and Josephine Salenstedt, and to elect Ebba Ljungerud, Axel Westphalen and Lennart Sparud for the period until the end of the 2024 AGM. The AGM also decided to re-elect Ebba Ljungerud as Chair of the Board. In 2023, the Board met the requirements of the Code for the majority of its members to be independent of the company and its management, and for at least two members to also be independent of the company's largest shareholders. Further information on the Board members is available on pages 60–61.

Responsibilities and duties of the Board

The Board is the company's highest management body and its duties are governed by the Swedish Companies Act, the Articles of Association and the Code. The Board is responsible for the organisational structure of the company and management of the company's affairs. The Board must also monitor financial trends, ensure the quality of financial reporting and internal controls and evaluate operations against targets and guidelines established by the Board. The Board also makes decisions on major investments and changes to the Group's organisational structure and operations. In the course of the year, it also discusses reports from the Audit and Remuneration Committees and reports on internal control, liquidity and financing. The work of the Board is based on rules of procedure that are adopted every year. The rules of procedure govern the allocation of duties and responsibilities between Board members, the Chair of the Board and the CEO, and contain procedures for financial reporting and other instructions for the CEO. The Board also adopts instructions for the Board's committees.

The Board's duties

The Board held sixteen meetings during the year, of which one statutory meeting. Board members receive a written agenda before each ordinary Board meeting. The agenda is based on the rules of procedure adopted by the Board. They also receive full documentation for the purposes of information and to enable them to make informed decisions. The CEO reports to the meetings, as does the company's Chief Financial Officer. Other members of the company management also attend and report on particular matters. Attendance by the Board members at Board and committee meetings is shown in the table below. Important issues discussed by the Board of Nelly Group during the year include the company's liquidity and financing, including the preferential share issue held, purchasing strategy, cost savings and continued streamlining of internal procedures and governance processes.

Attendance at Board and committee meetings in 2023

Name	Board of Directors	Audit Committee	Remuneration Committee
Total meetings in 2023	**16**	**4**	**4**
Ebba Ljungerud*	7/16	2/4	1/3
Daniel Hörnqvist	16/16	-	-
Stefan Palm	15/16	-	-
Josephine Salenstedt	15/16	-	-
Lennart Sparud*	7/16	2/4	-
Axel Westphalen*	7/16	2/4	1/3
Mathias Pedersen**	9/16	2/4	2/3
Sandra Backlund**	9/16	2/4	2/3
Maj-Louise Pizelli**	8/16	-	-

** Ebba Ljungerud, Lennart Sparud and Axel Westphalen were elected as Board members at the 2023 AGM.*

*** Mathias Pedersen, Sandra Backlund and Maj-Louise Pizelli were Board members until the 2023 AGM.*

Assessment of the Board of Directors and the CEO

The Chair of the Board of Directors initiates an annual assessment of the work of the Board, including the effectiveness of its working methods and how they can be improved. The assessment of the Board's work in 2023 was carried out by the Chair of the Board by means of a survey. The results of the assessment were presented to the Nomination Committee by the Chair of the Board and also reported in writing to the Nomination Committee. The Board also regularly assesses the work of the CEO. An assessment is performed at least once a year in the absence of the CEO.

Board committees

The Board has established two internal committees, an Audit Committee and a Remuneration Committee. These committees are preparatory bodies for the Board of Directors and do not limit the Board's responsibility for managing the company and the decisions made. Committee meetings are minuted and reported to the Board at the next Board meeting.

Remuneration Committee

The Remuneration Committee consists of Ebba Ljungerud (Chair) and Axel Westphalen. The Remuneration Committee's tasks are described in section 9.1 of the Code. The principal task of the Remuneration Committee is to assist the Board with proposals, advice and preparation in matters relating to the remuneration and other terms of employment of the company's CEO and remuneration principles for the company management. The committee's tasks also include monitoring and assessing the outcome of variable remuneration programmes and Nelly Group's compliance with the guidelines for remuneration of senior executives adopted by the AGM.

Audit Committee

The Audit Committee consists of Lennart Sparud (Chair), Ebba Ljungerud and Axel Westphalen. The Audit Committee assists the Board in the performance of its role supervising audit matters. The committee's principal tasks are described in Chapter 8, Section 49b, of the Swedish Companies Act. These include overseeing the company's financial reporting and risk management, the effectiveness of internal control and governance, and maintaining contact with and assessing the work, qualifications and independence of the external auditor. The committee must also help prepare proposals for the AGM's resolutions on the election and remuneration of auditors. The results of the committee's work in the form of observations, recommendations and proposals for decisions or action are reported to the Board as they arise.

Corporate governance report

Remuneration of Board members

The AGM on 31 May 2023 resolved that the fee for ordinary Board duties and duties on a Board committee for the period up to the end of the 2024 AGM would be a total of SEK 1,675,000, of which SEK 450,000 for the Chair of the Board, SEK 200,000 for each of the other five Board members, SEK 75,000 for the Chair and SEK 30,000 for each of the other two members of the Audit Committee, and SEK 50,000 for the Chair and SEK 20,000 for each of the other two members of the Remuneration Committee. As the Board's Remuneration Committees only has one (1) member in addition to the Chair, the total fee for ordinary Board duties and duties on the Board's committees for the period up to the end of the 2024 AGM totals SEK 1,655,000.

For additional information on remuneration of Board members, see Note 21 on page 101.

External auditors

Under the Articles of Association, the company must have at least one and at most three registered accountancy firms as its auditors. The duties of the auditor apply until the end of the AGM held after the year in which the auditor was appointed. At the AGM on 31 May 2023, KPMG AB was re-elected as auditor up to the end of the 2024 AGM. KPMG AB has been the company's external auditor since 1997. Mathias Arvidsson, authorised public accountant, has been auditor in charge since May 2021. Audit engagements involve examination of the annual report and financial accounting, administration by the Board and CEO, other tasks related to the duties of a company auditor and consultation or other services that may result from observations noted during such examination or implementation of such other engagements. The auditor reports its findings to the shareholders by means of the auditor's report, which is presented to the AGM. In addition, the auditor reports its findings to the Audit Committee twice a year and to the full Board once a year, and annually provides written assurance of its impartiality and independence to the Audit Committee. KPMG also provided certain other services in 2023 in addition to the audit. These services comprised consultation on accounting and tax issues and other audit-related engagements. For more information, see Note 22 on page 108.

CEO and company management

The CEO is responsible for the ongoing administration of the company in accordance with the guidelines and directions established by the Board. In consultation with the Chair of the Board, the CEO prepares the information and documentation required for the Board's work and to enable the Board to make well-informed decisions. The CEO is supported by the company management. The CEO and company management, supported by various staff functions, are responsible for the Group's adherence to overall strategy, financial and business controls, Group financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial statements, communication with the investors, etc. The company management consists of Helena Karlinder-Östlundh, Niklas Lingblom, Madeleine Einarsson, Lotta Fermén, Anders Hellberg and Stefan Svensson. Further information on the members of the company management is available on pages 62–63.

The Board of Directors' proposal to the 2024 AGM for a resolution on guidelines for remuneration of senior executives is presented below. For more information on the existing guidelines for remuneration paid to senior executives in 2023, see Note 21 on page 101.

Guidelines for remuneration of senior executives

The Board proposes the following guidelines for remuneration of the CEO and other members of the management team (the 'senior executives') of Nelly Group ('Nelly') and of Board members, where they receive remuneration for tasks other than Board duties. The guidelines must be applied to remuneration that is agreed, and changes made to remuneration already agreed, after the guidelines have been adopted by the 2024 AGM. The guidelines do not include remuneration adopted by the annual general meeting such as ordinary Board fees and long-term share/share price related incentive plans.

How the guidelines promote Nelly's business strategy, long-term interests and sustainability

Nelly operates nelly.com, which is one of the Nordic region's strongest fashion brands for young women, and nlyman.com. Nelly's business model is based on a core of its own brands and a supplementary range of curated brands from an international portfolio. Nelly will continue to strengthen its own brands and remain at the forefront of digital marketing and sales. The company will continue to inspire its target group with selected trends and fashion.

For Nelly to be able to realise its business strategy and safeguard the company's long-term interests, including their sustainability, it is essential that it can attract, motivate and retain senior executives in competition with comparable Nordic companies, primarily Nordic companies operating in e-commerce and retail with consumer brands. These guidelines must, therefore, allow senior executives to be offered a competitive package of remuneration. At the same time, Nelly's remuneration system must be compatible with and promote sound, effective risk management and discourage excessive risk-taking.

Remuneration of the senior executives in Nelly must, in both the short and long terms, reflect the individual's performance and responsibilities, and the earnings of Nelly and its subsidiaries and must also align the incentives of senior executives with the interests of the shareholders. Consequently, the senior executives must be remunerated according to the principle of reward for performance.

The Board considers that the option of variable remuneration and participation in any long-term incentive plans, plus carefully balanced fixed remuneration, create the conditions for Nelly to be a competitive employer, while the design of and conditions for the variable remuneration promote responsible, sound risk management and the company's profitability and growth strategy, long-term interests and sustainability.

Types of remuneration

Remuneration must be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, the option to participate in long-term (i) share/share price-related incentive plans adopted by the annual general meeting and/or (ii) cash-based incentive plans, pension benefits and other customary benefits.

Fixed cash salary

Senior executives' fixed cash salaries are revised each year. They must be competitive and based on the individual's skills, responsibilities and performance.

Variable cash remuneration

Senior executives' variable cash remuneration must be based on performance in meeting established targets for profitability, growth and value creation for their areas of responsibility and for Nelly. The outcome must be linked to measurable targets (qualitative, quantitative, general and individual) that are measured during one year. The targets within the senior executives' respective areas of responsibility are intended to promote Nelly's performance in both the short and long terms and thus promote Nelly's business strategy and long-term interests, including the company's sustainability. The variable cash remuneration may not exceed 100 percent of the senior executive's fixed annual salary.

Additional cash variable remuneration may be paid in extraordinary circumstances, provided that such extraordinary arrangements are only made at individual level either to recruit or retain an executive or as remuneration for extraordinary performance above and beyond the person's ordinary duties. Such remuneration may not exceed an amount equivalent to 100 percent of fixed annual cash salary. Any decision on such remuneration must be made by the Board of Directors following a proposal by the Remuneration Committee.

The Board must also consider deciding that part of senior executives' variable cash remuneration must be invested in shares or share price-related instruments in Nelly.

Long-term share-related and cash-based incentive plans
The senior executives may be offered incentive plans which must, in general, be share/share price-related and are, therefore, not subject to these guidelines but may also be cash-based. Long-term share/share price-based incentive plans must be designed to ensure the participants' long-term commitment to value growth in Nelly and align the interests of the senior executives with those of the shareholders.

Establishment of criteria for cash variable remuneration and long-term cash-based incentive plans, and the right to demand repayment of such remuneration in certain cases
When the measurement period for meeting criteria for payment of variable cash remuneration and long-term cash-based incentive plans has ended, it is necessary to decide/establish the extent to which the criteria have been met. The remuneration committee is responsible for such assessment. Where financial criteria are concerned, the assessment must be based on the financial information most recently published by Nelly. The remuneration committee must, in its assessment, ensure that the remuneration is linked to Nelly's earnings. When determining the remuneration, the Remuneration Committee must also take relevant circumstances into account in relation to the environment, social conditions, corporate governance and anti-corruption (ESG criteria).

To ensure that performances on which the remuneration has been based are sustainable over time, Nelly must be entitled, with the restrictions that may be stipulated by law or contract, to demand repayment of all or part of remuneration other than fixed cash salary, pension and other customary benefits that has been paid incorrectly as a result of information that turns out to be obviously incorrect (claw-back).

Pension and other customary benefits
Pension commitments are defined contribution and secured through premiums paid to insurance companies. The amount of pension premiums is specified by Nelly's pension plan and must generally correspond to the provision levels applicable under the ITP 1 plan with the resulting restrictions in relation to fixed annual salary. No provisions are made for salary components in excess of 60 income base amounts calculated on an annual basis. Variable cash remuneration must generally not be pensionable. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties, for example, company car, occupational health services and medical expense insurance. The total of such benefits may not exceed 30 percent of the fixed annual cash salary.

Notice of termination and severance pay
On termination of employment, the notice period may not exceed twelve months. The total of fixed cash salary during the notice period and severance pay may not exceed an amount equivalent to the fixed cash salary for eighteen months for the CEO and twelve months for other senior executives. On termination by the employee, the notice period may not exceed six months and the employee is not entitled to severance pay.

Salary and terms of employment for employees
The salary and terms of employment of Nelly's employees were taken into consideration in the preparation of the Board's proposal for these remuneration guidelines. The guidelines do not deviate from the remuneration systems that are generally applied in Nelly to other employees. The remuneration, types of remuneration and development of salary of the senior executives are deemed to be in line with salaries and terms of employment of other employees in Nelly in other respects as well. The development of remuneration of senior executives and remuneration of other employees will be reported in the Board's annual remuneration report.

Remuneration of Board members
Members of the Board of Directors of the parent company, who are appointed at the annual general meeting, may, in special cases, receive remuneration for services performed within their respective specialist areas that fall outside their ordinary Board duties for the parent company. Remuneration for such services must be market-based and approved by the Board.

Decision-making process
The Board has established a Remuneration Committee. The duties of the committee include preparing the Board's decisions on proposals for guidelines for remuneration of senior executives. At least every four years, the Board must submit a proposal for guidelines for remuneration of senior executives to the annual general meeting for resolution. The guidelines must apply until new guidelines have been adopted by the annual general meeting.

The Remuneration Committee must also monitor and assess plans for variable remuneration of the company management, the application of these guidelines for remuneration of senior executives and the remuneration structures and levels of remuneration in the company.

The members of the Remuneration Committee are independent of the company and the executive management. Senior executives do not take part in the Board's discussions and decisions on issues related to remuneration where the issues affect them personally.

Deviations from the guidelines
Where the Board finds that there are particular reasons in a particular case and to safeguard the company's long-term interests, including its sustainability, or to safeguard the company's financial position, the Board is entitled to deviate from the guidelines.

Corporate governance report

If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Description of significant changes and how the shareholders' views have been taken into account

There have been no significant changes to the remuneration guidelines in relation to the guidelines adopted by the extraordinary general meeting on 16 December 2020. No material views on the remuneration guidelines have been presented by shareholders.

Internal control of financial reporting

Nelly Group's procedures for internal control, risk assessment, control activities and monitoring regarding financial reporting are designed to ensure reliable overall financial reporting and external financial reporting in accordance with International Financial Reporting Standards (IFRS), applicable laws, regulations and other requirements for listed companies on Nasdaq Stockholm. This work involves the Board, executive management and other staff.

Control environment

The Board's rules of procedure and instructions to the CEO and Board committees are designed to ensure a clear division of roles and responsibilities for effective management of operational risks. The Board also has several established basic guidelines that are important to its work with internal control activities. This includes control and monitoring of results as compared with plans and prior years. The Audit Committee assists the Board on various issues such as monitoring internal auditing and the accounting policies applied by the Group.

The responsibility for maintaining an effective control environment and the ongoing risk assessment and internal control over financial reporting is delegated to the CEO. In turn, managers at different levels have this responsibility in their specific areas of responsibility. The company management regularly reports to the Board according to established procedures and in addition to the Audit Committee's reports. The control environment is made up of defined responsibilities and authority, instructions, guidelines, manuals and policies, together with laws and regulations. All employees are accountable for compliance with these guidelines.

Risk assessment and control activities

The company has prepared a model for assessing risks in all areas, in which several parameters are identified and measured. These risks are reviewed regularly by the Board and the Audit Committee and include both the risk of loss of assets as well as irregularities and fraud. Special attention was paid to designing controls for preventing and discovering shortcomings in these areas. There is regular monitoring of important areas such as purchasing, logistics and inventory processes, development and performance of the web platform and IT security.

Information and communication

Guidelines that are significant for financial reporting are regularly updated and distributed to the employees concerned. There are formal as well as informal information channels to the executive management and Board for employees to transmit information of significance. Guidelines for external communication ensure that the company applies the highest standards for providing accurate information to the financial market.

Monitoring

The Board continuously evaluates the information submitted by company management and the Audit Committee. The Board receives regular updates between meetings as to the Group's development. The Group's financial position, strategies and investments are discussed at every ordinary Board meeting. The Audit Committee reviews all interim reports prior to publication. The Audit Committee is also responsible for monitoring internal control activities. This work includes ensuring that action is taken to deal with any deficiencies and to implement proposed improvements emerging from the external audit. The external auditors report to the Audit Committee at ordinary committee meetings, where relevant.

Internal audit

The Board annually assesses the need for a specific internal audit function to ensure that the company complies with adopted policies, standards and other applicable laws relating to internal control and financial reporting. Against the background of the company's organisational structure, existing processes and internal control work, the Board has concluded that there is no need to establish an internal audit function. The matter of an internal audit function will be reviewed in 2024.

Board of Directors

Ebba Ljungerud
Chair

Ebba Ljungerud is Chair of the Board of Directors of Canucci AB and a Board member of EG7 AB (publ), STAR STABLE ENTERTAINMENT AB, Goals AB and RugVista Group AB (publ).

Swedish
Born 1972

She was previously CEO of Paradox Interactive AB (publ), a Swedish listed gaming company, held several executive roles at Kindred Group PLC and Betsson AB (publ), and was a Board member of Paradox Interactive AB (publ) and Bingo.com Ltd.

Ebba is an economics graduate from Lund University.

Independent of the company and company management, and independent of the company's major shareholders.

Shareholding (including any related person holding): 121,667 shares

Stefan Palm
Board member

Stefan Palm has over 30 years of experience in the fashion and textile industries and is the founder, Board member and CEO of Lager 157.

Swedish
Born 1970

Independent of the company and company management, but not independent of the company's major shareholders.

Shareholding (including any related person holding): 5,062,605 shares

Josephine Salenstedt
Board member

Josephine Salenstedt has been a Board member of Nelly Group since 28 September 2020. Josephine is a managing partner and Board member of Rite Ventures. She is a Board member of CDON AB and Chair of the Board of Directors of Söder Sportfiske AB. Her previous positions include Chair of the Board of Directors of Skincity and Board member of Paradox Interactive AB.

Josephine is a graduate in business administration from the Stockholm School of Economics.

Swedish
Born 1984

Independent of the company and company management, but not independent of the company's major shareholders.

Shareholding (including any related person holding): Rite Ventures holds 8,714,520 ordinary shares in Nelly Group

Axel Westphalen
Board member

Axel Westphalen is Investment Manager at Nelly's largest shareholder, Rite Ventures, a Board member of SoftCo Invest AB and a Board member of the listed company Heeros Oyj.

Before he joined Rite Ventures, he worked as Associate Partner at McKinsey & Company in Stockholm and Geneva.

Axel has a Master's in International Business from the Stockholm School of Economics and a Master's in International Management from CEMS.

Swedish
Born 1991

Independent of the company and company management, but not independent of the company's major shareholders.

Shareholding (including any related person holding): Rite Ventures holds 8,714,520 ordinary shares in Nelly Group

Daniel Hörnqvist
Board member

Daniel Hörnqvist is the CEO of Frank Dandy and Chair of the Board of Nordic Net Stores, which operates jakt.se, fiske.se and hund.se.

He was previously the CEO of Addnature and Regional Manager Nordic at internetstores. Daniel has a degree in sports marketing and leadership from IHM.

Swedish
Born 1985

Independent of the company and company management, but not independent of the company's major shareholders.

Shareholding (including any related person holding): 49,298 shares.

Lennart Sparud
Board member

Lennart Sparud is CFO of Hjo Installation AB. Lennart is also a Board member of SETEK Group AB and Spencer Invest AB. He was previously a Board member of Alelion Energy Systems AB (publ) and CFO of companies including Hexatronic Group AB (publ), Thunderful Group AB (publ), Salinity Group AB, Vagabond International Aktiebolag and Profura AB.

Lennart is a graduate in economics and law from the University of Gothenburg.

Swedish
Born 1969

Independent of the company and company management, and independent of the company's major shareholders.

Chair of the Audit Committee of Nelly Group.

Shareholding (including any related person holding): 6,488

The current Board was elected until the AGM, which will be held on 13 May 2024.

Management

Helena Karlinder-Östlundh
CEO

Born 1981

Helena Karlinder-Östlundh has been the permanent CEO of Nelly Group since 28 September 2023.

She started work at Nelly in March 2022. Helena had previously worked on issues relating to human resources and organisational development since 2005, first as a consultant at McKinsey & Company and then in senior positions in retail and the music industry. Her most recent role was as Chief People Officer at MECCA Brands in Australia and she had previously also worked in the UK. She already has solid experience of transformation work, both in turnarounds and in hypergrowth companies.

Helena has a Masters of Science in organisational psychology from the London School of Economics and Political Science.

Shareholding (including any related person holding): 10,000 shares.

Niklas Lingblom
Chief Financial Officer

Born 1987

Niklas Lingblom became Chief Financial Officer (CFO) in February 2024.

Niklas has extensive experience in e-commerce and has most recently held the role of CFO at Inet with general responsibility for all financial processes.

He also has prior experience from public companies having held the role of Finance Manager at Powercell Sweden AB (publ). Niklas has also been Financial Controller at IT distributor Exertis CapTech AB and Senior Auditor at EY.

Niklas has a Master's degree from the School of Business, Economics and Law at the University of Gothenburg.

Shareholding (including any related person holding): 11,670 shares.

Lotta Fermén
Chief Assortment Officer

Born 1986

Lotta Fermén became Acting Chief Assortment Officer (CAO) in June 2022. Since January 2023, she has held the role of CAO in a permanent capacity.

Lotta's most recent role was as Category Manager at Nelly, in which her responsibilities included the purchasing team for Nelly's own brands, and she has similar experience from Gina Tricot.

Lotta has a degree in textile economics from the University of Borås.

Shareholding (including any related person holding): 0 shares.

Madeleine Einarsson
Chief Sales Officer

Born 1993

Madeleine Einarsson became Chief Sales Officer (CSO) in August 2023.

Madeleine's most recent role was as sales manager at Nelly, where her responsibilities included sales and performance marketing.

Madeleine is a graduate in business administration from the School of Business, Economics and Law at the University of Gothenburg and in politics from the University of Gothenburg.

Shareholding (including any related person holding): 0 shares.

Anders Hellberg
Chief Technology Officer

Born 1971

Anders Hellberg became Chief Technology Officer (CTO) in September 2023.

Anders' most recent role was as Client Director at Avensia, where he was responsible for relations with partners such as Kappahl, Haglöfs, Nordic Nest, Bygghemma, Trademax and Chilli. Before that he spent 12 years at Stena Line and managed digital business development.

Anders is a graduate in engineering from Chalmers University of Technology in Gothenburg.

Shareholding (including any related person holding): 0 shares.

Stefan Svensson
Chief Operations Officer

Born 1980

Stefan became Chief Operations Officer (COO) of Nelly Group in August 2021. Stefan's most recent role was at NetOnNet, where his responsibilities included the logistics function since 2015.

Stefan previously worked in distribution in the consumer electronics sector and for several years as a consultant in logistics development.

Stefan has an MSc in logistics from the University of Borås.

Shareholding (including any related person holding): 21,277 shares.

Financial statements

Consolidated income statement

(SEK million)	Note	2023	2022
Net revenue	4	1,060.8	1,299.0
Cost of goods sold	13	-552.9	-732.7
Gross profit		**507.9**	**566.2**
Warehousing and distribution costs		-171.3	-205.1
Marketing costs		-100.5	-148.0
Administrative expenses		-223.1	-268.7
Other operating income	5	0.7	1.0
Other operating expenses	5	-2.8	-1.5
Operating profit/loss		**10.9**	**-56.1**
Financial income	6	4.3	0.4
Financial expenses	6	-17.5	-15.9
Profit/loss before tax		**-2.3**	**-71.6**
Tax	7	0.8	-0.1
Profit/loss after tax		**-1.5**	**-71.7**
Attributable to:			
Parent company shareholders		-1.5	-71.7
Profit/loss for the year		**-1.5**	**-71.7**
Basic and diluted earnings per share (SEK)	26	-0.06	-3.98

Consolidated statement of comprehensive income

(SEK million)	Note	2023	2022
Profit/loss for the year		**-1.5**	**-71.7**
Other comprehensive income			
Items that have been or can be reclassified to profit or loss			
Translation differences for foreign operations for the year		-0.9	0.8
Other comprehensive income for the year	14	-0.9	0.8
Comprehensive income for the year		**-2.4**	**-70.9**
Comprehensive income for the year attributable to:			
Parent company shareholders		-2.4	-70.9
Comprehensive income for the year		**-2.4**	**-70.9**

Financial statements

Consolidated statement of financial position

(SEK million)	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	8		
Goodwill		39.7	39.7
Domains		0.1	0.1
Capitalised development expenditure		18.4	23.4
Projects in progress		9.5	0.5
Total intangible assets		**67.7**	**63.7**
Property, plant and equipment			
Leasehold improvements	9	4.7	1.4
Equipment	9	11.7	10.5
Right-of-use assets	19	267.0	284.3
Total property, plant and equipment		**283.4**	**296.2**
Financial assets			
Deferred tax asset	7	75.1	73.8
Deposits		8.0	6.0
Total non-current assets		**434.2**	**439.7**
Current assets			
Inventories	13		
Goods for resale		152.3	225.6
Total inventories		**152.3**	**225.6**
Current receivables			
Trade receivables	11	28.6	38.3
Other receivables, non-interest-bearing		7.3	8.8
Prepaid expenses and accrued income	12	26.3	27.9
Total current receivables		**62.2**	**75.1**
Cash and cash equivalents	18		
Cash and bank balances		151.1	96.8
Total cash and cash equivalents		**151.1**	**96.8**
Total current assets		**365.6**	**397.5**
Total assets		**799.8**	**837.2**

Consolidated statement of financial position, continued

(SEK million)	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	14		
Share capital		30.5	185.0
Other capital contributions		1,441.2	1,405.8
Translation reserve		-4.7	-3.8
Retained earnings including profit/loss for the year		-1,288.4	-1,453.5
Total equity attributable to parent company shareholders		**178.6**	**133.6**
Non-current liabilities			
Interest-bearing			
Lease liabilities	19	183.3	232.6
Total non-current interest-bearing liabilities		**183.3**	**232.6**
Non-interest-bearing			
Other provisions	15	0.0	0.0
Total non-current non-interest-bearing liabilities		0.0	0.0
Total non-current liabilities		**183.3**	**232.6**
Current liabilities			
Interest-bearing			
Lease liabilities	19	100.3	62.0
Total current interest-bearing liabilities		**100.3**	**62.0**
Non-interest-bearing			
Trade payables		90.3	143.2
Current tax liability		0.3	0.1
Other liabilities		110.3	109.9
Accrued expenses and deferred income	16	136.8	155.8
Total current non-interest-bearing liabilities		**337.7**	**409.0**
Total current liabilities		**438.0**	**471.0**
Total liabilities		**621.3**	**703.6**
Total equity and liabilities		**799.8**	**837.2**

For information on pledged assets and contingent liabilities, see Note 17.

Consolidated statement of changes in equity

	Equity attributable to parent company shareholders				
(SEK million) *Note 14*	Share capital	Other capital contributions	Translation reserve	Retained earnings in-cluding profit for the year	Total equity
Opening balance, 1 January 2022	**185.0**	**1,405.8**	**-4.6**	**-1,381.8**	**204.4**
Comprehensive income for the year					
Profit/loss for the year				-71.7	-71.7
Other comprehensive income for the year			0.8		0.8
Comprehensive income for the year			**0.8**	**-71.7**	**-70.9**
Incentive plan				0.1	0.1
Closing balance, 31 December 2022	**185.0**	**1,405.8**	**-3.8**	**-1,453.5**	**133.6**
Opening balance, 1 January 2023	**185.0**	**1,405.8**	**-3.8**	**-1,453.5**	**133.6**
Comprehensive income for the year					
Profit/loss for the year				-1.5	-1.5
Other comprehensive income for the year			-0.9		-0.9
Comprehensive income for the year			**-0.9**	**-1.5**	**-2.4**
Reduction in share capital	-166.5			166.5	
New share issue	12.0	35.4			47.4
Incentive plan					
Closing balance, 31 December 2023	**30.5**	**1,441.2**	**-4.7**	**-1,288.4**	**178.6**

Consolidated statement of cash flows

(SEK million)	Note	2023	2022
Operating activities			
Profit/loss before tax		-2.3	-71.6
Adjustments for items not included in cash flow	23	52.1	48.5
Income tax paid		-2.1	0.7
Cash flow from operating activities before change in operating profit/loss		**47.7**	**-22.4**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in inventories		73.3	-20.6
Increase (-)/decrease (+) in other current receivables		12.7	-21.2
Increase (+)/decrease (-) in trade payables		-52.8	-1.1
Increase (+)/decrease (-) in other current liabilities		-21.6	0.5
Total cash flow from changes in working capital		**11.6**	**-42.5**
Cash flow from operating activities		**59.3**	**-65.0**
Investing activities			
Investments in intangible assets		-14.7	-10.6
Investments in property, plant and equipment		-8.2	-0.5
Cash flow from investing activities		**-22.9**	**-11.1**
Financing activities			
New share issue		47.4	-
Repayment of lease liability		-27.6	-25.1
Change in financial assets		-2.0	0.1
Cash flow from financing activities		**17.8**	**-25.0**
Change in cash and cash equivalents		**54.2**	**-101.0**
Cash and cash equivalents, start of year		**96.8**	**197.5**
Exchange difference for cash and cash equivalents		0.1	0.3
Cash and cash equivalents, end of year		**151.1**	**96.8**

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Income statement – parent company

(SEK million)	Note	2023	2022
Net revenue		1.9	2.0
Gross profit		**1.9**	**2.0**
Administrative expenses		-10.1	-12.1
Operating profit/loss		**-8.2**	**-10.1**
Interest income and similar items		0.0	0.1
Interest expenses and similar items		-0.3	0.0
Profit/loss after financial items	6	**-8.6**	**-10.0**
Group contributions paid		0.0	-60.0
Group contributions received		20.0	0.0
Profit/loss before tax		**11.4**	**-70.0**
Tax	7	-	-
Profit/loss for the year		**11.4**	**-70.0**

Statement of comprehensive income – parent company

(SEK million)	2023	2022
Profit/loss for the year	**11.4**	**-70.0**
Other comprehensive income		
Items that have been or can be reclassified to profit or loss	-	-
Other comprehensive income for the year	**-**	**-**
Comprehensive income for the year	**11.4**	**-70.0**

Balance sheet – parent company

(SEK million)	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	10	247.1	253.1
Deferred tax asset	7	71.7	71.7
Total financial assets		**318.8**	**324.8**
Total non-current assets		**318.8**	**324.8**
Current assets			
Current receivables			
Other receivables		1.0	1.1
Prepaid expenses and accrued income	12	1.1	1.2
Total current receivables		**2.1**	**2.3**
Cash and bank balances	18	7.9	2.3
Total cash and cash equivalents		**7.9**	**2.3**
Total current assets		**10.0**	**4.6**
Total assets		**328.8**	**329.4**

Financial statements

Balance sheet – parent company, continued

(SEK million)	Note	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity	14		
Restricted equity			
Share capital		30.5	184.9
Statutory reserve		0.8	0.8
Total restricted equity		**31.3**	**185.7**
Non-restricted equity			
Share premium reserve		1,440.3	1,405.0
Accumulated profit or loss		-1,192.7	-1,290.5
Profit/loss for the year		11.4	-70.0
Total non-restricted equity		**259.0**	**44.4**
Total equity		**290.3**	**230.1**
Provisions			
Other provisions	15	0.0	0.0
Total provisions		**0.0**	**0.0**
Current liabilities			
Trade payables		0.1	0.2
Liabilities to Group companies		26.8	98.2
Other liabilities		6.2	0.1
Accrued expenses and deferred income	16	5.4	0.8
Total current liabilities		**38.5**	**99.3**
Total liabilities		**38.5**	**99.3**
Total equity and liabilities		**328.8**	**329.4**

For information on pledged assets and contingent liabilities for the parent company, see Note 17.

Statement of changes in equity – parent company

	Restricted equity		Non-restricted equity			
(SEK million) *Note 14*	Share capital	Statutory reserve	Share premium reserve	Accumulated profit or loss	Profit/ loss for the year	Total equity
Opening balance, 1 January 2022	**185.0**	**0.8**	**1,404.9**	**-1,248.7**	**-41.9**	**300.1**
Comprehensive income for the year						
Profit/loss for the year	-	-	-	-	-70.0	-70.0
Comprehensive income for the year	-	-	-	-	-70.0	**-70.0**
Appropriation of profits	-	-	-	-41.9	41.9	0.0
Incentive plan	-	-	-	0.0	-	0.0
Closing balance, 31 December 2022	**185.0**	**0.8**	**1,404.9**	**-1,290.6**	**-70.0**	**230.1**
Opening balance, 1 January 2023	**185.0**	**0.8**	**1,404.9**	**-1,290.6**	**-70.0**	**230.1**
Comprehensive income for the year						
Profit/loss for the year	-	-	-	-	11.4	11.4
Comprehensive income for the year	**-**	**-**	**-**	**-**	**11.4**	**11.4**
Reduction in share capital	-166.5	-	-	166.5	-	0.0
Appropriation of profits				-70.0	70.0	0.0
New share issue	12.0	-	35.4	-	-	47.4
Profit/loss from merger	-	-	-	1.5	-	1.5
Incentive plan	-	-	-	0.0	-	0.0
Closing balance, 31 December 2023	**30.5**	**0.8**	**1,440.3**	**-1,192.7**	**11.4**	**290.3**

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Cash flow statement – parent company

(SEK million)		2023	2022
Cash flow from operations			
Profit/loss after financial items		-8.6	-10.0
Adjustments for items not included in cash flow	23	0.0	0.0
Cash flow from operating activities before change in working capital		**-8.6**	**-10.0**
Cash flow from changes in working capital			
Increase (-)/decrease (+) in other current receivables		0.2	0.0
Increase (+)/decrease (-) in trade payables		-0.1	0.1
Increase (+)/decrease (-) in other current liabilities		-40.7	7.6
Total cash flow from changes in working capital		**-40.6**	**7.7**
Cash flow from operating activities		**-49.2**	**-2.3**
Investing activities			
Divestment of shares in subsidiaries	10	6.0	-
Cash flow from investing activities		**6.0**	**-**
Financing activities			
Divestment of subsidiaries/operations, net liquidity impact		1.5	-
New share issue	14	47.3	-
Cash flow from financing activities		**48.8**	**-**
Cash flow for the year		**5.6**	**-2.3**
Cash and cash equivalents, start of year		2.3	4.7
Cash and cash equivalents, end of year		**7.9**	**2.3**

Notes

Notes

Note 1 General information

Nelly Group AB has its registered office in Borås, Sweden. The company's address is c/o Nelly NLY AB, Box 690, SE-501 13 Borås, Sweden. The consolidated income statement and balance sheet as at 31 December 2023 include the parent company and its subsidiaries. Nelly Group is a limited company listed on the Nasdaq Stockholm exchange under the ticker symbol 'NELLY'. This annual report was approved for publication by the Board and CEO on 10 April 2024.

Note 2 Accounting policies and valuation principles

2.1 Accounting policies
The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups was also applied when preparing the consolidated financial statements.

The parent company applies the same accounting policies as the Group, except where otherwise stated below in the parent company accounting policies section.
The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. The financial statements are, therefore, presented in Swedish krona. All amounts are rounded off to the nearest million, unless otherwise specified.

The accounting policies specified below, with their detailed exceptions described below, were applied consistently to all periods presented in the consolidated financial statements.

2.1.1. Information on IFRS standards or interpretations that came into effect in 2023
The IFRS standards effective as of 2023 had no impact on the consolidated financial statements.

2.1.2 Information on IFRS standards or interpretations that have not yet come into effect
No changes in IFRS with future application are expected to have any significant effect on the consolidated financial statements.

2.2 Classification
Non-current assets and non-current liabilities are essentially expected to be recovered or paid 12 months or more after the end of the reporting period. Current assets and current liabilities essentially comprise amounts expected to be recovered or paid within 12 months of the end of the reporting period.

2.3 Operating segment reporting
An operating segment is a Group entity that engages in activities that may generate income and incur expenses, and for which separate financial information is available. An operating segment's earnings are regularly reviewed by the company's chief operating decision maker to assess performance and allocate resources to the operating segment. The Group does not report segments separately.

2.4 Consolidation principles and business combinations Subsidiaries
Subsidiaries are companies over which Nelly Group AB has a controlling interest. Controlling interest means, directly or indirectly, the right to formulate a company's financial and operational strategies with the aim of receiving economic benefits. When assessing whether there is a controlling interest, potential voting shares that can be used or converted immediately are considered.

Acquisitions
Subsidiaries are recognised using the acquisition method. With this method, acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value of acquired identifiable assets and assumed liabilities on the acquisition date, as well as any non-controlling interest. Transaction expenses, except for those transaction expenses attributable to issued equity or debt instruments, are recognised directly in profit/loss for the year.

Compensation transferred in connection with acquisitions does not include payments for the settlement of past business relationships. This type of settlement is recognised in profit/loss.
Contingent considerations are recognised at fair value on the date of acquisition. In cases where contingent considerations are presented as equity instruments, no revaluation is done, and adjustments are made in equity. Other contingent considerations are revalued at each reporting date and the change is recognised in profit/loss for the year.
Non-controlling interest arises in cases where the acquisition does not include 100% of the subsidiary. There are two options for recognising non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognise non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognising non-controlling interest can be done individually for each acquisition.

For step acquisitions, goodwill is determined on the date control is taken. Previous holdings are assessed at fair value and changes in value are recognised in profit/loss for the year. In business combinations in which the transferred payment, any non-controlling interest, and fair value of previously held interest (for step acquisitions) exceeds the fair value of acquired assets and assumed liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, known as a bargain purchase, it is recognised directly in profit/loss for the year.

Divestments leading to loss of controlling interest but where holdings are retained are measured either as a financial asset at fair value through profit or loss for the year or in accordance with the equity method if the holding retained gives Nelly a controlling interest.
Acquisitions of non-controlling interest are recognised as a transaction in equity, that is, between the parent company's owners (in retained earnings) and the non-controlling interest. Therefore, no goodwill arises in these transactions. The change in non-controlling interest is based on its proportional share of net assets.

Note 2, continued

Transactions eliminated at consolidation
Intra-group receivables and liabilities, income or expenses, and unrealised gains or losses that arise from intra-group transactions between Group companies are eliminated in the preparation of the consolidated accounts.

2.5 Foreign currency
2.5.1 Foreign currency transactions
Foreign currency transactions are translated into the functional currency at the exchange rate that applied on the transaction date. The functional currency is the currency used in the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate applicable at the end of the reporting period. Non-monetary assets and liabilities are translated at the exchange rate applicable when the asset or liability was first recognised. Exchange differences arising are recognised in profit/loss for the year.

2.5.2 Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the Group's reporting currency, the Swedish krona, at the exchange rate applicable at the end of the reporting period. Income and expenses in foreign operations are translated to the Swedish krona at an average rate that approximates the exchange rates on the respective transaction date. Translation differences that arise from currency translation of foreign operations are otherwise recognised in comprehensive income and are accumulated in a separate component of equity called the translation reserve. If the foreign operation is not wholly owned, the translation difference is allocated to non-controlling interest based on its proportional participating interest. When divesting foreign operations, they are realised in the operation for accumulated translation differences, where they are reclassified from the translation reserve in equity to profit/loss for the year. In cases where divestment occurs but controlling interest is retained, the proportional share of cumulative translation differences is transferred from other comprehensive income to non-controlling interest.

2.6 Revenue
2.6.1 Sale of goods and rendering of services
Revenue from the sale of goods is recognised in accordance with the terms of sale, that is, when the goods are submitted to the transport agent, net of returns. Since most sales are made to consumers who, depending on the country, most often have a legal right to return goods in connection with distance selling, the deduction for returns is a relatively significant item. Consolidated revenue reflects seasonal variations. Fourth-quarter revenue usually exceeds the other quarters due to major e-commerce days and Christmas shopping.

2.6.2 Bartering
Bartering refers to the exchange of gift vouchers for other goods or services. Bartering is recognised at the fair value of the goods or services. The fair value is determined from existing contracts for the same type of services with other customers. Gift vouchers sold are recorded as a liability and are recognised as revenue and expense at the time of use.

2.7 Leasing
In the recognition of leases, the asset is recognised as property, plant and equipment in the consolidated statement of financial position and measured initially at cost, which consists of the initial value of the lease liability plus lease payments paid on or before the start date plus any initial direct expenses. The lease liability, which is divided into a non-current part and a current part, is measured initially at the present value of outstanding lease payments during the estimated lease term. The lease liability comprises the present value of the following payments during the estimated lease term:

- Fixed payments
- Variable lease payments linked to an index or price (rate)
- Any residual value guarantees that are expected to be paid

The value of the debt increases by the interest expense for each period and decreases by the lease payments. The interest expense is calculated as the value of the debt multiplied by the discount rate. The lease liability for the Group's premises with index-linked rent is calculated on the rent payable at the end of each reporting period. At this time, the debt is adjusted by the corresponding adjustment of the carrying amount of the right of use asset.

The lease payments are discounted by the Group's marginal borrowing rate. However, where implicit interest can easily be established, that rate is used, and this is the case for some of the Group's vehicle leases.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as separate items in the statement of financial position. No right-of-use asset or lease liability is recognised for leases that have a term of 12 months or less or an underlying asset of low value, under SEK 50,000. Lease payments for these leases are recognised as an expense in a straight line over the lease term. For more information about the Group's leases, see note 19.

2.8 Financial income and expenses
Financial income comprises interest income on invested funds. Financial expenses consist mainly of interest expenses related to right-of-use assets. Any borrowing costs are recognised in profit/loss using the effective interest method. Exchange gains and exchange losses are recognised net, with operating-related in operating profit/loss and finance-related with financial items. Effective interest is the interest that discounts estimated future payments and disbursements during a financial instrument's expected term at the financial asset's or liability's recognised net value. The calculation includes all fees paid or received by the parties to the contract, transaction costs and all other surplus and deficit values.

2.9 Taxes
Income taxes comprise current and deferred tax. Income taxes are recognised in profit/loss for the year, except when the underlying transaction is recognised in other comprehensive income or equity, in which case the related tax effect is recognised in other comprehensive income or equity.

Current tax is tax that is payable or receivable for the current year, according to the tax rates enacted or for all practical purposes enacted at the end of the reporting period. Current tax also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not considered in consolidated goodwill or for differences that arise in initial recognition of assets and liabilities that are not business combinations,

Note 2, continued

which at the time of the transaction affect neither recognised nor taxable earnings. Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognised if it is deemed probable that they can be used. The value of deferred tax assets is reduced when their use is no longer deemed probable. Any additional income tax that arises in conjunction with dividends is recognised as a liability when the dividend is recognised.

2.10 Financial instruments
Financial instruments recognised in the statement of financial position include cash and cash equivalents, loans receivable, and trade receivables among the assets and trade payable and loans payable among the liabilities.

2.10.1 Recognition in and derecognition from the statement of financial position
A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the contractual provisions of the instrument. A receivable is carried when the company has rendered a service or supplied a product and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been sent. Trade receivables are carried in the statement of financial position when an invoice is sent. Liabilities are carried when the counterparty has rendered a service or supplied a product and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are carried when an invoice is received. Financial assets are removed from the statement of financial position when the entitlements of agreements are realised, fall due or the company loses control of them. The same applies to part of a financial asset. Financial liabilities are removed from the statement of financial position when contractual obligations are fulfilled or are otherwise extinguished. The same applies to part of a financial liability.

In some cases, the Group sells receivables to external factoring companies. Normally, a full transfer of credit risk occurs, which means that all significant risks and rewards are transferred to the external party. The sold receivables are then derecognised from the statement of financial position. The difference between the carrying amount of the sold receivable and the price paid for the receivable by the factoring company is recognised in the income statement.

Financial assets and financial liabilities are offset and recognised at the net amount in the statement of financial position only when there is a legal offset right for the amounts and the intention is to (1) settle the items at a net amount, or (2) realise the asset and settle the liability simultaneously.

Acquisitions and disposals of financial assets are recognised on the settlement date, which is the date the asset is delivered to or from the company.

2.10.2 Classification and measurement
Financial instruments that are not derivatives are initially recognised at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments apart from those in the category of financial assets at fair value through profit or loss; these are recognised at fair value excluding transaction costs. A financial instrument is classified at initial recognition based in part on the purpose for which it is acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

2.10.3 Trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. is determined based on the effective rate as calculated at acquisition. Trade receivables are recognised at the amounts expected to be received, that is, less bad debts.

2.10.4 Financial liabilities
This category contains loans and other financial liabilities, such as trade payables. Liabilities are valued at amortised cost.

Consolidated financial assets and liabilities are allocated to the categories described in Note 19 Financial instruments and financial risk management. Recognition of financial income and expenses is also described in section 2.8 above.

2.11 Property, plant and equipment
Property, plant and equipment are recognised in the consolidated accounts at cost, less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to ensuring the asset is in place and in the right condition to be used as intended. Borrowing costs that are directly attributable to the purchase, construction, or production of assets that require a substantial amount of time to ready for their intended use or sale are included in the cost.

The carrying amount of an item of property, plant or equipment is derecognised from the statement of financial position upon retirement or sale or when no future economic benefits are expected from the asset's retirement/sale. Gains or losses that arise from an asset's retirement or sale comprise the difference between the selling price and the carrying amount, less direct selling expenses. Gain and loss are recognised as other operating income/expense.

2.11.1 Depreciation principles for property, plant and equipment

Depreciation occurs on a straight-line basis over the estimated useful life of the asset. Depreciation methods, residual values and useful lives are reassessed at each year-end.

Estimated useful lives:

Fixtures and fittings 3–10 years
Leasehold improvements 5–10 years

2.12 Intangible assets
2.12.1 Intangible assets with indefinite useful lives
2.12.1.1 Goodwill
Goodwill arising in connection with a business combination is the difference between the cost of the business acquisition and the fair value of identifiable net assets, assumed liabilities and recognised contingent liabilities.

Goodwill is valued at cost, less any accumulated impairment losses. Goodwill is divided between the cash-generating units and tested at least once a year for impairment, or when there is an indication of a need for impairment. Impairment of goodwill is not reversed. For more information about impairment, see accounting policy 2.14.

2.12.1.2 Brands
Trademarks are carried at cost, less any accumulated impairment losses. Trademarks are allocated to cash-generating units and are

tested at least once a year for impairment. For more information about impairment, see accounting policy 2.14.

2.12.2 Intangible assets with defined useful lives
2.12.2.1 Development expenses
Development expenses for creating new or improved products or processes are recognised as assets in the statement of financial position if the product or process is technically and commercially viable and the Group has the resources to complete the development. The carrying amount includes direct costs and, where applicable, expenses for salaries and share of indirect expenses. Other expenses are recognised in the income statement as expenses when they arise. In the statement of financial position, capitalised development expenses are carried at cost, less accumulated amortisation and any impairment losses. Capitalised expenses refer mainly to software and software platforms and other IT-related investments.

2.12.2.2 Domains
Domains are recognised at cost less accumulated amortisation (see below) and impairment loss (see accounting policy 2.14).

2.12.3 Amortisation method for intangible assets
Amortisations are recognised in profit for the year on a straight-line basis over the estimated useful life of the intangible asset, provided such useful life is indefinite. Useful lives are reassessed at least once a year. Goodwill with an indefinite useful life is tested for impairment annually and when there are indications that the asset has lost value. Intangible assets with determinable useful lives are amortised from the date on which they become available for use.

Estimated useful lives:

Development expenditure	3–5 years
Domains	10 years
Brands	10 years

2.13 Inventories
Inventories are valued according to the lowest value principle, which means the lower of cost and net realisable value. Net realisable value is the estimated selling price in the business's operating activities less the estimated costs of sales. The cost of inventory is based on weighted averages and includes expenses incurred in the acquisition of goods and bringing the goods to their present state and location.

2.14 Impairment losses
The Group's recognised assets are assessed at the end of every reporting period to determine whether indications of impairment exist. IAS 36 is applied to impairment of assets other than financial assets, which are recognised as per IFRS 9.

2.14.1 Impairment of property, plant and equipment and intangible assets
The recoverable amount of the asset is calculated if there is indication of impairment (see below). The recoverable amount is also calculated annually for goodwill, trademarks and intangible assets that are not yet ready for use. If substantially independent cash flows to an individual asset cannot be established, and if the asset's fair value less selling expenses cannot be used, then assets are grouped in impairment testing at the lowest level at which substantially independent cash flows can be identified – this grouping is called a cash-generating unit (CGU).

An impairment charge is recognized when the carrying amount of an asset or CGU (group of units) exceeds the recoverable amount. Impairment loss is recognised in profit/loss for the year as an expense.

Nelly consists of a cash-generating unit and when a need for impairment has been identified for a cash-generating unit (group of units), the impairment amount is initially allocated to goodwill and, if the difference is higher than the goodwill amount, it is allocated proportionally to other assets in the unit (group of units).

The recoverable amount is the higher of fair value less selling expenses and value in use. When calculating value in use, future cash flows are discounted using a discount rate that accounts for risk-free interest and the risk associated with the specific asset.

2.14.2 Presentation of credit losses
For financial assets measured at amortised cost, provisions for credit losses are presented in the balance sheet as a reduction in the recognised gross value of the asset to obtain the recognised net value.

Changes in provisions for credit losses and write-offs are presented in the income statement as credit losses. Repayments of write-offs and recoveries of provisions are recognised as income in credit losses.

2.14.3 Reversal of impairment losses
Impairment losses on assets included in the scope of IAS 36 are reversed if there is (1) an indication that impairment has ceased and (2) a change in the assumptions that formed the basis of calculating the recoverable amount. Impairment losses on goodwill are never reversed. A reversal only occurs to the extent that the asset's carrying amount (after reversal) does not exceed the carrying amount that would have been recognised (less depreciation or amortisation, where applicable), had no impairment loss been recognised. Impairment losses on trade receivables recognised at amortised cost are reversed if the previous reasons for impairment no longer exist and full payment from the customer is expected to be received.

2.15 Capital payments to shareholders
2.15.1 Dividends
Dividends are recognised as a liability after approval at the AGM.

2.15.2 Purchase of treasury shares
Acquisition of treasury shares is recognised as a deductible item from equity. Payment from divestment of such equity instruments is recognised as an increase in equity. Transaction expenses are recognised immediately in equity.

2.16 Earnings per share
The calculation of earnings per share is based on consolidated profit/loss for the year attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year. In calculating diluted earnings per share, earnings and the average number of shares are adjusted to account for effects of diluted potential ordinary shares. For the reported periods, the parent company had instruments that may generate potential dilution in the future: custodial shares attributable to the Group incentive plan. The incentive plans had no dilutive effect in 2023 or 2022.

Note 2, continued

2.17 Employee benefits
2.17.1 Short-term employee benefits
Short-term employee benefits are calculated without discounting and are recognised as a cost when the related services are rendered.

A provision is recognised for the expected cost of bonus payments when the Group has an applicable legal or constructive obligation to make such payments due to services being rendered by employees, and the commitment can be reliably calculated.

2.17.2 Defined contribution pension plans
Defined contribution plans are plans wherein the company's obligation is limited to the contributions the company has undertaken to pay. In such cases the size of the employee's pension depends on the contributions the company pays to the plan or to an insurance company and the contributions' return on capital. The employee thus bears the actuarial risk (that the remuneration will be lower than expected) and the investment risk (that the invested assets will not suffice to pay out the expected remuneration). The company's obligations for contributions to defined contribution plans are recognized as an expense in profit/loss for the year at the rate earned by the employee performing services for the company over a period.

2.17.3 Termination benefits
An expense for remuneration paid on termination of employment is only recognised if the company is demonstrably committed – without realistic option of withdrawal – to a detailed formal plan to terminate an employment contract before the normal end date. If benefits are offered to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and that the number of employees who will accept the offer can be reliably estimated.

2.17.4 Share-related remuneration
The Group has long-term performance share plans directed to certain employees that consist of share rights. The fair value of the plans is measured as of the grant date. The fair value includes social security contributions and is distributed over the vesting period, based on the Group's estimate of the number of share rights that will eventually be redeemed. The expense is reported in the income statement as employee benefit expenses including the corresponding equity increase. Fair value is revalued each month for social security contributions and is adjusted in future periods to eventually reflect the number of share rights that will be redeemed. See Note 21.

2.18 Provisions
A provision differs from other liabilities because of prevailing uncertainty about payment date or the amount required to settle the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation due to a past event, and it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated.
The amount allocated to a provision is the best estimate of what is required to settle the existing obligation on the reporting date. When the payment date has a material impact, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects (1) current market estimates of the time value of money and (2) where applicable, the risks associated with the liability.

2.19 Discontinued operations
A discontinued operation is a component of a company's operations that represents an independent business or a significant business within a geographical area or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs upon divestment or at an earlier date when the business meets the criteria for classification as held for sale.

Profit/loss after tax from discontinued operations is recognized on a separate line in the income statement and statement of other comprehensive income. When operations are classified as discontinued, the design of the comparative year's income statement and statement of other comprehensive income is changed so that recognition is as if the discontinued operations had been sold off at the start of the comparative year. The design of the statement of financial position for the current and previous year is not changed in the same way.

2.20 Contingent liabilities
A contingent liability is recognised when there is a possible obligation from past events, and the occurrence of the obligation is only confirmed by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision since it is not probable that an outflow of resources will be required.

2.21 Parent company accounting policies
The parent company prepared its annual accounts as per the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Accounting for Legal Entities of the Swedish Corporate Reporting Board. RFR 2 means that, in the annual report for the legal entity, the parent company must apply all EU-approved IFRS and interpretations as far as possible within the framework of the Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and regarding the connection between accounting and taxation. The recommendation states which exceptions from and additions to IFRS must be applied.

2.21.1 Differences between accounting policies of the Group and parent company
The differences between Group and parent company accounting policies are stated below.

2.21.1.1 Changes to accounting policies
Unless otherwise indicated below, changes to the parent company's accounting policies in 2023 were the same as stated above for the Group.

2.21.1.2 Subsidiaries
The parent company recognises investments in subsidiaries at cost, including transaction costs. Transaction costs are recognised as expenses in the consolidated financial statements when they arise. Contingent considerations are valued based on the probability that the purchase price will be paid. Any changes to the recognised additional purchase price is added to/deducted from the cost. In the consolidated financial statements, contingent considerations are recognised at fair value and changes in value are recognised in profit when they take place.

2.21.1.3 Group contributions and shareholder contributions for legal entities
The parent company recognises Group contributions received and paid as balance sheet appropriations in accordance with RFR 2. Shareholder contributions are recognised directly in the equity of the recipient and are capitalised in shares and participating interests of the issuer, to the extent impairment is not required.

Note 2, continued

Note 3 Estimates and assessments

Preparation of the financial statements using IFRS requires that the Board and company management make assessments, estimates and assumptions that affect application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. These estimates and assumptions are mainly based on historical experience and other factors that are judged to be reasonable taking current conditions into consideration. The actual outcome may differ from these estimates and assessments.
The estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period when the change is made – if the change only affected that period. If the change affects current and future periods, it is recognised in the period when the change is made and in future periods. The development of, selection of and disclosures regarding the Group's significant accounting policies and estimates and the application of these policies and estimates are reviewed by Nelly Group's Audit Committee.

Note 8 contains information about the assumptions and risk factors regarding impairment testing of goodwill and other intangible assets with indefinite useful lives.

Goodwill
Goodwill with an indefinite useful life is tested annually for impairment or when evidence demonstrates a need for impairment. The impairment test requires that management determine the fair value of cash-generating units based on projected cash flows and internal business plans and forecasts. Estimates and assessments are shown in Note 8 Intangible assets.

Deferred tax asset
The Group's deferred tax assets are based on loss carry-forwards in the Swedish operations. Management has made assumptions and assessments about the company's future earnings potential and, based on this, the scope for future utilisation of these loss carry-forwards is evaluated.

Inventory valuation
Inventories are evaluated at the close of accounts each month to determine their net realisable value. An impairment loss is recognised in cost of goods sold at the amount by which the net realisable value is lower than cost. If the actual decrease in value differs from estimates or if management make future adjustments to the assumptions, changes in valuation may affect the period's earnings and financial position.

Income – Assessment of return rate
At the close of accounts each month, the provision requirement associated with expected returns is assessed. The assessment is carried out based on historical outcome and actual sales. The provision requirement is recognised as a reduction in net revenue, with the equivalent adjustment being made to cost of goods sold.

Provisions and contingent liabilities
Liabilities are recognised when there is a present obligation resulting from a past event, when it is probable that an outflow of economic benefits will occur, and a reliable assessment of the amount can be made. In these cases, a calculation of the provision is made and recognised in the statement of financial position.

A contingent liability is recognised in the notes when a possible obligation is incurred, but whose existence can only be confirmed by one or more uncertain future events beyond the Group's control, or when it is not possible to calculate the amount. Realisation of contingent liabilities that are not recognised or not included in the annual report can have a material effect on the Group's financial position.

The Group regularly reviews significant outstanding disputes to determine the need for provisions. Among the factors considered in such an assessment are the type of litigation or summons, the amount of any damages, the development of the case, perceptions of legal and other advisers, experience from similar cases and decisions of Group management regarding the Group's actions concerning these disputes. Estimates do not necessarily reflect the outcome of settled litigation and differences between outcome and estimate may significantly affect the company's financial position and have an unfavourable impact on operating profit and liquidity. For additional information, see Note 15 Other provisions.

Note 4 Net revenue by country and type

The Group's net revenue and non-current assets are recognised below by geographical area because the countries have different business conditions. The geographical breakdown into Sweden, rest of the Nordics and rest of the world reflects where income is generated.
Net revenue mainly comprises online sales of products. Sales are recognised by country of sale, that is, the country in which the consumer is located. No individual customer represents more than 10 percent of consolidated trade receivables.

Geographical distribution (SEK million)	Net revenue		Non-current assets	
	2023	2022	2023	2022
Sweden	548.9	625.6	434.2	439.7
Other Nordics	494.4	620.0	-	-
Rest of world	17.5	53.4	-	-
Total	**1,060.8**	**1,299.0**	**434.2**	**439.7**

Net revenue per type of income (SEK million)	2023	2022
Products	1,030.9	1,268.0
Services	29.9	31.0
Total net revenue	**1,060.8**	**1,299.0**

Notes

Note 5 Other operating income and expenses

	Group		Parent company	
(SEK million)	2023	2022	2023	2022
Other operating income				
Other operating income	0.7	1.0	1.9	2.0
Exchange gains on operating receivables/liabilities	0.0	0.0	0.0	0.0
Total	**0.7**	**1.0**	**1.9**	**2.0**
Other operating expenses				
Loss on sale of non-current assets	0.0	0.0	-	-
Exchange losses on operating receivables/liabilities	-2.8	-1.5	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0
Total	**-2.8**	**-1.5**	**0.0**	**0.0**
Total other operating income and expenses	**-2.1**	**-0.5**	**1.9**	**2.0**

Note 6 Financial items

	Group		Parent company	
(SEK million)	2023	2022	2023	2022
Profit/loss from investments in subsidiaries[1]	-1.2	-	-	-0.1
Profit/loss from investments in subsidiaries	**-1.2**	**-**	**-**	**-0.1**
Interest income:				
- Interest income, other	3.1	0.4	-	-
Exchange rate gains/losses	2.4	-	-	-
Financial income	**4.3**	**0.4**	**0.0**	**-0.1**
Interest expenses:				
- Interest expenses, leases	-11.4	-12.2	-	-
- Interest expenses, other	-6.0	-0.9	-0.3	0.0
Exchange rate gains/losses	-	-2.7	0.0	0.0
Other	-0.1	-0.1	-	-
Financial expenses	**-17.5**	**-15.9**	**-0.3**	**0.0**
Net financial items	**-13.2**	**-15.4**	**-0.3**	**-0.1**

[1]NLY Norge AS was liquidated as at 21 November 2023

Note 7 Taxes

	Group		Parent company	
Distribution of tax expenses (SEK million)	**2023**	**2022**	**2023**	**2022**
Current tax expense				
Current tax for the period	-0.5	-0.1	-	-
Total	**-0.5**	**-0.1**	**-**	**-**
Deferred tax				
Deferred tax on temporary differences	1.3	1.5	-	-
Deferred tax on loss carry-forwards	-	-1.5	-	-
Total	**1.3**	**0.0**	**-**	**-**
Total recognised consolidated tax expense	**0.8**	**-0.1**	**-**	**-**

	Group				Parent company			
Reconciliation of tax expense (SEK million)	2023	%	2022	%	2023	%	2022	%
Profit/loss before tax	**-2.3**	**-**	**-71.6**	**-**	**11.4**		**-70.0**	**-**
Tax as per applicable tax rate for parent company	0.5	-20.6	14.7	-20.6	-2.4	-20.6	14.4	-20.6
Non-taxable income	0.0	0.0	-	0.0	0.0	0.0	-	0.0
Non-deductible expenses	-0.2	8.7	-0.2	0.3	-0.1	-0.5	-	0.0
Increase in loss carry-forward without corresponding capitalisation of deferred tax	-1.1	47.8	-14.6	20.4	2.5	21.1	-14.4	20.6
Effective tax/tax rate	**-0.8**	**35.9**	**-0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**

	Group		Parent company	
(SEK million)	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred tax asset				
Loss carry-forwards	71.7	71.7	71.7	71.7
Other	3.4	2.1	-	-
Total	**75.1**	**73.8**	**71.7**	**71.7**
Net deferred tax	**75.1**	**73.8**	**71.7**	**71.7**

Change in net temporary differences is recognised on the next page:

Notes

Note 7, continued

Group (SEK million)	2023						
	Opening balance 1 January	Deferred tax income	Deferred tax expense	Divestment of subsid-iaries	Recognised in equity	Other	Closing balance, 31 December
Temporary differences:							
Loss carry-forwards	71.7	-	-	-	-	-	71.7
Other	2.1	1.3	-	-	-	-	3.4
Total	**73.8**	**1.3**	**-**	**-**	**-**	**-**	**75.1**

Group (SEK million)	2022						
	Opening balance 1 January	Deferred tax income	Deferred tax expense	Divestment of subsid-iaries	Recognised in equity	Other	Closing balance, 31 December
Temporary differences:							
Loss carry-forwards	73.2	-	-1.5	-	-	-	71.7
Other	0.6	1.5	-	-	-	-	2.1
Total	**73.8**	**1.5**	**-1.5**	**-**	**-**	**-**	**73.8**

Parent company (SEK million)	2023				
	Opening balance 1 January	Deferred tax income	Deferred tax expense	Recognised in equity	Closing balance, 31 December
Temporary differences:					
Loss carry-forwards	71.7	-	-	-	71.7
Total	**71.7**	**-**	**-**	**-**	**71.7**

Parent company (SEK million)	2022				
	Opening balance 1 January	Deferred tax income	Deferred tax expense	Recognised in equity	Closing balance, 31 December
Temporary differences:					
Loss carry-forwards	71.7	-	-	-	71.7
Total	**71.7**	**-**	**-**	**-**	**71.7**

At 31 December 2023, recognised consolidated loss carry-forwards without an expiration date amounted to SEK 708.9 (720.7) million. For the year, the Group decided not to accumulate further deficits on recognised losses.

Note 8 Intangible assets

	Group	
Development expenditure and projects in progress (SEK million)	2023	2022
Opening accumulated cost	**105.8**	**95.2**
Investments	14.6	10.6
Sales/disposals	-47.9	-
Closing accumulated cost	**72.5**	**105.8**
Opening accumulated amortisation	**-81.9**	**-74.3**
Sales/disposals	47.9	-
Amortisation	-10.6	-7.6
Closing accumulated amortisation	**-44.6**	**-81.9**
Carrying amounts	**27.9**	**23.9**

The item includes projects in progress and development work of 9.5 (0.5) that has not yet been taken into use. The expenses are mainly attributable to the business's web platform and IT environment.

Amortisation costs attributable to completed intangible assets of SEK 10.6 (7.6) million are included in consolidated selling and administrative expenses.
Both internal and external expenditure was capitalised. No borrowing costs were capitalised.
Projects in progress are not amortised.

	Group	
Domains (SEK million)	2023	2022
Opening accumulated cost	**4.4**	**4.4**
Closing accumulated cost	**4.4**	**4.4**
Opening accumulated amortisation	**-4.3**	**-4.2**
Amortisation for the year	0.0	-0.1
Closing accumulated amortisation	**-4.3**	**-4.3**
Carrying amounts	**0.1**	**0.1**

	Group	
Goodwill (SEK million)	2023	2022
Opening accumulated cost	**39.7**	**39.7**
Closing accumulated cost	**39.7**	**39.7**
Carrying amounts	**39.7**	**39.7**

This items concerns goodwill from Nelly Group's previous acquisition of Nelly.

Note 8, continued

Impairment testing for the group's cash-generating unit containing goodwill
The Group's cash-generating unit, Nelly, recognises significant goodwill:

(SEK million)	2023	2022
NLY Group	39.7	39.7
Total	**39.7**	**39.7**

Impairment testing

Impairment testing for goodwill for cash-generating units is based on the recoverable amount (value in use), calculated using a discounted cash flow model. The cash flow is projected over a five-year period and is based on the most recently adopted budgets and forecasts, which are based on actual historical outcomes of the business. The single most important variables associated with the preparation of the impairment tests are net revenue, operating margin and working capital. The net revenue forecast is the total of estimated performance within each area of operations and the operating margin forecast is an average of the product mix.

The cash flow is discounted for the cash-generating unit using an appropriate discount rate, taking into consideration the cost of capital and risk. The estimated cash flows were calculated at present value using a discount rate of 14.5 (11.2) percent after tax.

The impairment test does not indicate any impairment requirement. Impairment tests generally have a margin such that reasonable changes in individual parameters would not cause the recoverable amount to fall below the carrying amount. However, the cash flow forecasts are uncertain and may also be influenced by factors beyond the company's control. Even if the estimated growth rate applied after the forecast five (5)-year period had been zero, there would have been no need to recognise a goodwill impairment loss. Even if the estimated discount rate applied to the discounted cash flows had been one (1) percent (%) higher, there would have been no need to recognise a goodwill impairment loss. Nor does the company deem that likely changes in other important assumptions would cause the recoverable amount to fall below the carrying amount.

Note 9 Property, plant and equipment

	Group	
Leasehold improvements (SEK million)	2023	2022
Opening accumulated cost	**1.7**	**1.7**
Investments	3.6	-
Closing accumulated cost	**5.3**	**1.7**
Opening accumulated depreciation	**-0.3**	**-0.1**
Depreciation for the year	-0.4	-0.2
Closing accumulated depreciation	**-0.7**	**-0.3**
Carrying amounts	**4.7**	**1.4**

Both internal and external expenditure was capitalised. No borrowing costs were capitalised.

Depreciation of SEK 0.4 (0.2) million are included in consolidated selling and administrative expenses.

Note 9, continued

Equipment (SEK million)	Group 2023	Group 2022	Parent company 2023	Parent company 2022
Opening accumulated cost	**16.8**	**16.3**	**-**	**-**
Investments	4.5	0.5	-	-
Closing accumulated cost	**21.3**	**16.8**	**-**	**-**
Opening accumulated depreciation	**-6.3**	**-3.0**	**-**	**-**
Depreciation for the year	-3.3	-3.3	-	-
Closing accumulated depreciation	**-9.6**	**-6.3**	**-**	**-**
Carrying amounts	**11.7**	**10.5**	**-**	**-**

Depreciation of SEK 3.3 (3.3) million is included in consolidated selling and administrative expenses. Depreciation/amortisation for the parent company of SEK 0.0 (0.0) million is included in the parent company's selling and administrative expenses.

Construction in progress (SEK million)	Group 2023	Group 2022
Opening accumulated cost	**-**	**0.3**
Investments	-	-
Reclassifications	-	-0.3
Closing accumulated cost	**-**	**-**
Carrying amounts	**-**	**-**

Note 10 Participations in Group companies

Shares in subsidiaries, parent company (SEK million)	Corporate identity number	Regis-tered office	No. of shares	Share capi-tal (%)	Voting rights (%)	Carrying amount 31 Dec 2023	Carrying amount 31 Dec 2022
Nelly NLY AB	556653-8822	Borås	172,100	100.0	100.0	247.1	247.1
QGSS AB	556774-1300	Borås	1,000	100.0	100.0	-	6.0
Total						**247.1**	**253.1**

Shares in subsidiaries, Group (SEK million)	Corporate ID number	Registered office	No. of shares	Share capital (%)	Voting rights (%)
Nelly NLY AB	556653-8822	Borås	172,100	100.0	100.0

Notes

Note 10, continued

Shares and investments in subsidiaries (SEK million)	Parent company	
	2023	2022
Opening accumulated cost	**253.1**	**253.1**
Divestment of subsidiaries	-6.0	-
Closing balance, 31 December	**247.1**	**253.1**
Carrying amount, 31 December	**247.1**	**253.1**

QGSS AB was merged with Nelly Group AB as at 12 January 2023. NLY Norge AS, which was a wholly owned subsidiary of Nelly NLY AB, was liquidated as at 21 November 2023.

Note 11 Trade receivables

Credit exposure

(SEK million)	Group	
	2023	2022
Trade receivables not overdue or impaired	20.1	26.9
Trade receivables overdue but not impaired	8.5	11.5
Trade receivables impaired	0.5	1.3
Provision for bad debts	-0.5	-1.3
Total trade receivables	**28.6**	**38.3**

The Group's trade receivables are mainly in SEK. Thus, no significant currency exposure is deemed to arise in the consolidated trade receivables.

Credit risk in non-overdue or impaired trade receivables is considered insignificant. No individual customer represents more than 10 percent of consolidated trade receivables. See Note 18 for further details regarding credit risk.

Maturity structure

Overdue trade receivables without provision for bad debts (SEK million)	31 Dec 2023	31 Dec 2022
<30 days	7.7	10.0
30–90 days	0.8	1.5
>90 days	-	-
Total	**8.5**	**11.5**

Overdue trade receivables with provision for bad debts (SEK million)	31 Dec 2023	31 Dec 2022
<30 days	-	-
30–90 days	-	-
>90 days	0.5	1.3
Total	**0.5**	**1.3**

Provision for bad debts (SEK million)	31 Dec 2023	31 Dec 2022
Opening balance, 1 January	-1.3	-1.5
Provision for potential losses	-0.5	-1.3
Unutilised amount reversed during the period	1.8	1.5
Actual losses	-0.5	-
Exchange difference	0.0	0.0
Closing balance, 31 December	**-0.5**	**-1.3**

Note 12 Prepaid expenses and accrued income

	Group		Parent company	
(SEK million)	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Prepaid rent	8.1	8.3	-	-
Prepaid insurance expenses	0.4	0.4	0.4	0.4
Prepaid licensing costs	4.1	5.0	0.6	0.7
Accrued income	1.3	1.9	-	-
Other prepaid expenses and accrued income	12.4	12.3	0.1	0.1
Total	**26.3**	**27.9**	**1.1**	**1.2**

Note 13 Inventories

	Group	
Inventories (SEK million)	2023	2022
Finished goods and merchandise	120.1	182.8
Goods in transit	14.6	18.4
Value of expected returns	17.6	24.4
Total	**152.3**	**225.6**

Consolidated cost of goods sold includes SEK -9.9 (-12.9) million in impairment of inventories to net realisable value. There were no significant reversals of previous impairments in 2023 or 2022.

Note 14 Equity

At 31 December 2023, share capital comprised 30,483,985 (18,494,973) shares. Each share has a quotient value of SEK 1 (SEK 10).

Shares issued	No. of shares	Share capital (SEK million)
Ordinary shares	30,015,278	30.0
Class C shares	468,707	0.5
Total number of shares issued/total share capital at 31 December 2023	**30,483,985**	**30.5**

Change in number of shares/share capital

Date	Event	Change in share capital (SEK million)	Change in no. of shares	Share capital after change (SEK)	No. of shares after change
11 Dec 1936	Establishment	1,000,000	2,000	1,000,000	2,000
24 Sept 2010	Split	-	498,000	1,000,000	500,000
24 Sept 2010	Offset issue	131,090,244	65,545,122	132,090,244	66,045,122
26 Oct 2010	Cash issue	594,004	297,002	132,684,248	66,342,124
31 May 2011	Cash issue Class C shares	380,000	190,000	133,064,248	66,532,124
30 May 2012	Cash issue Class C shares	570,000	285,000	133,634,248	66,817,124
14 June 2013	Cash issue	66,342,124	33,171,062	199,976,372	99,988,186
3 Sept 2013	Cash issue Class C shares	1,400,000	700,000	201,376,372	100,688,186
19 Dec 2014	Cash issue	99,513,186	49,756,593	300,889,558	150,444,779
30 Apr 2018	Cash issue Class C shares	9,100,000	4,550,000	309,989,558	154,994,779
23 May 2019	Reduction in share capital	-154,994,779	-	154,994,779	154,994,779
26 Aug 2020	Cash issue	29,954,951	29,954,951	184,949,730	184,949,730
30 Dec 2020	Reverse split of a num-ber of shares	-	-166,454,757	184,949,730	18,494,973
20 April 2023	Reduction in share capital	-166,454,757	-	18,494,973	18,494,973
20 April 2023	Cash issue	11,989,012	11,989,012	30,483,985	30,483,985
Number of shares issued/share capital at 31 December 2023		**30,483,985**	**30,483,985**	**30,483,985**	**30,483,985**

On 27 June 2023, the Swedish Companies Registration Office registered the reduction in share capital in Nelly Group and the Swedish Financial Supervisory Authority's permission to implement the reduction in share capital.

On 20 April 2023, Nelly Group held a preferential share issue for approximately SEK 50 million less transaction expenses, which increased the total number of shares by 11,989,012 ordinary shares. The share capital thus increased by SEK 11,989,012, from SEK 18,494,973 to SEK 30,483,985.

On 26 August 2020, Nelly Group held a new share issue for approximately SEK 210 million less transaction expenses, which increased the total number of shares by 29,954,951 ordinary shares. The share capital thus increased by SEK 29,954,951, from SEK 154,994,779 to SEK 184,949,730.

On 16 December 2020, a reverse split was agreed upon for shares and votes in Nelly Group. On 30 December 2020, the number of shares and votes in Nelly Group decreased from 184,949,730, of which 179,729,730 ordinary shares and 5,220,000 class C shares, to 18,494,973, of which 17,972,973 ordinary shares and 522,000 class C shares. All 522,000 class C shares are held by Nelly Group.

On 23 May 2019, the Swedish Companies Registration Office registered the reduction in share capital in Nelly Group and the Swedish Financial Supervisory Authority's permission to implement the reduction in share capital.

On 7 May 2019, Nelly Group's AGM decided to reduce the company's share capital.
On 29 April 2019, 80,000 class C shares (held by the company) were converted into 80,000 ordinary shares. On 30 May 2018, 425,000 class C shares (held by the company) were converted into 425,000 ordinary shares.

Notes

Note 14, continued

There was a cash issue of Class C shares for distribution to participants in the Group's long-term incentive plans.

On 17 November 2014, the extraordinary general meeting of Nelly Group resolved to approve the Board's decision of 21 October 2014 to increase the company's share capital via an issue of new ordinary shares. Nelly Group's share capital increased by SEK 99,513,186 in connection with the cash issue.

On 14 May 2013, the extraordinary general meeting of Nelly resolved to approve the Board's decision of 16 April 2013 to increase the company's share capital via an issue of new ordinary shares. Nelly Group's share capital increased by SEK 66,342,124 in connection with the cash issue.

The cash issues of class C shares in 2011, 2012, 2013 and 2018 were implemented for use in the Group's incentive plans. All class C shares are held by Nelly Group.

Class C shares may be issued in an amount corresponding to the maximum total share capital and do not entitle the holder to dividends. C shares may be converted into ordinary shares at the request of the Board. Customary provisions on primary and subsidiary preferential rights for cash issues apply to class C shares. Class C shares have limited rights to assets on liquidation of the company.

The 2010 offset issue was implemented by offsetting previously issued loans from Modern Times Group MTG AB at a value corresponding to SEK 239,000,000. Nelly Group's share capital thus increased to SEK 132,090,244.

Other capital contributions/Share premium reserve

The share premium reserve is a balance sheet item that arises when shares are issued and subscribed for at a premium, that is, a price higher than the quotient value was paid for the shares.

Translation reserve

The translation reserve includes all translation differences that arise on translation of income statements and balance sheets into SEK in the consolidated accounts.

	Group	
(SEK million)	2023	2022
Opening balance, 1 January	-3.8	-4.5
Translation difference for the year	-0.9	0.8
Total accumulated translation differ-ences	**-4.7**	**-3.8**

Retained earnings including profit/loss for the year

Retained earnings recognised in the Group include the year's and prior years' earnings.

Proposed dividend

The Board of Directors will propose to the 2023 annual general meeting that no dividend be paid to shareholders for the financial year ending 31 December 2023 and that retained earnings for the year be carried forward into the 2024 accounts.

Proposed appropriation of profits

	Parent company	
(SEK million)	2022	2022
Share premium reserve	1,440.3	1,405.0
Retained earnings	-1,192.7	-1,290.6
Profit/loss for the year	11.4	-70.0
Total	**259.0**	**44.4**

The Board proposes that the retained earnings, share premium reserve and profit/loss for the year of a total of SEK 259.0 (44.4) million be carried forward. The share premium reserve totals SEK 1,440.3 (1,405.0) million as a result of the new share issues in prior years and the preferential share issue in the year, which changed the share capital to 30,483,985.

Note 15 Other provisions

A provision for employee-related benefits is recognised in accordance with agreements entered into for long-term incentive plans. See Note 21 for further details regarding share-related remuneration.

Other provisions (SEK million)	Group		Parent company	
	2023	2022	2023	2022
Provisions for social security contributions on share-based remuneration	-	-	-	-
Other provisions	-	-	-	-
Total	-	-	-	-

Provisions for share-based remuneration (SEK million)	Group		Parent company	
	2023	2022	2023	2022
Carrying amount at start of period	**0.0**	**0.0**	**0.0**	**0.0**
Change in provision during the period	0.0	0.0	0.0	0.0
Carrying amount at end of period	**0.0**	**0.0**	**0.0**	**0.0**

See Note 21 for further details regarding share-based remuneration.

Total provisions (SEK million)	Group		Parent company	
	2023	2022	2023	2022
Total carrying amount at start of period	**0.0**	**0.0**	**0.0**	**0.0**
Increase in provision during the period	0.0	0.0	0.0	0.0
Dissolution of provision during the period	0.0	0.0	0.0	0.0
Total carrying amount at end of period	**0.0**	**0.0**	**0.0**	**0.0**
Of which total non-current portion of provisions	0.0	0.0	0.0	0.0
Of which total current portion of provisions	-	-	-	-

Payments (SEK million)	Group		Parent company	
	2023	2022	2023	2022
Amount for which payment is expected after more than 12 months	0.0	0.0	0.0	0.0

Note 16 Accrued expenses and deferred income

(SEK million)	Group		Parent company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accrued employee benefit expenses	48.7	48.9	4.3	0.4
Accrued cost of goods sold	12.4	17.4	-	-
Accrued distribution costs	5.1	6.5	-	-
Accrued marketing costs	8.9	13.4	-	-
Accrued rental expenses	13.1	14.2	-	-
Return reserve	31.8	41.0	-	-
Accrued interest	7.0	2.0	0.4	-
Other	9.8	12.4	0.7	0.4
Total	**136.8**	**155.8**	**5.4**	**0.8**

Note 17 Pledged assets and contingent liabilities

	Group		Parent company	
Contingent liabilities (SEK million)	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Bank guarantees and sureties to external parties	24.8	25.2	-	-
Total	**24.8**	**25.2**	**-**	**-**

Bank guarantees for external parties relate to bank guarantees and sureties pledged to suppliers and other external parties for subsidiaries in the Group.

	Group		Parent company	
Pledged assets (SEK million)	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Floating charges	95.0	95.0	-	-
Total	**95.0**	**95.0**	**-**	**-**

There are no pledged receivables for the year.

Note 18 Financial instruments and financial risk management

Capital management
The Group's aim is to have a solid financial position that helps maintain the confidence of investors, creditors and the market, as well as form a solid foundation for the continued development of business operations and generating long-term investor returns. There are no explicit quantitative objectives for the debt/equity ratio. Capital is defined as total equity.

	Group	
Capital (SEK million)	31 December 2023	31 December 2022
Total equity	178.6	133.6

Finance policy
The aim of the Group's finance policy is to describe and specify common rules, the organisation and the mandate for the Group's general financial activities. The finance policy established by the Board covers overall management of risks and specific areas, such as liquidity risk, interest rate risk, currency risk, credit risk, insurance risk, the use of financial instruments and placement of excess liquidity.

Nelly is exposed to various types of financial risk through its operations, such as market risk, liquidity risk and credit risk. The parent company is responsible for financing and finance policy and regularly reviews its long-term need for accessible funding sources and strives to always have access to several such sources when needed. Each Group company is responsible for implementing and maintaining an efficient banking structure and bank accounts.

Liquidity risk
Liquidity risk is the risk of not being able to meet payment obligations as a result of a lack of cash and cash equivalents. The risk is managed by ensuring that it is always possible to increase the financing available to the company.

According to the Group's finance policy, liquidity must be monitored by management and the Board weekly, with a forecast for at least six months ahead.

Credit risk
Credit risk is the risk of a contractual counterparty not being able to meet its payment obligations to Nelly. The maximum credit risk at Nelly comprises the carrying amount of financial assets such as trade receivables and cash and cash equivalents.

The inherent credit risk of trade receivables is spread over many customers, mainly private individuals. See Note 11 for further details regarding trade receivables.

Market risk – Interest rate risk
Interest rate risk is the risk that the value of a financial instrument may vary due to changes in market interest rates. The Group manages financial assets and liabilities with variable or fixed interest rates. Where fixed interest rates are applied, adequate consideration must be paid to the need for financial flexibility, including the cost of ending a fixed-rate term prematurely. Consolidated interest-bearing liabilities at the year-end amounted to SEK 283.6 (294.5) million and were attributable to finance leases.

In general, interest rate risk should be minimised using matching assets and liabilities. The interest rate risk is reviewed regularly to ensure that no limits have been exceeded. If the variable interest rate on the Group's interest-bearing loans in 2023 had increased or decreased by 1 percent, it would have affected the Group's net financial items by SEK -0.1 (-0.2) million. As at 31 December 2023, the Group had no utilised interest-bearing loans.

Note 18, continued

Market risk – Currency risk
Currency risk is the risk of fluctuations in exchange rates affecting recognised net profit, financial position and/or recognised cash flow. Currency risk may be divided into transaction exposure and translation exposure.

Transaction exposure
Transaction exposure is the risk of fluctuations in exchange rates affecting earnings. The transactions are not hedged using financial instruments. However, natural hedges are sought if possible, for example by purchasing and selling in the same currency.

Net cash flow in foreign currencies was as follows:

	Group	
Currency flows (SEK million)	2023	2022
NOK	182.3	201.9
DKK	51.5	42.3
EUR	-64.5	-44.7
USD	-81.9	-111.7
GBP	-7.3	-52.0
PLN	0.2	0.4

A five (5) percent (%) exchange rate fluctuation for each currency would affect operating profit by the following amounts:

	Group	
Sensitivity analysis (SEK million)	2023	2022
NOK	+/- 9.1	+/- 10.1
DKK	+/- 2.5	+/- 2.1
EUR	+/- 3.2	+/- 2.2
USD	+/- 4.0	+/- 5.6
GBP	+/- 0.3	+/- 2.6
PLN	+/- 0.0	+/- 0.0

Translation exposure
Translation exposure exists when the equity in a foreign business needs to be translated to the Group's reporting currency. This risk is very limited for Nelly Group. Financial instruments are not used to hedge translation exposure.

Net foreign assets including goodwill and other intangible assets acquired are distributed as follows:

	Group			
Currency (SEK million)	2023	%	2022	%
NOK	0.0	0.0%	28.2	100.0
Total	**0.0**	**0.0%**	**28.2**	**100.0**

A five (5) percent (%) exchange rate fluctuation for each currency would affect equity by the following amounts:

	Group	
Sensitivity analysis (SEK million)	2023	2022
NOK	-	+/- 1.4

Classification and categorization of financial assets and liabilities in the Group

Fair value may be calculated in different ways, depending on the type of data/information used for the purpose. The fact that different types of information are used for measurement means that financial assets and liabilities may be divided into different levels (a hierarchy), depending on the measurement method and the information used to measure them.

The three measurement levels consist of:

Level 1: Listed prices (unadjusted) on active markets for identical assets or liabilities, which the company has access to at the time of valuation.

Level 2: Other inputs than the listed prices included in Level 1, which is directly or indirectly observable for the asset or liability. Level 2 can also include other inputs than observable listed prices of the asset or liability, such as interest rate levels, yield curves, volatility and multiples.

Level 3: Non-observable inputs for the asset or liability. At this level, assumptions that market participants would use when pricing the asset or liability must be considered, including risk assumptions. Nelly holds no financial assets and liabilities attributable to level 3. The financial instruments are attributable to levels 1 and 2.

For non-interest-bearing asset and liability items such as trade receivables and trade payables, the carrying amount for Nelly Group is deemed to reflect fair value.

The tables below show carrying amount compared with assessed fair value for each type of financial asset and liability.

Notes

Note 18, continued

2023 Group (SEK million)	Carrying amount Fair value through profit or loss	Financial assets that are not measured at fair value	Financial liabilities that are not measured at fair value	Total	Fair value Total
Trade receivables	-	28.6	-	28.6	28.6
Other receivables	-	7.3	-	7.3	7.3
Accrued income	-	1.3	-	1.3	1.3
Cash and cash equivalents	-	151.1	-	151.1	151.1
Total financial assets	**-**	**188.3**	**-**	**188.3**	**188.3**
Lease liabilities	-	-	283.6	283.6	283.6
Trade payables	-	-	90.3	90.3	90.3
Other liabilities	-	-	110.3	110.3	110.3
Accrued expenses	-	-	136.8	136.8	136.8
Total financial liabilities	**-**	**-**	**621.0**	**621.0**	**621.0**

2023 Parent company (SEK million)	Carrying amount Fair value through profit or loss	Financial assets that are not measured at fair value	Financial liabilities that are not measured at fair value	Total	Fair value Total
Other receivables	-	1.0	-	1.0	1.0
Cash and cash equivalents	-	7.9	-	7.9	7.9
Total financial assets	**-**	**8.9**	**-**	**8.9**	**8.9**
Trade payables	-	-	0.1	0.1	0.1
Liabilities to Group companies	-	-	26.8	26.8	26.8
Other liabilities	-	-	6.2	6.2	6.2
Accrued expenses	-	-	5.4	5.4	5.4
Total financial liabilities	**-**	**-**	**38.5**	**38.5**	**38.5**

Note 18, continued

2022 Group (SEK million)	Carrying amount Fair value through profit or loss	Financial assets that are not measured at fair value	Financial liabilities that are not measured at fair value	Total	Fair value Total
Trade receivables	-	38.3	-	38.3	38.3
Other receivables	-	8.8	-	8.8	8.8
Accrued income	-	1.9	-	1.9	1.9
Cash and cash equivalents	-	96.8	-	96.8	96.8
Total financial assets	**-**	**145.8**	**-**	**145.8**	**145.8**
Lease liabilities	-	-	294.6	294.6	294.6
Trade payables	-	-	143.2	143.2	143.2
Other liabilities	-	-	109.9	109.9	109.9
Accrued expenses	-	-	155.8	155.8	155.8
Total financial liabilities	**-**	**-**	**703.6**	**703.6**	**703.6**

2022 Parent company (SEK million)	Carrying amount Fair value through profit or loss	Financial assets that are not measured at fair value	Financial liabilities that are not measured at fair value	Total	Fair value Total
Other receivables	-	1.1	-	1.1	1.1
Cash and cash equivalents	-	2.3	-	2.3	2.3
Total financial assets	**-**	**3.4**	**-**	**3.4**	**3.4**
Trade payables	-	-	0.2	0.2	0.2
Liabilities to Group companies	-	-	98.2	98.2	98.2
Other liabilities	-	-	0.1	0.1	0.1
Accrued expenses	-	-	0.8	0.8	0.8
Total financial liabilities	**-**	**-**	**99.3**	**99.3**	**99.3**

Note 18, continued

Maturity structure of financial liabilities – undiscounted cash flows
Maturity structure of future contractual interest payments based on current interest rates and repayments.

	2023				
Group (SEK million)	Total	0–6 months	6 months–1 year	1–5 years	>5 years
Lease liabilities	283.6	41.9	58.5	71.0	112.2
Trade payables	90.3	90.3	-	-	-
Other liabilities	110.3	110.3	-	-	-
Accrued expenses	136.8	136.8	-	-	-
Total	**621.0**	**379.3**	**58.5**	**71.0**	**112.2**

	2023				
Parent company (SEK million)	Total	0–6 months	6 months–1 year	1–5 years	>5 years
Trade payables	0.1	0.1	-	-	-
Liabilities to Group companies	26.8	26.8	-	-	-
Other liabilities	6.2	6.2	-	-	-
Accrued expenses	5.4	5.4	-	-	-
Total	**38.5**	**38.5**	**-**	**-**	**-**

	2022				
Group (SEK million)	Total	0–6 months	6 months–1 year	1–5 years	>5 years
Lease liabilities	294.4	25.9	36.1	108.0	124.4
Trade payables	143.2	143.2	-	-	-
Other liabilities	109.9	109.9	-	-	-
Accrued expenses	155.8	155.8	-	-	-
Total	703.3	434.8	36.1	108.0	124.4

	2022				
Parent company (SEK million)	Total	0–6 months	6 months–1 year	1–5	>5 years
Trade payables	0.2	0.2	-	-	-
Liabilities to Group companies	98.2	98.2	-	-	-
Other liabilities	0.1	0.1	-	-	-
Accrued expenses	0.8	0.8	-	-	-
Total	99.3	99.3	-	-	-

Note 19 Leases

The Group has applied IFRS 16 since 1 January 2019. Contracts that have been signed but have not yet commenced total SEK 0.0 (0.0) million. For the Group as a lessee, IFRS 16 means in principle that all leases must be recognised as assets and liabilities in the balance sheet, representing the right to use the leased asset and the commitment to pay future lease charges. For leases, amortisation of the leased asset and interest expenses related to the lease liability are recognised in the income statement. The leases concerned primarily include leases for offices and premises, machinery and vehicles.

Leases that have a term shorter than 12 months or terminate within 12 months of the transition date are classified as short-term leases and are, therefore, not included in the recognised liabilities or right-of-use assets. In addition, the Group has decided not to recognise leases as assets with rights of use or lease liabilities where the underlying asset has low value.

A marginal loan rate of 4.5 percent (%) has been established. Where the implicit interest rate can easily be determined, however, that rate is used.

Lessees
The Group's property, plant and equipment consist of both owned and leased assets.

	Group	
Property, plant and equipment (SEK million)	2023	2022
Property, plant and equipment that is owned	16.4	11.9
Right-of-use assets, not investment property	267.0	284.3
Total property, plant and equipment	**283.4**	**296.2**

The leases concerned primarily include leases for offices and premises, machinery and vehicles. No leases contain covenants or other restrictions apart from the security in the leased asset.

Note 19, continued

Right-of-use asset

2023 Right-of-use assets (SEK million)	Group				
	Premises	Vehicles	IT equipment	Other	Total
Amortisation	-19.2	-0.3	-0.3	-14.3	-34.1
Closing balance, 31 December 2023	198.4	0.2	0.2	68.2	267.0

2022 Right-of-use assets (SEK million)	Group				
	Premises	Vehicles	IT equipment	Other	Total
Amortisation	-17.4	-0.4	-0.4	-14.2	-32.4
Closing balance, 31 December 2022	201.9	0.5	0.5	81.4	284.3

Additions to right-of-use assets in 2023 amounted to SEK 16.7 (3.1) million. This amount includes the cost of rights of use acquired during the year and any additional amounts in connection with reviews of lease liabilities on account of changed payments following a change in the lease term.

Lease liabilities

Lease liabilities (SEK million)	Group	
	2023	2022
Current	100.3	62.0
Non-current	183.3	232.6
Lease liabilities included in the statement of financial position	**283.6**	**294.6**

Amounts recognised in profit or loss

Effect on profit (SEK million)	Group	
	2023	2022
Amortisation of right-of-use assets	-34.1	-32.4
Interest on lease liabilities	-11.4	-12.2
Expenses for short-term leases and/or low-value leases	-0.3	-0.4

Note 20 Average number of employees

The average number of employees was calculated based on the total number of hours worked (including paid leave and short-term absence), divided by normal annual working hours.

	Group		Parent company	
2023	Men	Women	Men	Women
Sweden, men/women	62	95	0	1
Total average no. of employees	**157**		**1**	

	Group		Parent company	
2022	Men	Women	Men	Women
Sweden, men/women	86	135	0	1
Total average no. of employees	**221**		**1**	

Distribution of men and women in executive management

	Group		Parent company	
2023	Men %	Women %	Men %	Women %
Board of Directors	67	33	67	33
CEO and other executives	50	50	0	100
Total	**58**	**42**	**57**	**43**

	Group		Parent company	
2022	Men %	Women %	Men %	Women %
Board of Directors	50	50	50	50
CEO and other executives	50	50	0	100
Total	**50**	**50**	**43**	**57**

Note 21 Salaries, other remuneration and social security contributions

Remuneration of senior executives

Applicable guidelines for remuneration of senior executives

An extraordinary general meeting of Nelly Group AB held on December 16, 2020 resolved to adopt the following guidelines for remuneration of senior executives.

Guidelines for remuneration of Nelly Group's CEO and other members of the management team (together the 'senior executives') and of Board members, where they receive remuneration for tasks other than Board duties.

The guidelines must be applied to remuneration that is agreed, and changes made to remuneration already agreed, after the guidelines were adopted by the extraordinary general meeting on 16 December 2020. The guidelines do not include remuneration adopted by the annual general meeting such as ordinary Board fees and long-term share/share price-related incentive plans.

How the guidelines promote Nelly Group's business strategy, long-term interests and sustainability

Nelly Group's only operational subsidiary Nelly has one of the strongest online fashion brands for young women in the Nordic region. Nelly's business model is based on a core of its own designs and brands and a supplementary range of carefully curated fashion and beauty products from external brands. Nelly will continue to strengthen its own brands and remain at the forefront of digital marketing and sales. The company will continue to inspire its target group with selected trends and fashion.

For Nelly Group to be able to realise its business strategy and safeguard the Group's long-term interests, including their sustainability, it is essential that it can attract, motivate and retain senior executives in competition with comparable Nordic companies, primarily Nordic companies operating in e-commerce and retail with consumer brands. These guidelines must, therefore, allow senior executives to be offered a competitive package of remuneration. At the same time, Nelly Group's remuneration system must be compatible with and promote sound, effective risk management and discourage excessive risk-taking.

Remuneration of the senior executives in Nelly Group must, in both the short and long terms, reflect the individual's performance and responsibilities and the earnings of Nelly Group and its subsidiaries and must also align the interests and rewards of senior executives with those of the shareholders. Consequently, the senior executives must be remunerated according to the principle of reward for performance.

The Board considers that the option of variable remuneration and participation in any long-term incentive plans, plus carefully balanced fixed remuneration, create the conditions for Nelly Group to be a competitive employer, while the design of and conditions for the variable remuneration promote responsible, sound risk management and the company's growth strategy, long-term interests and sustainability.

Types of remuneration

The remuneration must be market-based and may consist of the following components:

– fixed cash salary,

– variable cash remuneration,

– the option to participate in long-term (i) share/share price-related incentive plans adopted by the annual general meeting and/or (ii) cash-based incentive plans,

– pension benefits, and

– other customary benefits.

Fixed cash salary

Senior executives' fixed cash salaries are revised each year. They must be competitive and based on the individual's skills, responsibilities and performance.

Variable cash remuneration

Senior executives' variable cash remuneration must be based on performance in meeting established targets for growth and value creation for their areas of responsibility and for Nelly Group. The outcome must be linked to measurable targets (qualitative, quantitative, general and individual) that are measured during one year. The targets within the senior executives' respective areas of responsibility are intended to promote Nelly Group's performance in both the short and long terms and thus promote Nelly Group's business strategy and long-term interests, including the company's sustainability. The variable cash remuneration may not exceed 100 percent of the senior executive's fixed annual salary.

Additional cash variable remuneration may be paid in extraordinary circumstances, provided that such extraordinary arrangements are only made at individual level either to recruit or retain an executive or as remuneration for extraordinary performance above and beyond the person's ordinary duties. Such remuneration may not exceed an amount equivalent to 100 percent of fixed annual cash salary. Any decision on such remuneration must be made by the Board of Directors following a proposal by the Remuneration Committee.

The Board must also consider deciding that part of senior executives' variable cash remuneration must be invested in shares or share price-related instruments in Nelly Group.

Long-term share-related and cash-based incentive plans

Notes

Note 21, continued

The senior executives may be offered incentive plans which must, in general, be share/share price-related and are, therefore, not subject to these guidelines but may also be cash-based. Long-term share/share price-based incentive plans must be designed to ensure the participants' long-term commitment to value growth in Nelly Group and align the interests of the senior executives with those of the shareholders. Establishment of criteria for payment of cash variable remuneration and long-term cash-based incentive plans and the right to demand repayment of such remuneration in certain cases.

When the measurement period for meeting criteria for payment of variable cash remuneration and long-term cash-based incentive plans has ended, it is necessary to decide/establish the extent to which the criteria have been met. The remuneration committee is responsible for such assessment. Where financial criteria are concerned, the assessment must be based on the financial information most recently published by Nelly Group. The remuneration committee must, in its assessment, ensure that the remuneration is linked to Nelly Group's earnings. When determining the remuneration, the remuneration committee must also take relevant circumstances into account in relation to the environment, social conditions, corporate governance and anti-corruption (ESG criteria).

To ensure that performances on which the remuneration has been based are sustainable over time, Nelly Group must be entitled, by law or contract, with the restrictions that may be stipulated by law or contract, to demand repayment of all or part of remuneration other than fixed cash salary, pension and other customary benefits that has been paid incorrectly as a result of information that turns out to be obviously incorrect (claw-back).

Pension and other customary benefits

Pension commitments are defined contribution and secured through premiums paid to insurance companies. The amount of pension premiums is specified by Nelly Group's pension plan and must generally correspond to the provision levels applicable under the ITP 1 plan with the resulting restrictions in relation to fixed annual salary. No provisions are made for salary components in excess of 60 income base amounts calculated on an annual basis. Variable cash remuneration must generally not be pensionable. The retirement age is normally 65.

Other benefits should be customary and contribute to facilitating the executives' ability to perform their duties, for example, company car, occupational health services and medical expense insurance. The total of such benefits may not exceed 30 percent of the fixed annual cash salary.

Notice of termination and severance pay

On termination of employment, the notice period may not exceed twelve months. The total of fixed cash salary during the notice period and severance pay may not exceed an amount equivalent to the fixed cash salary for eighteen months for the CEO and twelve months for other senior executives. On termination by the employee, the notice period may not exceed six months and the employee is not entitled to severance pay.

Salary and terms of employment for employees
The salary and terms of employment of Nelly Group's employees were taken into consideration in the preparation of the Board's proposal for these remuneration guidelines. The guidelines do not deviate from the remuneration systems that are generally applied in Nelly Group to other employees. The remuneration, types of remuneration and development of salary of the senior executives are deemed to be in accord with salaries and terms of employment of other employees in Nelly Group in other respects as well. The development of the gap between remuneration of senior executives and remuneration of other employees will be reported in future remuneration reports.

Remuneration of Board members

Members of the Board of Directors of the parent company, who are appointed at the annual general meeting, may, in special cases, receive remuneration for services performed within their respective specialist areas that fall outside their ordinary Board duties for the parent company. Remuneration for such services must be market-based and approved by the Board.

Decision-making process

The Board has established a Remuneration Committee. The duties of the committee include preparing the Board's decisions on proposals for guidelines for remuneration of senior executives. At least every four years, the Board must submit a proposal for guidelines for remuneration of senior executives to the annual general meeting for resolution. The guidelines must apply until new guidelines have been adopted by the annual general meeting.

The Remuneration Committee must also monitor and assess plans for variable remuneration of the company management, the application of these guidelines for remuneration of senior executives and the remuneration structures and levels of remuneration in the company.

The members of the Remuneration Committee are independent of the company and the executive management. Senior executives do not take part in the Board's discussions and decisions on issues related to remuneration where the issues affect them personally.

Deviations from the guidelines

Where the Board finds that there are particular reasons in a particular case and to safeguard the company's long-term interests, including its sustainability, or to safeguard the company's financial position, the Board is entitled to deviate from the guidelines. If the Board deviates from the guidelines, it must report the reasons for this at the following AGM.

Share-related remuneration

The 2022 long-term incentive plans
The 2022 AGM decided to adopt a new long-term performance share plan ('PSP 2022') for the CEO and other members of Group management, a maximum of around seven participants in Nelly Group.

Note 21, continued

PSP 2022
To participate in Performance Share Plan 2022, participants were required to make a personal investment in Nelly Group shares ('Savings Shares'). The savings shares could either be shares already held or shares purchased on the market in connection with the notification to participate in the PSP. For each savings share, Nelly Group allotted free retention and performance-based share rights to the participants. The share rights are divided into Class A (retention rights) and Class B (performance rights). Subject to fulfilment of certain retention and performance-based conditions during the period 1 April 2022 – 31 March 2026 ('measurement period'), each right entitles the participant to receive one ordinary share in the company at no charge. The right to finally be awarded shares is also dependent on the participant retaining the savings shares, and, with certain exceptions, continuing their employment in Nelly Group during the vesting period ending at the release of the interim report for the period January-March 2026. If a participant's employment with Nelly Group ends during the period 1 April 2025-31 March 2026, the participant is still entitled to a quarter (1/4) of the performance shares provided and to the extent that the performance-based condition has been met when the employment ends.

The number of performance shares allotted to each participant based on the share rights depends on the extent to which the performance-based condition for PSP 2022 has been met during the measurement period. The performance-based condition is based on the total shareholder return (TSR) on Nelly Group's ordinary shares (including any reinvested dividend) during the measurement period. The total shareholder return is calculated as a TSR index based on the average closing price of Nelly Group's ordinary shares in March 2022 compared with the corresponding price in March 2026.

- If the total shareholder return on Nelly Group's ordinary shares in the measurement period is lower than 200 percent, no share rights will entitle participants to performance shares and all share rights will lapse without value.

- If the total shareholder return on Nelly Group's ordinary shares in the measurement period is equal to or higher than 200 percent but lower than 300 percent, the participants will be allotted three performance shares per share right.

- If the total shareholder return on Nelly Group's ordinary shares in the measurement period is equal to or higher than 300 percent but lower than 400 percent, the participants will be allotted six performance shares per share right.

- If the total shareholder return on Nelly Group's ordinary shares in the measurement period is equal to or higher than 400 percent, the participants will be allotted ten performance shares per share right.

	Group		Parent company	
Employee benefit expenses (SEK million)	2023	2022	2023	2022
Salaries	77.1	105.2	2.4	2.5
Social security contributions	24.6	33.8	0.8	1.4
Pension expenses – defined contribution plans	6.4	10.8	0.2	0.5
Expenses for share-related remuneration	0.0	0.0	0.0	0.0
Social security contributions on share-related remuneration	0.0	0.0	0.0	0.0
Total	**108.1**	**149.8**	**3.4**	**4.3**

The cost of share-related remuneration in 2023 totalled SEK 0.0 (0.0) million, excluding social security contributions.

	Group	
Basic salary and variable remuneration (SEK million)	2023	2022
CEO and senior executives, 0 (1) persons	3.9	5.8
Of which variable component	0.6	-

Notes

Note 21, continued

Remuneration and other benefits, Group (SEK million)	2023					
	Basic salary	Variable remunera-tion	Other benefits	Pension expenses	Share right expenses	Total
Ludvig Anderberg, former CEO	1.1	-	0.0	0.2	0.0	1.3
Helena Karlinder-Östlundh, CEO	2.2	0.6	0.0	0.5	-	3.3
Senior executives, 0 person	-	-	-	-	-	-
Total	**3.3**	**0.6**	**0.0**	**0.7**	**-**	**4.6**

The amounts recognised for 2023 are for the full year. Variable remuneration for 2023 paid out in 2024 to the CEO: SEK 0.4 (0.0) million. Variable remuneration for 2022 paid out in 2023 to other senior executives: SEK 0.0 (0.0) million. Variable remuneration for 2022 paid out in 2023 to senior executives: SEK 0.0 (0.6) million.

Remuneration and other benefits, Group (SEK million)	2022					
	Basic salary	Variable remunera-tion	Other benefits	Pension expenses	Share right expenses	Total
Kristina Lukes, former CEO	2.9	-	0.1	0.9	-	3.9
Ludvig Anderberg, former CEO	0.8	-	0.0	0.2	-	1.0
Helena Karlinder-Östlundh, Acting CEO	0.5	-	0.0	0.1	-	0.6
Senior executives, 1 person	1.6	-	0.0	0.5	-	2.0
Total	**5.8**	**-**	**0.1**	**1.7**	**-**	**7.5**

The amounts recognised for 2022 are for the full year. Variable remuneration for 2022 paid out in 2023 to the CEO: SEK 0.0 (0.4) million. Variable remuneration for 2022 paid out in 2023 to other senior executives: SEK 0.0 (0.2) million. Variable remuneration for 2021 paid out in 2022 to senior executives: SEK 0.6 (0.4) million.

Parent company (SEK million)	Parent company	
	2023	2022
Board and senior executives, 12 (12) persons	2.5	2.5
Of which variable component	0.0	0.0
Other employees	0.0	0.0
Total salaries and other remuneration	**2.5**	**2.5**

Note 21, continued

Group and parent company (SEK million)	Basic salary/ Board remunera-tion	For Board duties in subsidiaries	Variable remunera-tion	Other benefits	Pension expenses	Rights issue expenses	Total
Mathias Pedersen, former Chair of the Board	0.3	-	-	-	-	-	0.3
Ebba Ljungerud, Chair of the Board	0.3	-	-	-	-	-	0.3
Stefan Palm	0.2	-	-	-	-	-	0.2
Daniel Hörnqvist	0.2	-	-	-	-	-	0.2
Josephine Salenstedt	0.2	-	-	-	-	-	0.2
Maj-Louise Pizzeli	0.1	-	-	-	-	-	0.1
Sandra Backlund	0.1	-	-	-	-	-	0.1
Lennart Sparud	0.1	-	-	-	-	-	0.1
Axel Westphalen	0.1	-	-	-	-	-	0.1
Remuneration from parent company							
Ludvig Anderberg, former CEO	-	-	-	-	-	-	-
Helena Karlinder-Östlundh, CEO	0.8	-	-	-	-	-	0.8
Other senior executives (0 person)	-	-	-	-	-	-	-
Remuneration from subsidiaries							
Ludvig Anderberg, former CEO	1.1	-	-	0.0	0.2	-	1.3
Helena Karlinder-Östlundh, CEO	1.4	-	0.6	0.0	0.5	-	2.5
Other senior executives (0 person)	-	-	-	-	-	-	-
Total	4.9	-	0.6	0.0	0.7	-	6.2

The amounts recognised for 2023 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.4 (0.0) million for the CEO and SEK 0.0 (0.0) million for other senior executives. The Board receives its full remuneration from the parent company.

Notice of termination for the CEO is maximum 12 months when terminated by the company and six months when terminated by the employee. The CEO is not entitled to severance pay.

Notes

Note 21, continued

Group and parent company (SEK million)	2022 Basic salary/ Board remunera-tion	For Board duties in subsidiaries	Variable remunera-tion	Other benefits	Pension expenses	Share right expenses	Total
Mathias Pedersen, Chair of the Board	0.5	-	-	-	-	-	0.5
Stefan Palm	0.1	-	-	-	-	-	0.1
Sandra Backlund	0.1	-	-	-	-	-	0.1
Daniel Hörnqvist	0.1	-	-	-	-	-	0.1
Josephine Salenstedt	0.3	-	-	-	-	-	0.3
Maj-Louise Pizzeli	0.2	-	-	-	-	-	0.2
Christoffer Häggblom	0.1	-	-	-	-	-	0.1
Stina Westerstad	0.1	-	-	-	-	-	0.1
Remuneration from parent company							
Kristina Lukes, former CEO	0.5	-	-	-	-	-	0.5
Ludvig Anderberg, former CEO	0.2	-	-	-	-	-	0.2
Helena Karlinder-Östlundh, Acting CEO	0.2	-	-	-	-	-	0.2
Other senior executives (1 person)	0.0	-	-	-	-	-	0.0
Remuneration from subsidiary							
Kristina Lukes, former CEO	2.4	-	-	0.1	0.9	-	3.4
Ludvig Anderberg, former CEO	0.6	-	-	0.0	0.2	-	0.8
Helena Karlinder-Östlundh, Acting CEO	0.3	-	-	0.0	0.1	-	0.4
Other senior executives (1 person)	1.6	-	-	0.0	0.5	-	2.1
Total	**7.4**	**0.0**	**-**	**0.1**	**1.7**	**0.0**	**9.2**

The amounts recognised for 2022 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.0 (0.4) million for the CEO and SEK 0.0 (0.2) million for other senior executives. The Board receives its full remuneration from the parent company.

Notice of termination for the CEO is maximum 12 months when terminated by the company and six months when terminated by the employee. The CEO is not entitled to severance pay.

Share-related remuneration

Outstanding share rights/shares*	CEO	Senior executives	Key employees	Total
Long-term incentive plan *PSP 2022*	0	0	8,300	8,300
Total outstanding as at 31 December 2023	**0**	**0**	**8,300**	**8,300**

* The Owner Plan PSP-2022 consists of share rights that are allotted and may generate performance shares depending on the extent to which performance-based conditions are met during the measurement period up to the end of March 2026.

Note 21, continued

	2023		2022	
	Number of shares, share rights and options	Weighted redemption price	Number of shares, share rights and options	Weighted redemption price
Outstanding rights and options as at 1 January	24,900	-	200,983	-
Rights and options issued during the year	-	-	24,900	-
Rights and options forfeited and redeemed during the year**	-16,600	-	-200,983	-
Total outstanding as at 31 December	**8,300**	**-**	**24,900**	**-**

** In 2023, a total of 16,600 shares from PSP 2022 were forfeited when participants left Nelly Group.

Specification of long-term incentive plan	Number of shares, share rights or options	Number of participants	Maximum redemption price	Redemption period	No. of rights and options at 1 January	Allocated during the year	Forfeited during the year	Redeemed during the year	Outstanding rights and options at 31 December
Total allocation									
PSP 2022	24,900	1	-	2026	24,900	0	-16,600	0	8,300

* In 2023, a total of 16,600 shares from PSP 2022 were forfeited when participants left Nelly Group.

	Group		Parent company	
Employee benefit expenses (SEK million)	2023	2022	2023	2022
Granted rights and options	0.0	0.0	0.0	0.0
Total expense recognised as employee benefit expenses	**0.0**	**0.0**	**0.0**	**0.0**

The cost of the plans during the year totalled SEK 0.0 (0.0) million, excluding social security contributions

Note 22 Fees and compensation to auditors

	Group		Parent company	
(SEK million)	2023	2022	2023	2022
KPMG				
Audit engagements	0.9	0.9	0.5	0.4
Audit-related services	0.2	0.1	0.2	0.1
Tax advice	0.1	0.1	0.1	0.0
Other services	0.3	0.0	0.3	0.0
Total	**1.5**	**1.1**	**1.1**	**0.5**

Audit engagements refer to statutory audits of the annual report and accounting records and the administration by the Board and CEO, as well as other audits and reviews conducted in accordance with agreements or contracts.

This includes other duties that are incumbent on the company's auditor, as well as the provision of advice or other assistance resulting from observations in connection with such reviews or the performance of such other duties.

Note 23 Supplementary disclosures regarding the statements of cash flows

Items in profit/loss for the year that do not generate cash flow from operations:

	Group		Parent company	
(SEK million)	2023	2022	2023	2022
Loss on sale of non-current assets	-	-0.1	-	-
Profit on divestment of subsidiaries	1.2	-	-	-
Depreciation and amortisation of non-current assets	14.4	11.5	-	-
Amortisation of right-of-use assets	34.1	32.5	-	-
Change in other provisions	0.0	-0.1	0.0	0.0
Incentive plan	0.0	0.0	0.0	0.0
Unrealised exchange differences	-2.5	2.7	0.0	0.0
Other items	4.9	2.0	0.0	0.0
Total	**52.1**	**48.5**	**0.0**	**0.0**
Other supplementary disclosures				
Interest received during the financial year	3.1	0.4	0.0	0.1
Interest paid during the financial year	-17.4	-13.1	-0.3	0.0
Total	**-14.3**	**-12.7**	**-0.3**	**0.1**

Note 24 Significant events after the end of the financial year

It was announced on 5 February that Niklas Lingblom was the new CFO, replacing Ola Wahlström, who had been interim CFO since November 2022.

Note 25 Operating expenses by expense type

	Group	
(SEK million)	2023	2022
Cost of goods sold	-552.9	-732.7
Warehousing and distribution costs	-171.3	-205.1
Employee benefit expenses	-127.5	-181.1
Amortisation	-48.5	-43.7
Other expenses	-158.7	-192.5
Total expenses	**-1,058.9**	**-1,355.0**

Note 26 Earnings per share

	Group	
Basic and diluted earnings per share (SEK)	2023	2022
Earnings per share, Group total	-0.06	-3.98

The numerator and denominator used in the above calculation are shown below.

	Group	
Basic and diluted earnings per share for the Group in total	2023	2022
Profit/loss for the year attributable to parent company shareholders (SEK million)	-1.5	-71.7
Weighted average number of shares	26,129,478	18,017,359
Earnings per share, total, SEK	**-0.06**	**-3.98**

The parent company's custodial Class C shares attributable to the Group incentive plan (see Note 21) may generate potential dilution in the future. These have not been included in the calculation of earnings per share since they contributed no dilutive effect to either 2023 or 2022.

Note 27 Transactions with related parties

Nelly purchased consultancy services in 2023 for SEK 4.5 million from Wahsel AB, which is owned by Ola Wahlström, who was the Group's interim CFO in the 2023 financial year.

Certification by the Board

The Board of Directors and CEO declare that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual report and the consolidated financial statements provide a true and fair view of the parent company's and the Group's financial position and earnings. The directors' report for the parent company and the Group provides a true and fair view of the development of the parent company's and the Group's operations, financial position and earnings and describes significant risks and uncertainties to which the parent company and the companies in the Group are exposed.

Borås, 10 April 2024

Ebba Ljungerud
Chair of the Board of Directors

Stefan Palm
Board member

Lennart Sparud
Board member

Axel Westphalen
Board member

Daniel Hörnqvist
Board member

Josephine Salenstedt
Board member

Helena Karlinder-Östlundh
CEO

Our auditor's report was submitted on 10 April 2024

KPMG AB

Mathias Arvidsson
Authorised public accountant

The annual report and the consolidated financial statements were, as shown above, approved for publication by the Board of Directors and the CEO on 10 April 2024.

Translation from the Swedish original

Auditor's Report

To the general meeting of the shareholders of Nelly Group AB (publ), corp. id 556035-6940

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nelly Group AB (publ) for the year 2023, except for the corporate governance statement on pages 55-63 and the sustainability report on pages 10-45. The annual accounts and consolidated accounts of the company are included on pages 47-110 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 55-63 and sustainability report on pages 10-45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of deffered tax assets attributable to loss carry forward

See disclosure 7 and accounting principles on pages 77 and 81 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

As of December 31, 2023, the Group reported deferred tax assets of SEK 75,1 (73.8) million attributable to loss carry-forwards. As of December 31, 2023, the corresponding amount for the Parent Company amounts to SEK 71.7 (71.7) million.

The presentation of deferred tax assets is based on the Group's assessment of the size and timing of taxable gains. The estimation of future profits requires both assessment and estimates of future market conditions as well as interpretation of tax legislation. The carrying amount of deferred tax assets may be over- or understated and may vary if other assumptions are applied when assessing future profits and if the possibilities of using the deficit deductions.

Response in the audit

We have tested and assessed the principles used and the Group's method for forecasting future profits. We have also evaluated the reasonableness of the key assumptions used in the calculation against business plans and taken into account the Group's historical ability to prepare fair forecasts.

We have also verified the information provided in the annual accounts and consolidated financial statements and assessed that it correspond to the information provided under IFRS.

Revenue recognition of goods sales with right of return

See disclosure 4 and accounting principles on pages 77 and 81 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Net sales for the Group as of December 31, 2023 amounted to SEK 1 060,8 (1 299,0) million. The Group recognises revenue in accordance with the terms of sale, i.e. when the goods have been handed over to transport agents, after deduction of returns.

Revenue recognition includes assessments and estimates of provision for expected returns. The provision is based on historical data and management experience. Hence, the statement of revenue of goods sales with a right of return is considered to be

Response in the audit

In our audit, we have assessed, among other things, the risks in the processes and procedures for revenue recognition and provision for expected returns. We have evaluated the design and implementation of internal controls and tested the effectiveness of the controls during the year.

Regarding sales, we have also conducted analytical review and random sampling against supporting documents for assessing the time of revenue recognition

Furthermore, we have assessed management's assumptions and model for provisioning returns.

Translation from the Swedish original

We have also assessed the content of the information on revenue and rights of return presented in the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 10-45 and 115. The other information comprises also of remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.
In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of

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the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nelly Group AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Nelly Group AB (publ) for year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the Esef report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Nelly Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 55-63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 10-45, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR´s standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 11908, 404 39 , Göteborg, was appointed auditor of Nelly Group AB (publ) by the general meeting of the shareholders on june 30, 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2003.

Göteborg

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

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.

Return rate – *a measurement of the proportion of sales that customers return*

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

Proportion of sales of own brands – *the proportion of sales of Nelly Group's own brands*

Calculated by dividing total sales of own brands before returns by total B2C and B2B sales before returns

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

The number of unique customers in the Nordic countries who have shopped online from the Group during the last 12-month period

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

The number of unique website visits from Nordic IP addresses to nelly.com or nlyman.com during a given period

No. of orders in the Nordics (000) – *a measure of how many orders Nelly generates during a given period*

The number of orders that Nordic customers have placed on nelly.com or nlyman.com during a given period

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

The number of items multiplied by average item value for orders placed on 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 website who place an order*

The number of Nordic e-commerce orders divided by the number of Nordic sessions on nelly.com or nlyman.com

No. of employees - a measure of the number of employees in the Group

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

Proportion of women employed - a measure of the proportion of women in relation to the total number of employees

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

Other information

Financial information

Financial information is published on the website and available via this link: https://www.nellygroup.com/en/investors/

Press releases

Press releases are available at: https://www.nellygroup.com/media/pressmeddelanden. It is also possible to subscribe to press releases, interim reports and other information via this link: https://www.nellygroup.com/en/investors/subscribe/

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Financial calendar

The interim report for the first quarter will be presented on 26 April 2024

The annual general meeting will be held on 13 May 2024

The interim report for the second quarter will be presented on 12 July 2024

The interim report for the third quarter will be presented on 25 October 2024

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