ANNUAL REPORT 2020

NELLY

Contents

Comments by the CEO

NELLY FINALLY BECAME an independent listed company last year. We are customer-focused and technology-driven, and offer young women aged 15-25 a vibrant world of fashion. This target audience has a great need to feel 'fab' every day. We meet this need by providing inspirational, infinite inspiration, with fashion from our own brands and a few carefully selected 'must-haves' from an international portfolio of external brands.

Of course, 2020 was marked by uncertainty and fluctuations as a result of the pandemic. For example, sales of our biggest product group, party fashion, fell dramatically. Thanks to a clear customer focus, data analysis and daily dialog, we quickly adjusted our operations.

We reduced inventory levels and improved our earnings in the second half of the year. At the same time, we embarked on a relaunch of our brand and our business. Its most important components are data-driven digital sales, an influencer-based and community-based offering, a fashion-sensitive international purchasing organization, a cutting-edge and scalable IT platform and efficient logistics.

Good signs from the relaunch

We focused clearly on the Nordic region and on improving our profitability. During the year, we achieved sales of SEK 1,394 million and a gross profit of SEK 309 million. In Q4, lower sales costs, improved efficiency, geographical focus and a lower return rate resulted in an increase in the gross margin of 3.8 percentage points to 23.2%. The inventory turnover rate for the year increased, which released working capital and strengthened our financial position.

Three strong initiatives

We have only just started the relaunch of our brand and our business. In 2021, we will implement a number of initiatives to boost our core business and lay the foundation for the next growth phase.

First of all, we will continue to develop our brand positioning. We inspire young women to express themselves and celebrate their 'fab you'. This will enable us to strengthen our relevance and loyalty among our target audience of young women in the Nordic region.

Second, we will refine our winning Nelly culture. An important step is to concentrate all employees in shared premises in Borås. In 2021, we will close our office in Stockholm and move our warehouse from Falkenberg to a newly built, automated warehouse in Borås. Soon, the entire management team will also be based in Borås. Our culture combines

Kristina Lukes, CEO of Nelly

data-driven analysis with close dialog with our customers and influencers. This gives us an edge in the fashion trends. We are enhancing our data-driven approach with new ways of targeting and managing operations.

Third, we will improve logistics for efficient, precise deliveries by establishing an energy-efficient, automated warehouse in Borås.

Sustainability initiatives

At Nelly, we see sustainable working as both an opportunity and an obligation. E-commerce opens up opportunities for efficient, modern trade, but on the other hand, there are also challenges in the industry. We take responsibility for our environment, employees, customers and other stakeholders who have increasingly high expectations about how we operate. The aim is to take greater responsibility and continue to develop our sustainability initiatives.

An important element in our brand positioning is to encourage young people to express themselves and be the best version of themselves. In 2021, we will look at how we can develop our sustainability initiatives.

Full focus on the Nelly brand

In recent years, the Nelly Group has made the transition from being a group of e-commerce and financial services companies to focusing entirely on the Nelly fashion brand.

We started 2020 as Qliro Group (our previous name) with three subsidiaries in Nordic e-commerce and related financial services: Nelly, CDON and Qliro AB. Over a number of years, we had improved the companies' positions and prepared them for independence. In the autumn, we distributed the shares in Qliro AB, which was listed on the Stockholm stock exchange, and CDON, which was listed on First North. The aim was to give the companies the opportunity to focus on their own operations and strengthen their competitiveness. All three are now independent listed companies.

Since the start of Q4, Nelly has been an independent fashion company on the stock exchange. This has raised our profile and opened up new possibilities.

I would like to thank you, our customers, for your trust in our fashion sense, our employees, for your passion, and our shareholders, for your confidence in us.

Kristina Lukes
CEO of Nelly

SEK million	2020	2019
Net sales	1,394.1	1,452.2
Gross profit	309.0	338.9
Gross margin (%)	22.2%	23.3%
Operating profit before depreciation, amortization and impairment	–17.5	–24.7
Operating margin before depreciation, amortization and impairment, %	–1.3%	–1.7%
Operating profit/loss	–45.9	–61.7
Operating margin (%)	–3.3%	–4.3%

Qliro AB and CDON AB are recognized as discontinued operations for 2020.

"Always celebrate the fab you!"

Kristina Lukes, CEO of Nelly

Five-year summary

Continuing operations

SEK million	2020	2019	2018	2017	2016
Operating income and earnings					
Net sales	1,394.1	1,452.2	1,384.5	1,214.7	1,083.4
Gross profit	309.0	338.9	369.3	392.7	263.1
Operating profit before depreciation, amortization and impairment (EBITDA)	–17.5	–24.7	14.9	77.9	–7.0
Operating profit (EBIT)	–45.9	–61.7	–6.4	62.6	–26.5
Profit before tax and Group contributions	–47.5	–73.1	–19.7	60.2	–26.9
Profit before tax	–47.5	–73.1	–19.7	33.4	–68.9
Profit for the period	–71.1	–86.8	–17.2	21.8	–56.7
Profitability and related key ratios					
Gross margin, %	22.2%	23.3%	26.7%	32.3%	24.3%
Operating margin, %	–3.3%	–4.3%	–0.5%	5.2%	–2.4%
Operating margin before depreciation, amortization and impairment, %	–1.3%	–1.7%	1.1%	6.4%	–0.6%
Return on capital employed, %	Neg	Neg	Neg	42.7%	Neg
Return on equity, %	Neg	Neg	Neg	2.2%	Neg
Capital structure					
Gross debt	0	0	250	250	0
Equity/assets ratio, %	38.1%	22.2%	28.9%	28.3%	36.3%
Operating ratios					
No. of visits, thousand	116,356	118,414	116,230	110,237	107,728
No. of orders, thousand	2,687	2,946	3,072	2,832	2,735
Number of customers, thousand	1,183	1,298	1,354	1,217	1,162
Average shopping basket, SEK	710	736	693	667	637

Nelly

Nelly is one of the best-loved fashion brands for young women in the Nordics. The company offers women aged 15–25 a vibrant world of fashion. This target audience has a great need to feel *'fab'* every day. We meet this need by providing inspirational, infinite inspiration, with fashion from our own brands and a few carefully selected 'must-haves' from an international portfolio.

EVERY SINCE THE START, the focus has been on online sales and close dialog with customers to inspire and challenge them with fashion. The company's success is based on the ability to inspire its target group with fashion and generate commitment by building relationships on social media. The company has offices in Borås.

Nelly is a pioneer, one of the first fashion companies to focus entirely on digital marketing and sales. The company is highly fashionable, employs innovative marketing and enjoys close relations with its target group. The focus is to continue to develop Nelly's offering, brand and logistics to drive profitable growth.

History

Nelly was launched in 2004 and has since expanded, widening the range from lingerie and swimwear to clothing, accessories, beauty products and sportswear. From the very start, the company's success lay in inspiring its customers with fashion. The men's department of Nelly was separated off in 2014 to form the men's store NLY Man.

Growth in earnings towards the year-end

In 2020, sales totaled SEK 1,394 million, a fall of one percent in local currency compared with the year before. Sales in the Nordic region increased in local currency. Outside this region, net sales declined as a result of the switch in focus towards the Nordic core market. The Group no longer has active sales operations in Europe as it is able to reach consumers in a cost-effective way via its cooperation with Zalando.

Nelly has 1.1 million customers in the Nordic region and attracts more than 108 million visits per year. This gives it a good reach in its target audience, which often visits Nelly.com several times per day for purchases and inspiration. During the year, the number of visits increased, while the number of customers and purchases declined by 2% and 4% respectively in the core market in the Nordics.

The range of own brands is united under the name 'NLYby-Nelly' and accounted for 42% of sales. The own brand range is being expanded in clothing, shoes, accessories, lingerie and swimwear.

The company has a strong position in party fashion. The number of social gatherings declined during the year as a result of the pandemic, resulting in a sharp drop in party dress sales compared with the previous year. Most party dresses are own brands, which to a large extent explains the decline in the proportion of own brand sales.

Direct sales costs (which include shipping costs to consumers) declined by 12% during the year. This was partly due to a number of cost-cutting and efficiency enhancement measures and the fact that the cooperation with Zalando reduced the cost of deliveries to consumers outside the Nordic region.

The gross margin was 22.2% (23.3) for the year. This was higher in the second half of the year, primarily as a result of reduced sales costs, lower marketing costs outside the Nordic region, efficiency improvements and a lower return rate.

Operating profit before depreciation and amortization improved slightly to SEK -17.5 (24.7) million for the year. Several measures were taken to boost profitability. This contributed to operating profit before depreciation and amortization totaling SEK -7.7 (-23.5) million in Q4.

Reduced return rate

Online clothes sales have a higher return rate than many other products. This is natural buying behavior for the online fashion segment, but also results in costs and negative impact on the environment and may be open to abuse.

The return rate decreased as a result of the focus on the Nordics, a digitalized and simplified returns process and banning of certain customers. The fall in the proportion of net sales generated by party dresses also contributed to fewer returns. The return rate was four percentage points lower for the year 2020 compared to 2019.

> **"Measures to enhance efficiency throughout the value chain and boost profitability."**
>
> **Kristina Lukes, CEO of Nelly**

SEK **1.3** billion in net sales in the Nordic region

108 million visits in the Nordic region

2.6 million purchases in the Nordic region

1.1 million customers in the Nordic region

Inventory turnover rate

The inventory turnover rate increased during the year due to a more efficient buying and selling process along with measures to reduce inventory levels. At year end, inventories were 32% lower than at the same time in the previous year (the comparative figure does not include CDON).

Business model

Nelly's business model is based on a core of its own designs and brands and a supplementary range of curated fashion and beauty products from 300 other brands. Clothing and accessories are purchased from manufacturers. Relationships with manufacturers are governed in part by the code of conduct for business partners. The clothing is transported to the logistics center in Falkenberg (soon to be in Borås), marketed digitally and sold on Nelly.com and NLYman.com.

Next steps

Nelly continues to develop its brand positioning. The company's strategy is to inspire young women to express themselves and celebrate their 'fab you'. In this way, the company boosts its relevance to and loyalty among its target audience of young women in the Nordic region. Nelly will continue to strengthen its own brands and remain at the forefront of digital marketing and sales.

The company is also developing its winning Nelly culture. An important step is to concentrate all employees in shared premises in Borås. In 2021, the company will close its office in Stockholm and move its warehouse from Falkenberg to a newly built warehouse in Borås. Soon, the entire management team will also be based in Borås.

The company's culture combines data-driven analysis with close dialog with its customers and influencers. This gives it a lead in the fashion trends. An important step for 2021 is to enhance the company's data-driven approach with new ways of managing operations.

The company will also improve logistics for efficient, precise deliveries by establishing an energy-efficient, automated warehouse in Borås. Borås is strategically located for distribution, providing access to more transport options and possibilities for offering faster deliveries. The development of the value chain also involves raising the bar for sustainability initiatives.

STRATEGY

- Inspire young women to celebrate and express themselves
- Strengthen the brand position among young women
- Drive creative digital marketing and sales

ACHIEVED IN 2020

- Increased profitability in the second half of the year
- Digitalized processes
- Became an independent listed company

FOCUS 2021

- Develop our brand positioning, help her be *'fab'*
- Strengthen winning culture and unite all employees in Borås
- Automatize and move logistic central to Borås

SEK million	2020	2019	Change, %
Net sales	1,394.1	1,452.2	–4%
of which Nordics	1,280.1	1,321.6	–3%
of which outside Nordics	114.0	130.6	–13%
Cost of goods sold	–781.9	–767.7	2%
Product result	612.1	684.5	–11%
Product margin, %	43.9%	47.1%	–3.2 pp
Direct sales costs	–303.1	–345.6	–12%
Direct sales costs, %	–21.7%	–23.8%	2.1 pp
Gross profit	309.0	338.9	–9%
Gross margin, %	22.2%	23.3%	1.2 pp
Operating profit/loss before depreciation, amortization and impairment	–17.5	–24.7	
Operating margin before depreciation, amortization and impairment, %	–1.3%	–1.7%	0.4 pp
Operating profit/loss	–45.9	–61.7	
Operating margin, %	–3.3%	–4.3%	1.0 pp
Opening inventory balance in the Nelly segment	245.9	241.6	2%
Closing inventory balance in the Nelly segment	166.3	245.9	–32%
Percentage of sales of own brands	42%	44%	–2 pp
Return rate	34%	38%	–4 pp
No. of active customers in the Nordics, thousand	1,128	1,147	–2%
Number of visits in the Nordics, thousand	107,625	104,807	3%
Number of orders in the Nordics, thousand	2,564	2,680	–4%
Average shopping basket in the Nordics, SEK	712	726	–2%

The table and text above refer to the Group. In previous annual reports, Nelly was presented as one of three segments, excluding the former Qliro Group's non-operational central operations.

Sustainability report

Nelly Group AB 'Nelly' takes responsibility for sustainable development. The Group sees it as both an opportunity and obligation to act from an economic, social and environmentally sustainable perspective. Through these efforts we aim to take even more responsibility for sustainable development.

THE SUSTAINABILITY REPORT contains non-financial information, including work relating to environmental issues, human rights, staff and anti-corruption. .

The Group distributed the shares in subsidiaries CDON and Qliro AB in 2020. The Group previously reported consolidated sustainability data for all three subsidiaries. CDON and Qliro AB are included in this annual report as discontinued operations. Like the annual report, the sustainability report covers the remaining operations, i.e. Nelly. Historical data has been adjusted for comparability.

Nelly has reported on sustainability initiatives focused on the four areas defined in 2017. These were listed as environmental responsibility, responsible value chain, attractive employer and business ethics. In 2020, the Group's sustainability initiatives changed as Nelly became the only operational unit in the Group. Sustainability initiatives now cover the focus areas 'Planet', 'Product' and 'People', and this is reflected in this year's report. An important element in the company's brand positioning is to encourage young people to express themselves and be the best version of themselves. In 2021, the company will look at how this can develop its sustainability initiatives.

Nelly Group AB is the parent company of the Group and its management team is responsible for sustainability initiatives. The sustainability initiatives are implemented by the sustainability manager in partnership with the sustainability group, which consists of key individuals from several departments.

Nelly's management team consists of the CEO, Chief Financial Officer, Chief Commercial Officer, Chief Assortment Officer, Chief Technology Officer, Chief Operating Officer and Chief Human Resources 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, reports and other tasks. For more information, please see page 43.

"We are now intensifying our sustainability initiatives to reduce our negative impact and enhance our competitiveness."

Kristina Lukes, CEO of Nelly

Nelly's sustainability initiatives

Nelly's sustainability initiatives in 2020 were implemented as part of the 'Good Together' strategy, based on the following values: Passion, Innovation, Smartness and Together. The key driver of this approach is that impact needs collaboration.

NELLY SELLS CLOTHING and accessories online, mainly to young women in the Nordic region. The business model is based on a core of its own designs and brands and a supplementary range of curated fashion and beauty products from 300 external brands. The own brand products are purchased from manufacturers in China, Turkey, India, the UK, Morocco and Bangladesh. The clothing is transported to the logistics center in Sweden, marketed digitally and sold mainly in the Nordic region on Nelly.com and NLYman.com. Manufacture, transport and storage have an impact on the environment and people, which means that the company has a responsibility for contributing to a more sustainable society.

The company's sustainability strategy was adopted at the end of 2019 and was implemented and refined in 2020, with clearer objectives. The planning horizon extends to 2030.

The strategy has three focus areas:

- Planet – to reduce environmental and climate impact
- Product – to offer good, sustainable products
- People – how the company treats and influences people through the value chain

The main focus in 2020 was on climate initiatives and on offering more sustainable textile products. The company also increased its transparency in relation to sustainability on Nelly.com and NLYman.com, where there is information on sustainable materials and the factories that make Nelly's own brand products.

In 2017, Nelly carried out an analysis of stakeholders, involving interviews and surveys of stakeholders who directly or indirectly affect or are affected by our business. These included customers, employees, shareholders, board members, trade associations, partners, financial analysts and suppliers. The insights gained from this analysis have formed the basis of the sustainability initiatives. The company intends to renew this stakeholder dialog in the years to come.

The materiality analysis was renewed in 2020. The aim was to identify the most important sustainability issues and chart the sustainability-related risks that may affect the company, The work was started by representatives of management and the sustainability group. A number of sustainability issues were charted 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. These are listed below with links to the 17 UN Sustainable Development Goals.

> **"We have started a sustainability journey with our customers, suppliers and partners. There is no quick fix. Sustainability involves working together in multiple arenas over the long term."**

Camilla Olofsson, sustainability manager at Nelly

Collaboration between all actors from the public sector, the business community and society will be needed to achieve the global goals by 2030. 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
Planet	· Carbon emissions · Transport · Packaging · Returns	Goals 12, 13 and 17
People	· Psychosocial working environment · Gender equality, diversity and equal treatment · IT security and customer privacy · Anti-corruption and transparency · Responsible supply chain	Goals 3, 5, 8 and 17
Product	· Chemicals management · Choice of materials · Product quality · Product life cycle	Goal 12

3 GOOD HEALTH AND WELL-BEING

GOAL 3: GOOD HEALTH AND WELL-BEING.
Nelly takes an active approach to staff well-being, including exercise during working hours, a preventive health care allowance, height-adjustable desks for all, and regular recreational activities. Read more about good health and well-being on page 27.

5 GENDER EQUALITY

GOAL 5: GENDER EQUALITY.
Nelly attaches great importance to ensuring that all employees are treated equally, with respect and dignity, and are given equal opportunities for development. Read more about gender equality work on page 29.

8 DECENT WORK AND ECONOMIC GROWTH

GOAL 8: DECENT WORK AND ECONOMIC GROWTH.
Nelly works to maintain long-term supplier relationships and create economic growth with decent working conditions. Read more about this work on page 31.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION.
By striving to offer more environmentally-friendly packaging and increase the proportion of sustainable materials, the company contributes to more sustainable consumption and production. Read more about the work for more sustainable consumption on page 17.

13 CLIMATE ACTION

GOAL 13: CLIMATE ACTION.
Nelly works to reduce its climate impact and collaborates with the STICA initiative. Carbon emissions are calculated for its own operations and parts of the value chain. The aim is to do this for the entire value chain eventually. Read more about climate work on page 17.

17 PARTNERSHIPS FOR THE GOALS

GOAL 17: PARTNERSHIPS FOR THE GOALS.
The global goals are being realized through global partnership and collaboration. Nelly contributes to global partnership through involvement in the international initiatives Amfori, BCI and STICA. Read more about collaboration on page 15.

Nelly's collaborations

Global improvements are driven by collaborations between different types of actor in many countries. Nelly implements its sustainability initiatives in collaboration with a number of initiatives to boost their impact.

Swedish Textile Initiative for Climate Action

Swedish Textile Initiative for Climate Action (STICA) supports the Swedish textiles industry in its work to reduce climate impact through cooperation, knowledge sharing and shared tools. Nelly has undertaken to reduce its climate impact and report emissions.

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. Nelly has been a member since 2018 and requires its suppliers to sign Amfori's code of conduct.

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.

Better Cotton Initiative

Better Cotton Iniative (BCI) works for a better future for cotton production and for industries in which cotton plays an important role. Nelly sees BCI as an important standard for improving the sustainable materials in its range.

Scandinavian 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 organizes seminars and network activities to permit discussion between actors in the industry.

Human Bridge

Human Bridge is an aid organization 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.

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 organizations with the focus on exchange of experience.

Planet focus area

Nelly works to make its actions greener for a better future. This is called its Planet focus area. This work is done to reduce climate impact, have greener packaging and reduce the volume of returns.

NELLY'S RISKS IN ITS ENVIRONMENTAL work include risks that measures taken in production, warehousing and transportation are insufficient. Production, warehousing and transportation affect the environment through energy consumption, resource use, waste and carbon emissions. Investors and customers are increasingly demanding that climate impact be recorded and reported. Another challenge facing e-merchants is managing returns. As products cannot be tried on before they are purchased, there is a risk of them being sent back and forth, resulting in higher carbon emissions. As products have to be packaged to cope with transportation, there is a risk that packaging cannot be recycled or reused, leading to unnecessary resource use. The company works systematically to manage these risks.

The environmental and travel policies form the basis of the company's environmental work and include provisions relating to travel, waste management, use of renewable materials, reduction in paper documents etc. They are available on the intranet and must be regularly reviewed by managers in all departments. In 2020, and environmental coordinator was appointed at the office in Borås to ensure that environmental issues are prioritized.

Climate impact

In 2020, Nelly decided to focus on the climate and defined climate impact as the highest priority sustainability issue. Nelly has an indirect environmental impact through emissions from suppliers in the value chain and a direct impact through emissions from its own operations.
With the Swedish Textiles Initiative for Climate Action (STICA), during the year the company gained greater understanding of its total climate impact, developed tools for measurement and data collection and shared knowledge about how to reduce climate impact. STICA recently released its members' first joint climate report, showing emissions from own operations (Scope 1 and 2). The next step in 2021 is to chart and set climate targets for the value chain, where approximately 80 percent of the climate impact takes place.

Nelly's climate goals

Nelly's goal for its own operations (Scope 1 and 2) is to be carbon neutral by 2023.

Nelly currently has a warehouse in Falkenberg, but this will be relocated to new premises in Borås in 2021. In the warehouse, there is daily monitoring to make processes more efficient, reduce energy consumption and ensure efficiency in fork-lift usage, time use and filling of trucks. The new warehouse in Borås is a newly built, energy-efficient plant that has been planned for efficient logistics and will be powered by renewable energy. The new warehouse is closer to the office, which will reduce internal transportation.

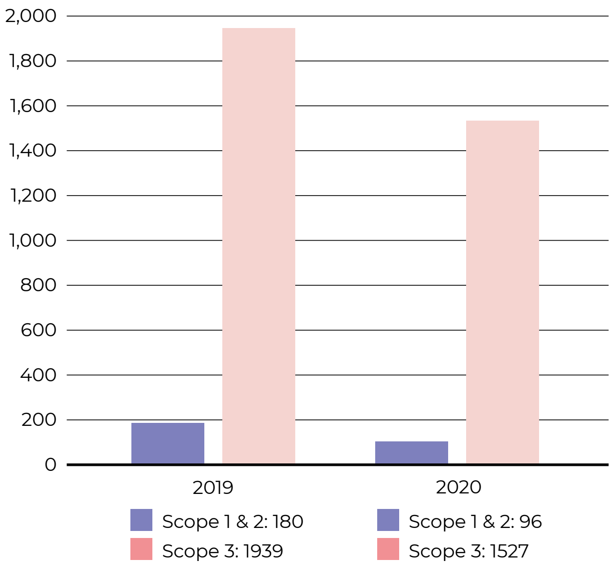
Nelly also plans to relocate its Stockholm office to Borås in the first half of 2021, which will reduce the need for domestic travel. The travel policy urges employees to use trains and public transportation where possible to reduce climate impact.

Nelly measured the emissions from its own operations according to the Greenhouse Gas (GHG) Protocol's Scope 1 and 2 for 2020. Emissions in Scope 1 and 2 amounted in 2020 to 96 tonnes of CO_2 equivalents, a reduction of 46 percent on the previous year. The reduction is partly due to a greater mixture of renewable fuel in company vehicles and an increase in the proportion of electric company cars, plus lower consumption of district heating in the warehouse.

The Group measured emissions from transportation and business travel in 2020 and prepared for measurement of emissions from products and production. Emissions from business travel and shipments are reported according to the Greenhouse Gas (GHG) Protocol's Scope 3 and amounted in 2020 to 1,527 tonnes of CO_2 equivalents. This is a reduction of 21 percent, which is mainly due to much less business travel during the pandemic and also emission reductions in shipments.

In the wake of the pandemic in 2020, many trips were replaced with digital meetings with suppliers and partners, leading to dramatically reduced emissions for 2020. Nelly depends on travel to promote sales in several countries, manage purchases of goods and safeguard the value chain, which means that travel will probably increase again once the pandemic is over. However, the ambition is to continue to use digital tools as a supplement to in-person meetings. The reduction in emissions from business travel of 90 percent in 2020 is, therefore, mostly an effect of the pandemic and not a new long-term level.

Total emissions, ton CO_2e



> **"We are focusing on the climate and our ambition is to limit our carbon footprint. We are working with other brands in our industry to find the best way forward!"**
>
> **Kristina Lukes, CEO of Nelly**

Returns and shipments

Returns are an important issue at Nelly in terms of both costs and the environment. The development work involves improving the efficiency of processes, developing system support and reducing shipments, while also engaging customers. A lower return rate can reduce transportation costs and carbon emissions and make it possible to purchase the right quantities.

ONLINE CLOTHES SALES have a higher return rate than many other products. This is natural buying behavior for the online fashion segment, but also results in costs and negative impact on the environment and may be open to abuse. In all commerce, customers are entitled to return the goods they have purchased. This has increased in e-commerce, partly because it is difficult to predict sizes and because some customer groups buy several garments to try on at home. Nelly works to reduce its return rate in several ways.

In 2018, a project began to create a smoother return process for customers and obtain solid data on returns for analysis. In the new process, the customer gives the reason for the return digitally, which simplifies follow-up and makes it easier for the purchasing department to reach a decision. As part of this work, the company identified customers who were abusing the returns system according to carefully selected criteria. In 2020, the company blocked customers with negative return behavior in order to reduce unnecessary returns.

The pandemic has affected purchasing behavior and, thus, the return rate. The company has sold more products with a simpler fit for home use and less of the product groups that tend to be returned frequently, for example, party dresses.

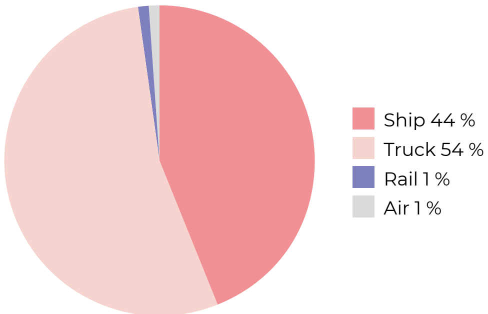
The return rate fell by 4 percentage points to 34 percent in 2020. This was due to the company's focus on the Nordics, fewer party dresses, a digitalized, simplified returns process and the banning of certain customers.

Nelly prioritizes freight forwarders who actively work to reduce environmental impact. The transportation market continuously develops more eco-efficient alternatives and Nelly follows developments carefully.

Shipments to and from customers are called outbound. In 2020, emissions from these shipments were 13 percent lower than the year before. This is due to fewer shipments outside the Nordic region and a lower return rate. The ambition in 2021 is to offer customers a fossil-free shipment option.

Shipments from the factory to the company's own warehouse are called inbound. Ships and trucks are primarily used for shipments of own brand products to Nelly's warehouse. During the year, the company also tested delivery by rail from China. 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 2020, emissions from inbound shipments were 13 percent lower than in the year before, which is primarily explained by a reduction in the proportion of shipments by air.

Breakdown inbound transportation 2020



Packaging

Nelly works to minimize resource use for packaging and materials in connection with manufacturing and shipment. This promotes cost-effectiveness, environmental consideration and satisfied customers.

THERE ARE DEMANDS FROM both public authorities and customers to increase the recyclability of packaging and reduce the occurrence of single-use plastic. Nelly requires in its supplier agreements that products that are delivered be packed in recyclable plastic. The goal for 2022 is for all packaging sent to customers to consist of recycled, reusable or compostable material.

Optimized use of packaging materials is important for cost-effectiveness, profitability and environmental impact. This means that packages are tailored to the size of the product to minimize packaging materials and empty space.

In 2020, the use of plastic in sample management was reduced by the company demanding that supplies pack all samples together. In addition, the company worked to increase the proportion of recycled materials in e-commerce bags. Approximately 61 percent of e-commerce boxes and bags sent to customers in 2020 were made of recycled material.

"Climate is one of the big challenges of our age. We are determined to do our bit to limit our carbon footprint. Together, we can take action to slow the heating of our planet."

Camilla Olofsson, sustainability manager at Nelly

Product focus area

Nelly works with sustainable materials, safe products and better animal living conditions. This is called the Product focus area. The aim is to offer products of the right quality made of sustainable materials without banned, unhealthy or environmentally harmful chemicals.

NELLY WANTS TO INCREASE the proportion of sustainable materials at Nelly and NLY MAN. Ensuring that garments are good quality and last a long time is essential to reducing environmental impact. To achieve this, there are third-party inspections of the factories manufacturing Nelly's own brand products to ensure uniform production. Suppliers undertake to comply with the chemicals restrictions under the EU REACH Regulation, national law and Textilimportörerna's chemicals guide.

Sustainability labels are becoming more common among competitors and there is a risk of Nelly not offering sufficient sustainable alternatives to customers and business partners. Increased demand for more sustainable materials risks creating a shortage of these materials and higher prices. Chemicals requirements are becoming ever stricter and there is a risk of Nelly not meeting the stricter requirements for safe products.

Sustainable materials

Increasing the proportion of sustainable materials is a key component of Nelly's sustainability strategy. The manufacture of textiles is resource intensive in terms of water and chemicals and has a negative impact on the environment through climate emissions. Increasing the proportion of sustainable fibers reduces the need for water, chemicals and energy.

Long-term goal for sustainable products:

The goal is for 50 percent of textile products to be made of more sustainable materials by 2025. The materials used today that are classified as sustainable are: Better Cotton, EcoVero®, TENCEL®, organic cotton and recycled fibers. Read more about these materials at: https://nelly.com/se/hållbarhet/hållbara-material/.

Nelly offers both own brand clothing and external brands. Success depends on external suppliers and their development. Many of the bestselling external brands are making progress with their sustainability work.

Nelly charts sustainable materials and has established clear frameworks and procedures for the purchase of clothing and materials for both its own and external brands. The company has also begun to communicate about sustainability on its website. By marketing 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.

During the year, Nelly inspired its employees to make more sustainable material choices and place demands on suppliers. Among other things, this took the form of internal training for the purchasing department on sustainable materials, certifications and manufacturing processes. The company also made its objectives clear and created the conditions for follow-up. The proportion of sustainable materials in textile products was 9 percent in 2020. For own brand products, the proportion was 11 percent, which is primarily due to a 50 percent increase in cotton products produced with Better Cotton since 2019. The goal for 2021 is to increase the total proportion of sustainable materials in the range to 20 percent.

Product quality and product safety

Nelly must sell products that can be used for a long time and are free of harmful and toxic chemicals with a negative impact on humans, animals and nature. The Group is responsible for ensuring that its products meet quality and chemicals requirements and places demands on its suppliers through supplier agreements for business partners.

Chemicals are used to manufacture all types of textile product. The challenge lies in avoiding the harmful and toxic chemicals that have a negative impact on humans, animals and nature. The company requires that the products received from its suppliers do not contain prohibited, unhealthy or environmentally harmful chemicals.

Suppliers undertake, by signing agreements, to comply with relevant chemicals restrictions. Textilimportörena's chemicals guide is used as an aid. Where its own brand products are concerned, the company checks that suppliers meet quality and chemicals requirements through third-party inspections, its own visits to production facilities, tests in external labs and its own tests. The company examines

"We see it as a matter of course that fashion can and must be made of more sustainable materials. We want to contribute to the transition!"

Nelly's Chief Assortment Officer, Maria Segergren

products in terms of risk, decides which products should be tested and inspected and follows up on the results. Random samples are also tested and inspected.

Nelly has boosted its resources for ensuring quality and chemicals contents through more chemicals tests and increased quality control in production.

In 2020, the company improved its tools for managing quality and complaint statistics. It conducts a continuous dialog with suppliers to monitor their products and production and achieve constant improvements. Examples of improvement measures are better lighting, more frequent cleaning of machines, more quality testing and improved production routines. No products needed to be recalled from customers because they contained banned chemicals. The products that contained excessive contents of a substance were stopped before delivery or replaced with other materials.

The complaint rate was 1 percent in 2020, which is in line with company targets.

Animal ethics

Nelly takes a stand on animal welfare and the requirements for products of animal origin are, therefore, important. The company has endorsed Swedish animal rights organization Djurens Rätt's Fur Free Retailer Program. Nelly's animal policy can be read at https://nelly.com/se/hållbarhet/produkter/

End-of-life

Nelly is working towards a Zero Waste target, with the aim of not throwing any products away and reusing or recycling unsold products to contribute to a circular economy. Garments that are returned are cleaned and repaired in the returns warehouse. Anything that cannot be resold via the usual channels goes firstly to buyers and also to charitable organizations and materials recycling. Garments that are withdrawn due to quality problems are donated to the charitable organization Human Bridge for reuse or recycling. Only products that are harmful to health or the environment are sent for incineration, for example, if they contain mold.

In 2020, 4,600 kg of clothes and shoes were donated to Human Bridge and 1,350 kg were sent from the warehouse in Falkenberg for incineration.

"We are grateful that, despite the pandemic, we have been able to conduct quality controls in production. We have used third-party companies as our eyes and ears out in the world when we were not able to visit factories ourselves in 2020."

Sanijeta Smajlagic, Quality Coordinator at Nelly

People focus area

Nelly works hard to ensure that all employees are proud of the company’s social responsibility. Nelly must always follow the principles of good business ethics. Employees and manufacturers must be able to feel proud of their joint work to contribute to a transparent, fair industry. This work is called the People focus area.

NELLY MAINTAINS A HEALTHY workplace through systematic working environment initiatives, promoted by consideration and sound values. Processes for employee appraisals, management by objectives and monitoring of the physical and psychosocial working environment are well established. These are systematically maintained by the HR department and implemented by managers in the organization. The entire company is subject to collective agreements.

Nelly is a member of Amfori BSCI, which aims to improve working conditions in the supply chain. Own brand suppliers must sign the Amfori BSCI Code of Conduct, which contains requirements for health, safety, fair pay and good working conditions. Nelly believes that greater transparency in the supply chain will contribute to a more sustainable future.

For Nelly, diversity and gender equality are important, both to offer an attractive workplace, and to ensure understanding of customer needs. 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.

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

Nelly's value chain includes a large number of brands, suppliers and factories. There is a risk of violations of human rights and failure to provide decent working conditions in the supply chain. Therefore, there is also a risk that people or the environment may be harmed during manufacturing. This may lead to reputational risks for the Group and, in the long run, lower profitability.

Nelly conducts digital marketing and sales. Protection of customers' data and privacy is paramount. Data breaches and loss of customer data may affect confidence in security and adversely affect business. They can also pose a risk of exposure of individual customer data. The Group works in a structured manner with data security issues and safe handling of personal data.

"We help our customers and employees express themselves and celebrate their *'fab you!'*"

Kristina Lukes VD på Nelly

Employees

Nelly works to foster a productive, healthy workplace. A good working environment is a prerequisite for good health among employees, higher employee satisfaction and better performance.

"We want to create a workplace in which employees perform well, thrive and develop"

Therese Knutsson, Chief Human Resources Officer at Nelly

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 an attractive, safe working environment and that every employee deserves respect.

The ability to attract new employees and offer an attractive workplace where people thrive, remain and progress is a success factor. Risks in this area include the inability to attract and retain the right staff and the risk of employees suffering stress-related health issues in the workplace or having workplace accidents.

In 2020, the company continued its work to create understanding or enhance knowledge of diversity, gender equality, non-discrimination, safety at work and psychosocial issues. This was done in connection with onboarding and via internal training, for example, training for managers in health and safety work and rehab. This training was carried out in Falkenberg in 2020.

The Group strives for a sound employee turnover. Employee turnover was highest for persons under 30. This is natural since Nelly employs many young people at the beginning of their careers who move on to further education or other challenges.

The year was, of course, dominated by the pandemic. To deal with the new situation, a number of measures were introduced to create a safe workplace, including remote working and ergonomic aids for those working from home. Measures at company premises included enhanced cleaning, provision of hand sanitizer, clear social distancing instructions, restrictions on visitors and fewer business trips. Conferences and meetings have largely taken place digitally. Examples of benefits include flexible working hours, supplementation of parental leave pay, salary switching opportunities, agreements with occupational health service providers, preventive health care allowance and exercise sessions during working hours. Bikes are also available as an alternative means of transport to and from work. Nelly attaches great importance to activities to promote job satisfaction and community. These are provided in part through the Nelly Fun Squad. These benefits contribute in part to the work to prevent social ill-health in the workplace and to creating balance between work and well-being.

As part of the onboarding plan, employees are informed about the Group's values regarding gender equality, diversity and discrimination. The Group has a policy and an action plan for gender equality and diversity that complement the Code of Conduct. The Group also has a health and safety policy, and a policy and an 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.

Nelly has begun a long-term initiative to develop its managers, primarily in relation to management by objectives, coaching and feedback. The company's long-term goal is to enhance its staff by active development of leadership and employee participation.

The office was renovated in 2020 to create an inspiring workplace and to improve opportunities for collaboration. In the work to renovate the office and create a new warehouse, the company paid great attention to safety issues to prevent accidents at work.

Nelly conducts pulse surveys every week on issues affecting the working environment. Despite the pandemic and the new conditions, employees rated the working environment highly. This was a consequence of the Group's ability to switch to new working methods quickly.

Number of employees in Nelly NLY AB and Nelly Logistics AB, excluding discontinued employments

	2020			2019		
	No.	Of whom women	Women, %	No.	Of whom women	Women, %
Total	372	230	62	382	242	64
Under 30	142	90	63	158	104	66
30-50	197	121	61	187	116	62
Over 50	33	19	58	37	22	59

Nelly Group Board

	2020			2019		
Gender distribution, employees	No.	Of whom women	Women, %	No.	Of whom women	Women, %
Total	6	4	67	6	2	33
Under 30						
30-50	5	3		5	2	
Over 50	1	1		1		

Nelly Group Management

	2020			2019		
Gender distribution, employees	No.	Of whom women	Women, %	No.	Of whom women	Women, %
Total	6	4	67	4	1	25
Under 30						
30-50	5	3		3	1	
Over 50	1	1		1		

Responsible supply chain

Nelly places demands on suppliers in relation to working conditions and human rights and aims to continuously increase transparency in its supply chain.

NELLY'S OWN BRAND PRODUCTS are made by 23 suppliers that, in turn, use 55 production units (Tier 1 factories). 53 of these are in the medium risk countries China, Turkey, India, Bangladesh and Morocco, and 2 are in the UK, classified by Amfori as a low risk country. Nelly's ambition is have long-term relationships with its suppliers to achieve a uniform quality level and ensure that they maintain high standards in relation to human rights and the environment. In 2020, Nelly published a list of the production units (Tier 1 factories) used for its own brand products to increase transparency in its value chain.

Risks relating to human rights and social conditions include breaches of the right of freedom of association, the risk of child labor, etc. If Nelly identifies violations of human rights and failure to provide decent working conditions at a supplier, it may terminate the working relationship.

Nelly has been a member of Amfori since 2018. As such the company works with other purchasing companies to improve 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 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.

To ensure compliance with the requirements of the code, suppliers are audited by third-party companies. The audit reports indicate non-compliance and breaches of the Code of Conduct. Examples of serious breaches are forced labor and child labor. Under a zero tolerance approach, when such breaches are discovered, Amfori takes immediate action in collaboration with purchasing companies and the manufacturer. Amfori BSCI inspections are graded on a scale from A (highest) to E (lowest). All manufacturers are expected to strive to improve constantly. Following a grade C or lower, an action plan is required and is followed up with another inspection.

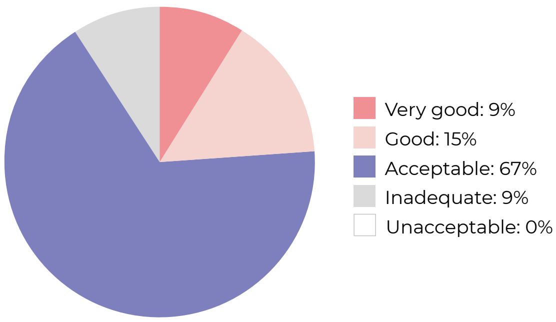
Nelly accepts auditing based on the Amfori BSCI Code of Conduct and Sedex audits. For external brands, compliance with human rights is ensured using purchasing agreements with clauses on working conditions and human rights.

In 2020, a number of factories were fully or partially closed at times on account of Covid-19. This had some impact on deliveries to Nelly and meant that some audits were postponed to 2021. Development work such as training had to be accorded lower priority or postponed in some cases. In India, special training measures were implemented via an Amfori webinar on hygiene training to prevent the spread of Covid-19.

In 2020, 62 percent of the factories making Nelly's own brand products were audited based on BSCI or Sedex, i.e. with third-party inspections within the period for the valid audit cycle.

Measures to improve health and safety have mainly been introduced at factories where the result was inadequate. No zero tolerance action was required at these factories in 2020.

Audit results



"We want to work with suppliers that share our respect for human rights and are willing to work with us to improve their operations."

Camilla Olofsson, sustainability manager at Nelly

Business ethics

Nelly creates value by being a trusted business partner. Initiatives aim to create an open and responsible culture with clear, established practices that ensure ethical and secure business relationships. The Group has zero tolerance for corruption and bribery.

NELLY WORKS WITH MANY suppliers and partners and good business relationships are crucial. As an e-commerce company, data security and privacy protection are also business critical. Nelly uses personal data to fulfill its obligations to customers such as delivering goods and for billing, customer surveys, marketing etc.

Nelly makes systematic efforts to ensure that personal data is managed responsibly in accordance with the EU's General Data Protection Regulation (GDPR) and has a data protection officer. The personal data processing policy specifies the requirements made at Nelly and ensures that the Group complies with laws and rules linked to the processing of personal data.

In 2020, there was a strong focus on the work following the Schrems II case. Nelly mapped all third-country systems and suppliers, entered new SCC (standard contractual clauses) for all systems and made a risk assessment. Nelly also worked on an internal control framework for GDPR. Progress was made in 2020 and the work continues in 2021.

Nelly responds actively to personal data breaches and classifies them as low, medium or high risk breaches. In 2020, Nelly had a total of 74 personal data breaches, 73 of which were classified as low risk and one as medium risk. Breaches that are classified as high risk must be reported to the Swedish Authority for Privacy Protection. In 2020, Nelly reported no incidents to the Swedish Authority for Privacy Protection.

Nelly works actively to raise awareness of data security. Nelly's data security policy ensures that data is used securely by all employees, including external resources.

In 2020, Nelly carried out a data security analysis covering general data security and selected systems. This resulted in a number of action points that are being dealt with in 2021.

Nelly has zero tolerance for bribery and corruption. The Employee Code of Conduct lays the foundation for establishing good business relationships. It 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. Employees are expected to adhere to the code in their work and make sure that business partners know these principles. Nelly's employees must know the code and how compliance with the code is ensured. The code of conduct is included in the onboarding training that employees have when they are first employed. It is available on the intranet and is used for internal training and lectures.

The whistleblower policy aims to ensure that employees and business partners feel confident about raising suspicions of impropriety. Whistleblowing is expected of employees when necessary. Suspicions can be reported anonymously, and the information will be investigated.

In 2020, 90 percent of all employees signed the Employee Code of Conduct.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Nelly Group AB (publ), corporate identity number 556035-6940

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2020 on pages 10-33 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing 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.

Opinion

A statutory sustainability report has been prepared.

Stockholm 8th of April
KPMG AB

Mårten Asplund
Authorized Public Accountant

Directors' report

Directors' report

Nelly Group AB (publ) 'Nelly' offers fashion and accessories in the Nordic region. The company's Board of Directors has its registered office in Stockholm. 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. Nelly Group was previously called Qliro Group.

Operations

In the first three quarters of the year, the Nelly Group owned three operational subsidiaries: Nelly NLY AB, CDON AB and Qliro AB. The strategy since June 2018 was to split the Group into three separate companies. This was done by the shares in Qliro AB and CDON AB being distributed to the shareholders of the Nelly Group in the second half of 2020. The aim was to give the companies the opportunity to focus fully on their own operations and, thereby, strengthen their competitiveness.

CDON and Qliro AB are recognized in this annual report as discontinued operations.

Nelly had 316 full-time employees on average during the year.

Nelly in 2020

Nelly offers fashion to trend conscious young consumers through Nelly.com and NLYMan. In 2020, sales were SEK 1,394.1 (1,452.2) million and the operating profit before depreciation and amortization was SEK –17.5 (–24.7) million. Profit after tax amounted to SEK –71.1 (–86.8) million and to SEK 512.1 (–110.2) million including discontinued operations.

The sale of own brands amounted to 42 (44) percent of sales. The return rate fell to 34 (38) percent.

Discontinued operations

The Nelly Group distributed the shares in Qliro AB in the third quarter of 2020 and CDON AB in the fourth quarter of 2020. These companies are recognized as discontinued operations in the Group.

Qliro AB was admitted to trading on Nasdaq Stockholm and the first trading day was October 2, whereas CDON AB was admitted to trading on Nasdaq First North Growth Market and the first trading day was November 6.

Profit after tax for discontinued operations amounted to SEK 518.7 (–11.5) million for the quarter and SEK 583.2 (–23.4) million for the year.

The profit of discontinued operations includes profit from the distribution of shares in CDON AB of SEK 528.8 million. The positive impact on profit was due to the fact that at the start of the first trading day CDON AB was valued at SEK 593 million, which was above the carrying amount of the net assets attributable to CDON AB, previously recognized at SEK 64 million in the Group. See Note 6 for more information. The figure recognized has no impact on cash flow or tax for the period, nor does the capital gain effect have an impact on equity.

Significant events in 2020

On January 2, it was announced that Kristina Lukes will become the new CEO of the subsidiary Nelly NLY AB. Kristina has extensive experience of change management for fast-moving consumer goods. Most recently she worked for Paulig. Kristina took up her new position in April.

On February 3, it was announced that Nelly would focus its operations on the Nordics, take steps to reduce inventories and eliminate about 25 positions in the administrative organization to have the right foundation for profitable growth.

On February 4, it was announced that the Group would be split during the first half of the year in accordance with the previous plan. A process was initiated to distribute shares in CDON and admit the company's shares for trading on the First North exchange. It was also announced that Marcus Lindqvist, CEO of the company since 2016, would leave his position when the separation took place.

On February 4, new financial targets for Qliro AB were announced prior to the planned listing. Financial developments for all three subsidiaries in 2020 were also commented on.

On March 6, an extraordinary general meeting resolved that the Group would change its name from Qliro Group to Nelly Group and that a share warrant program would be introduced in the subsidiary Qliro AB, given that Qliro AB would be listed on the stock exchange.

On March 20, the Group commented on the effect of the coronavirus and announced that the Group was holding off on the separate listing of Qliro AB. The Board's aim to split up the Group remained unchanged.

On April 29, Qliro AB received approval to change its approach to calculating the capital requirement for operating risk, which strengthened the company's capital situation.

On May 4, Mathias Pedersen was appointed CEO (previously CFO) and David Granath was appointed CFO. They have both worked at the company since 2016 and took up their new positions on June 1.

On May 19, Mathias Pedersen announced that he would leave his position as CEO in November to take on a different position.

On June 11, 2020, it was announced that Rite Ventures would acquire 23.2 percent of the shares in Nelly Group (called Qliro Group at that time) from Kinnevik. The transaction was conditional on the approval of the Financial Supervisory Authority, which was granted in the third quarter of 2020.

On July 14, it was announced that the previous financial targets and guidance for 2020 for the subsidiaries had been withdrawn.

On August 26, it was announced that the company had carried out a directed share issue which injected SEK 210 million less transaction costs. On the same day, the Board called for an extraordinary general meeting to resolve on distribution of the shares in Qliro AB.

On September 18, it was announced that the Financial Supervisory Authority had approved Rite Ventures' acquisition of shares in Nelly Group (called Qliro Group at the time) from Kinnevik. Thus, Rite Ventures became the largest shareholder with 25.1 percent of the shares.

On September 25, notice was given of an extraordinary general meeting on October 26 to resolve on distribution of all shares in CDON AB.

On September 28, the extraordinary general meeting resolved to distribute the shares in Qliro AB. The meeting also appointed Mathias Pedersen and Josephine Salenstedt as new board members. Andreas Bernström and Jessica Pedroni Thorell retired from the Board.

On October 2, Qliro AB's shares were admitted for trading on the Nasdaq Stockholm exchange.

On October 5, an information brochure on the distribution of shares in CDON AB was published.

On October 20 it was announced that Kristina Lukes would become the new CEO on November 6, while John Afzelius would take up the position of new CFO on April 1, 2021. Mathias Pedersen stepped down as CEO in connection with the completion of the separation of the Group. David Granath will remain as the CFO until the end of March 2021.

On October 26, an extraordinary general meeting approved the distribution of CDON AB.

On November 6, CDON's shares were admitted to trading on Nasdaq First North Growth Market. On the same day, Qliro Group changed its name to Nelly Group.

On November 30, the Group announced an automation solution for the new warehouse in Borås, facilitating fast and efficient deliveries. The automation solution will be manufactured by AutoStore, designed and supplied by Element Logic and financed through a supplement to the rent payable to Catena.

On December 16, an extraordinary general meeting resolved to elect new Board members and resolved to adopt fees for Board members, new guidelines on the remuneration of senior executives, a new incentive plan for selected executives and a 1:10 reverse share split. The EGM elected Louise Nylén, Maj-Louise Pizzelli and Stina Westerstad as new Board members. Daniel Mytnik and Lennart Jacobsen stepped down from the Board. Following the election, the Board of Directors now comprises Mathias Pedersen (Chairman), Christoffer Häggblom, Josephine Salenstedt, Maj-Louise Pizzelli, Louise Nylén and Stina Westerstad.

On December 16, it was announced that the management team would be expanded to include Mimi Darin as Chief Commercial Officer, Maria Segergren as Chief Assortment Officer, Andreas Drougge as Chief Technology Officer and Therese Knutsson as Chief Human Resources Officer. Kristina Lukes, CEO, and David Granath, Chief Financial Officer (until the end of March), are also members of the management team. John Afzelius will take up the position of CFO on April 1.

On December 16, 2020 it was announced that the record date for the reverse share split would be December 29.

As of December 31, the number of shares and votes was 18,494,973, of which 17 972 973 ordinary shares and 522,000 C shares. In December 2020, the number of shares and votes decreased from 184,949,730, of which 179,729,730 ordinary shares and 5,220,000 C shares, to 18,494,973, of which 17,972,973 ordinary shares and 522,000 C shares. The change in the number of shares and votes was the result of a reverse share split. The reverse share split did not affect the share capital.

Financial position and earnings

SEK million	2020	2019
Net sales	1,394.1	1,452.2
Gross profit	309.0	338.9
Gross margin (%)	22.2%	23.3%
Operating profit before depreciation, amortization and impairment	–17.5	–24.7
Operating margin before depreciation, amortization and impairment, %	–1.3%	–1.7%
Operating profit	–45.9	–61.7
Operating margin, %	–3.3%	–4.3%
Net financial items	–1.7	–11.4
Profit before tax	–47.5	–73.1
Profit after tax for continuing operations	–47.5	–73.1
	–71.1	–86.8
Profit after tax for discontinued operations	583.2	–23.4
Profit after tax for continuing and discontinued operations	512.1	–110.2
Basic and diluted earnings per share (excluding discontinued operations), SEK	–4.44	–5.80
Basic and diluted earnings per share (including discontinued operations), SEK	31.97	–7.36
Total assets	655.1	4,010.0

Sales

Qliro AB and CDON AB are recognized as discontinued operations in this report. Comparative figures refer to the corresponding period in the previous year, unless otherwise stated. Consolidated figures and tables include the effects of IFRS 16.

Net sales amounted to SEK 1,394.1 (1,452.2) million. Of net sales for the year, SEK 638.9 (662.9) million was in Sweden, SEK 641.2 (658.7) million in the rest of the Nordic region and SEK 114.0 (130.6) million in the rest of the world. Adjusted for exchange rate fluctuations, sales decreased by 1 per cent for the year.

Operating expenses

Cost of goods sold totaled SEK 1,085.1 (1,113.3) million. The gross margin was 22.2% (23.3).

Selling and administrative expenses and depreciations amounted to SEK 360.0 (407.3) million. Operating profit before depreciation, amortization, and impairment was SEK –17.5 (–24.7) million. Operating profit totaled SEK –45.9 (–61.7) million.

Net financial items

Net financial items totaled SEK –1.7 (–11.4) million.

Tax

Recognized tax expense totaled SEK –23.5 (–13.7) million. Tax expense for the year includes a write-down of SEK 9.8 million of a deferred tax asset. The write-down was carried out in connection with the distribution of CDON AB. It had no impact on cash and cash equivalents or on declared tax losses.

Net profit and earnings per share

Profit after tax amounted to SEK –71.1 (–86.8) million. Profit after tax for continuing and discontinued operations in total amounted to SEK 512.1 (–110.2) million.

As of December 31, the number of shares was 18,494,973, of which 17 972 973 ordinary shares and 522,000 C shares. Basic and diluted earnings per share for continuing and discontinued operations amounted to SEK 31.97 (–7.36), based on the weighted average number of shares during the year and adjusted for the reverse split (10:1).

Cash flow and financial position

Cash flow from operating activities before changes in working capital was SEK –45.3 (–29.3) million for the year.

Cash flow from operations after changes in working capital amounted to SEK 24.2 (24.1) million for the year. Cash flow for the year was boosted by a higher inventory turnover rate and a payment respite of SEK 39.6 million in respect of tax and VAT payments as part of the government's measures in response to Covid-19.

Investments in fixed assets (primarily IT) totaled SEK –6.2 (–12.8) million for the year.

Cash flow from financing activities totaled SEK –95.8 (–361.0) million for the year. In the third quarter, the Group raised SEK 203.4 million via a new issue, SEK 125 million of which was invested in Qliro AB. Cash flow from financing activities in the year was boosted by SEK 34.2 million from CDON AB.

At the end of the year, total assets amounted to SEK 655.1 (4,010.0) million and equity amounted to SEK 249.8 (888.5) million. The comparative figures include CDON AB and Qliro AB and the decrease was primarily due to the distribution of these companies and lower inventory levels in Nelly.

Nelly's inventory levels at the end of the year were down by 32% compared with the end of 2019 (excluding CDON), which resulted in the release of liquidity. At year-end, the Group had cash and cash equivalents of SEK 230.1 million and no interest-bearing liabilities.

Discontinued operations

Nelly Group AB distributed the shares in Qliro AB in the third quarter of 2020 and CDON AB in the fourth quarter of 2020. These companies are recognized as discontinued operations in the Group.

Qliro AB was admitted to trading on Nasdaq Stockholm and the first trading day was October 2, whereas CDON AB was admitted to trading on First North Growth Market and the first trading day was November 6.

Profit after tax for discontinued operations amounted to SEK 583.2 (–23.4) million for the year. The profit of discontinued operations for the quarter was primarily impacted by the distribution of shares in CDON, which resulted in a recognized profit as described above.

Parent Company

The parent company, Nelly Group AB, had sales of SEK 2.7 (7.4) million for the year. Profit before tax amounted to SEK –7.0 (–66.6) million for the full year. Cash and cash equivalents in the parent company amounted to SEK 31.6 (8.3) million at year-end.

The August 26 share issue increased the number of shares and votes by 29,954,951 and increased share capital by SEK 29,954,951 million. A reverse share split resulted in 10 existing shares being consolidated into one new share. As a result of this, the ordinary share changed ISIN code to SE0015245535.

As of December 31, Nelly Group AB had 18,494,973 shares issued, of which 17,972,973 were ordinary shares and 522,000 were C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The C shares are held by Nelly Group AB and may not be represented at general meetings.

Risk factors

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

- Disturbances in IT and control systems
- 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 can significantly affect sales 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 reduce demand for the Group's products, which could adversely affect financial position and earnings.

Operational risks

Disturbances in IT and control systems

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.

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 warehouses 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 geographic markets or 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 programs 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 the Swedish krona (translation exposure).

The Group's reporting currency is the Swedish krona. A significant portion of sales are from outside Sweden, which gives rise to transaction exposure. Translation of foreign operations into the Swedish krona means that the Group is also somewhat vulnerable to translation exposure.

Currency risk is not 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, and NOK, DKK, EUR, USD and GBP for purchases.

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 accounts receivable and cash and cash equivalents.

Credit risk related to accounts receivables is spread over many customers in small amounts, mainly private individuals. Accounts receivable are sold both to Qliro AB. Most of these accounts receivable are sold to external factoring companies 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 since fair value or future cash flows may fluctuate due to changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to fulfill 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 year-end, the Group had cash and cash equivalents of SEK 230.1 million, not utilized credit facilities, and no interest-bearing liabilities. This will facilitate purchases of collections ahead of coming seasons, as well as investments in the business. The warehouse automation solution will be financed via rent supplements.

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 endeavors 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 litigations

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.

Environmental initiatives

Nelly's ability to take responsibility for sustainable development is the key to strengthening our customers' and the public's confidence in us. The business requires warehousing, packaging and transportation. Customers, owners 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 four 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 recognizes 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 316 during the year. The sustainability report contains more information (see page 10. Information on average number of employees and payroll expenses is available in Notes 23 and 24.

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 12.

The parent company has the same risks and uncertainties as the Group. Parent company sales totaled SEK 2.7 (7.4) million. Administrative expenses totaled SEK –37.3 (–56.4) million and consist of costs of a recurring nature, primarily related to operating Nelly Group AB as a publicly listed company with expenses for central functions, board fees, auditing services and project expenses for distributing the shares in CDON and Qliro AB.

The profit from participations in subsidiaries was SEK 40.6 (0.0) million. Other net financial items totaled SEK –1.0 (7.7) million. The parent company made Group contributions to subsidiaries amounting to SEK –12.0 (–10.0) million. Profit before tax amounted to SEK –7.0 (–66.6) million. Cash and cash equivalents in the parent company amounted to SEK 31.6 (8.3) million at year-end.

Proposed appropriation of profits

These amounts are at the disposal of the shareholders as at December 31, 2020 (SEK):

Share premium reserve	1,404,969,262
Retained earnings	–1,219,176,771
Profit for the year	–29,986,876
Total	**155,805,615**

The Board proposes that the retained earnings, share premium reserve and profit for the year, a total of SEK 155,805,615, be carried forward. The share premium reserve amounts to SEK 1,404,969,262. As regards the company's earnings and position in general, please refer to the following financial statements with accompanying notes and comments.

Share data

Nelly Group's shares are listed on the Nasdaq Stockholm Small Cap under the ticker symbol Nelly. Nelly Group's market capitalization on Nasdaq Stockholm on the last trading day of 2020 was SEK 636 million.

Shareholders on December 31, 2020

	Capital (%)	No. of shares
Rite Ventures	25.1	4,634,349
Mandatum	9.6	1,767,000
Avanza Pension	6.4	1,178,247
eQ Asset Management	4.0	748,354
Nelly Group, C shares	2.8	522
Lancelot	1.9	350
Catella	1.3	248,28
Nordnet	1.3	244,908
John Löfström	1.1	210,891
Anders Böös	1.1	200
Oryx Förvaltning	0.9	175
Investtech	0.9	160.6
Handelsbanken Fonder	0.7	127,286
SEB Trygg	0.7	125,498
Öhman Fonder	0.6	112,917
Total 15 largest shareholders	58.4	10,805,330
Other shareholders	41.6	7,689,643
Total shares issued*		18,494,973

* Includes 522,000 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

Share capital

As of December 31, the number of shares and votes was 18,494,973, of which 17 972 973 ordinary shares and 522,000 C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. Each ordinary share and C share entitles the holder to one (1) vote. The C shares held by Nelly Group are not entitled to dividends and may not be represented at a general meeting.

In August 2020, the number of shares and votes increased by 29,954,951 and the share capital increased by SEK 29,954,951 million as a result of the directed share issue. In December 2020, the number of shares and votes decreased from 184,949,730, of which 179,729,730 ordinary shares and 5,220,000 C shares, to 18,494,973, of which 17,972,973 ordinary shares and 522,000 C shares as a result of the reverse share split.

Share capital in the Group amounted to SEK 185.0 million at the year-end. For changes in the share capital in 2019 and 2020, see page 81.

As of December 31, 2020, there were 316,694 outstanding share rights attributable to the company's share-based incentive plans. See Note 24 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 2020 and the Board proposes no dividend for the 2020 financial year. Two extraordinary general meetings resolved to distribute the shares in CDON and Qliro AB in 2020.

Share price

The share price at the last trading day of the year was SEK 35.37.

Corporate governance report

This report describes Nelly Group AB's (Nelly's) policies for corporate governance. Nelly Group AB is a Swedish public limited liability company. The company's governance is based on its Articles of Association, the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for listed companies and other relevant regulations. The company also applies the Swedish Code of Corporate Governance (the Code).

Nelly Group is governed by several bodies. At the annual general meeting, the shareholders exercise their voting rights by electing the Board of Directors and external auditors. Some of the Board's duties are prepared by the President and CEO of Nelly. The CEO oversees the day-to-day management of the Group in accordance with guidelines from the Board.

Shares and shareholders

According to the share register held by Euroclear Sweden AB, there were 17,951 shareholders at the end of 2020. Shareholdings by its 15 largest shareholders correspond to some 58.4 percent of the share capital.

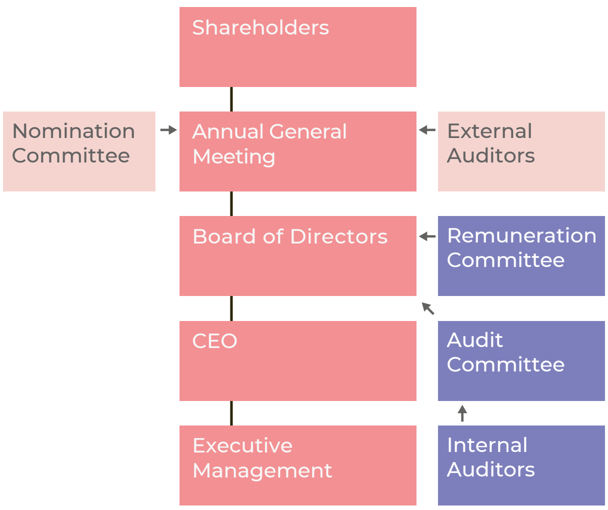
The share capital consists of two share types: ordinary shares and C shares. There are no restrictions on the number of votes each shareholder can cast at the AGM. For more information, please see page 81.

In August 2020, a directed share issue was held which increased the number of shares and votes by 29,954,951 and the share capital by SEK 29,954,951.

In December 2020, a reverse share split was carried out, resulting in ten existing shares being consolidated into one new share (1:10 reverse split). The aim of the reverse split was to achieve a number of shares appropriate to the company. As a result, the quotient value of the shares increased from SEK 1 to SEK 10.

As of December 31, 2020, Nelly Group AB had 18,494,973 shares issued, of which 17 972,973 were ordinary shares and 522,000 were C shares. Share capital totaled SEK 184,949,730. The Class C shares are held by Nelly Group and may not be represented at general meetings.

Shareholders are regularly provided with information, including 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.



Annual General Meeting

The annual general meeting (AGM) is a limited company's highest decision-making body. It is there that all shareholders can exercise their voting rights to decide on issues affecting the company and its operations. 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.

The authority of the AGM and its rules of procedure are primarily based on the Swedish Companies Act and the Swedish Corporate Governance Code, as well as on the Articles of Association adopted by the AGM. 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 chairman, election of the company's auditors, and certain other matters provided for by law and the Articles of Association. The AGM for the 2020 financial year will be held on May 12, 2021, in Stockholm, Sweden.

Nomination committee

Tasks of the nomination committee include:

- Evaluating the Board's work and composition
- Submitting proposals to the AGM regarding the election of Board members and the Chairman of the Board
- Preparing proposals for the election of auditors in consultation with the audit committee (when appropriate)
- Presenting proposals for the setting of remuneration for the Board and the auditors
- Preparing proposals for the Chairman of the annual general meeting
- Preparing proposals to the AGM regarding the nomination Committee's composition and work during the following year

In accordance with the Nomination Committee Rules (adopted at Nelly Group's 2018 AGM), a representative of the largest shareholder, Rite Ventures, convened a nomination committee to prepare proposals for Nelly Group's 2021 AGM.

The members of the nomination committee for the 2021 AGM are Christoffer Häggblom, appointed by Rite Ventures, Alexander Antas, appointed by Mandatum, and Martin Jonsson, appointed by Catella Fonder. At their first meeting, the members of the nomination committee appointed Christoffer Häggblom to be chairman of the nomination committee, which deviates from the provisions of the Swedish Corporate Governance Code. The other members of the nomination committee stated that the decision on the choice of chairman is in the interests of the company and all shareholders and a natural consequence of the fact that Christoffer Häggblom represents the company's largest shareholder. The members of the nomination committee receive no separate remuneration for their work.

The nomination committee will submit draft resolutions regarding the election of Board members and Chairman of the Board, auditors, remuneration of the Board and Chairman of the Board etc. at the company's 2021 AGM.

In its work, the nomination committee applies Rule 4.1 of the Swedish Corporate Governance Code and the company's policy regarding the diversity and suitability of board members. The nomination committee considers the importance of increased diversity on the Board, in terms of gender, age and nationality, as well as experience, occupational background and business areas. As part of its efforts to find the most competent Board members, the nomination committee strives for an even gender balance.

Board of Directors

Nelly Group's Board of Directors is elected at the AGM for the period up to and including the end of the following AGM. Nelly Group's 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 9 members.

Responsibilities and duties of the Board

The Board has overall responsibility for the organization and management of Nelly Group. The Board has adopted working procedures for its internal activities that include rules pertaining to the number of regular Board meetings, which issues are to be discussed at regular Board meetings, the duties of the Chairman and instructions regarding division of duties between Nelly Group's Board, the CEO and the rest of the management team. The work of the Board is also governed by rules and regulations, including the Swedish Companies Act, Articles of Association and Swedish Code of Corporate Governance.

In order to carry out its work more effectively, the Board has appointed a remuneration committee and an audit committee with special tasks. These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for decisions made and actions taken, irrespective of whether issues have been reviewed by such committees or not.

The Board has also issued instructions to be followed by the CEO. The instructions require that major investments in fixed assets must be approved by the Board. The Board must also approve major transactions, including acquisitions and divestments or closure of businesses. In addition, the Board has also issued written instructions specifying when and how information that is required for the Board to evaluate the Group's and its subsidiaries' financial positions should be reported.

The rules of procedure that are adopted annually by the Board include instructions on which financial reports and what financial information shall be submitted to the Board. In addition to the year-end report, interim reports and the annual report, the Board also examines and evaluates extensive financial information related to both the Group and various entities within the Group. The Board also examines, primarily through the audit committee, the most significant accounting policies applied in the Group regarding financial reporting, as well as any key changes to these policies. The audit committee is also tasked with examining reports on internal controls and the processes for financial reporting, along with internal audit reports compiled by the Group's external function for internal auditing. The Group's auditor reports to the Board as required, but at least once a year. At least one of these reporting occasions occurs without the CEO or any other member of executive management being present. The Group's auditor also participates in the meetings of the audit committee. The audit committee meetings are minuted and the minutes are made available to all Board members and the auditors.

Composition of the Board as of December 31, 2020

Name	Position	Date of birth	Citizenship	Appointed	Independent of major shareholders	Independent of the company and its management	Remuneration committee	Audit committee
Mathias Pedersen	Chairman	1971	Swedish	2020	Yes	Yes	Member	Chairman
Christoffer Häggblom	Board member	1981	Finnish	2017	No	Yes	Chairman	Member
Josephine Salenstedt	Board member	1984	Swedish	2020	No	Yes	Member	
Maj-Louise Pizzelli	Board member	1963	Swedish	2020	Yes	Yes		
Louise Nylén	Board member	1976	Swedish	2020	Yes	Yes		
Stina Westerstad	Board member	1974	Swedish	2020	Yes	Yes		Member

Nelly Group's Board composition during the year fulfilled the requirements of Nasdaq Stockholm and the Code on the independence of board members. This means that most Board members appointed by the AGM are independent of the company and its management. At least two of these members are also independent of the company's major shareholders.

Composition of the Board

The Board of Nelly Group AB comprises six members. The Board members are Mathias Pedersen (Chairman since December 2020), Christoffer Häggblom, Josephine Salenstedt, Maj-Louise Pizzelli, Louise Nylén and Stina Westerstad. For more information, see page 48.

Remuneration committee

The remuneration committee consists of Christoffer Häggblom, Chairman, Josephine Salenstedt, and Mathias Pedersen.

The remuneration committee's tasks are described in section 9.1 of the Code. The main tasks of the remuneration committee are to: (i) prepare decisions for the Board on matters regarding remuneration principles, remuneration and other employment terms for the CEO and senior executives; (ii) monitor and evaluate ongoing programs and programs concluded during the year for variable remuneration (e.g. long-term share-based incentive plans) for the CEO, senior executives and other key individuals within Nelly Group; and (iii) monitor and evaluate application of the guidelines for remuneration of senior executives that the AGM, in accordance with the law, must decide upon, along with applicable remuneration structures and remuneration levels in the company.

Audit committee

The audit committee consists of Mathias Pedersen, Chairman, Christoffer Häggblom, and Stina Westerstad.

The audit committee's tasks are described in Chapter 8, Section 49b of the Swedish Companies Act. The audit committee's responsibilities are to: (i) monitor the company's financial reporting, make recommendations and suggestions to ensure reporting accuracy; (ii) in respect of the financial reporting, monitor the efficiency of the company's internal controls, internal audits and risk management; (iii) stay informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountants' quality control; (iv) inform the Board about the results of the audit and the manner in which the audit contributed to the reliability of financial reporting as well as on the role the Committee had; (v) review and monitor the impartiality and independence of the auditor, paying special attention to whether the auditor provides the company with services other than auditing; and (vi) assist with preparation of proposals for the AGM's resolution on election of an auditor. The audit committee's work focuses on evaluating the quality and accuracy of the financial reporting, internal controls, internal audits and risk assessments.

Remuneration of Board members

The fixed remuneration for the Board (decided at an extraordinary general meeting held on December 16, 2020) for the period until the close of the 2021 AGM totals SEK 1,675,000 per annum, of which:

- SEK 450,000 to the Chairman of the Board,
- SEK 200,000 to each of the five other Board members,
- SEK 75,000 to the chairman and SEK 30,000 to each of the two other members of the audit committee,
- SEK 50,000 to the chairman and SEK 20,000 to each of the two other members of the remuneration committee.

The remuneration of the Board members is proposed by the nomination committee, which represents the company's largest shareholders, and approved by the AGM (or an extraordinary general meeting in certain cases). The nomination committee's proposal is based on benchmarking of peer group company remuneration and company size.

The Board's work in 2020

During the year, the Board regularly reviewed Nelly Group's consolidated earnings, financial position, organization and administration. During its meetings the Board dealt with matters involving the division of the Group into three separate companies and Nelly Group's strategy, budget and other financial forecasting, capital structure and financing, investments in fixed assets, potential establishment of new operations and divestments and continued streamlining of internal procedures and control processes. An annual structured evaluation of the Board's work is conducted with the aim of further developing the Board's effectiveness and proactive involvement in the company. The result of this evaluation was also reported to the nomination committee. The Board had a total of 23 meetings in 2020, including eight meetings per capsulam.

Attendance of the Board and Committee meetings during 2020

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings in 2020	23	4	6
Mathias Pedersen (Board member from 2020-09-28; Chairman of the Board from 2020-12-16)	8/8		
Christoffer Häggblom (Chairman of the Board until 2020-12-16)	23/23	1/1	6/6
Josephine Salenstedt (Board member from 2020-09-28)	8/8		1/1
Maj-Louise Pizzelli (Board member from 2020-12-16)	2/2		
Louise Nylén (Board member from 2020-12-16)	2/2		
Stina Westerstad (Board member from 2020-12-16)	2/2		
Daniel Mytnik (Board member until 2020-12-16)	21/21	4/4	6/6
Lennart Jacobsen (Board member until 2020-12-16)	21/21	2/2	
Andreas Bernström (Board member until 2020-09-18)	11/14		
Jessica Pedroni Thorell (Board member until 2020-09-18)	12/14	3/3	4/5
Erika Söderberg Johnson (Board member until 2020-05-12)	7/7	2/2	

External auditors

KPMG AB was elected as Nelly Group AB's auditor at the 2020 AGM for a period of one year. KPMG has been the company's external auditor since 1997. Mårten Asplund, authorized public accountant at KPMG, has overseen the company's audits since May 2017. An auditor election will take place at the 2021 AGM.

The auditor reports its findings to the shareholders by means of the auditor's report, which is presented to the AGM. In addition, the auditors report detailed findings to the audit committee twice a year and to the full Board once a year, and annually provide written assurance of their impartiality and independence to the audit committee.

KPMG also provided certain additional services in 2019 and 2020. These services comprised consultation on accounting and tax issues and other audit-related engagements.

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. See Note 25 for more information.

CEO and executive management

The Group's executive management consists of Kristina Lukes, CEO, Mimi Darin, Chief Commercial Officer, Maria Segergren, Chief Assortment Officer, Andreas Drougge, Chief Technology Officer, John Afzelius, CFO (David Granath left his position as CFO on March 31, 2021), Stefan Svensson Chief Ooerating Officer (from summer 2021) and Therese Knutsson, Chief Human Resources Officer. For more information, please see page 50.

The CEO is responsible for the ongoing administration of the company in accordance with the guidelines and directions established by the Board.

The CEO and executive management team, supported by various staff functions, are responsible for adhering to the Group's overall strategy, financial and business controls, financing, capital structure, risk management and acquisitions. Among other tasks, this includes preparation of financial reports, communication with the investors etc.

Applicable guidelines for remuneration of senior executives

The extraordinary general meeting held on December 16, 2020 resolved to adopt the following guidelines for remuneration of senior executives. The guidelines are valid until futher notice.

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 December 16, 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 curated fashion and beauty products from 300 other 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 realize its business strategy and safeguard the Group companies' 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, make it possible for 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 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-taking 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' cash variable 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-related instruments in Nelly Group.

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 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 executive 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. For more information, please see Note 24.

Share-based long-term incentive plans

Nelly Group has three outstanding share-based long-term incentive plans that were adopted at the AGMs in 2018 and 2019 and at the extraordinary general meeting in December 2020.

See Note 24 for more information.

Evaluation of the guidelines and auditor's opinion on whether the guidelines have been complied with

In accordance with the Swedish Corporate Governance Code, the Board's remuneration committee follows and evaluates the application of the AGM's guidelines for remuneration of executives. In accordance with Chapter 8, Section 54, of the Swedish Companies Act, the company's auditor has provided an opinion on whether the guidelines for remuneration of senior executives in force in 2020 were adhered to. The remuneration committee's evaluation and the auditor's review have concluded that in 2020 Nelly Group followed the guidelines adopted by the AGM. The opinion and the Board of Directors' report on the outcome of the remuneration committee's evaluation are available on the company's website at www.nellygroup.com, and at company headquarters at Lundbygatan 1, 506 30 Borås, Sweden, and are sent to the shareholders who request them, stating their mailing or email address.

Internal control of financial reporting etc.

The processes for internal control, risk assessment, control activities and monitoring regarding financial reporting are designed to ensure reliable overall 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

In addition to the Board's rules of procedure and instructions to the CEO, Board committees and the boards of the subsidiaries, there is 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 in overseeing various issues such as internal audit and accounting policies applied by the Group.

The responsibility for maintaining an effective control environment with risk assessment of ongoing activities and internal control over financial reporting is delegated to the CEO. The boards of the subsidiaries and managers at different levels in the Group have this responsibility in their areas of responsibility. Executive managers regularly report 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, manuals and the like 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 quarterly 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 measures emerging from the internal and external audits. The external auditors participate in the regular meetings of the audit committee.

During the year, Nelly had independent internal audit functions that are responsible for monitoring and evaluating risk management and internal control activities. Internal auditing was performed by external parties, whose work included scrutinizing the application of established guidelines.

Board of Directors

Mathias Pedersen
Chairman of the Board

Swedish, born 1971

Mathias Pedersen has been a Board member since September 2020 and Chairman since December 2020. Mathias is the CFO of Niam AB. Mathias was CFO of Nelly Group from August 2016 to June 2020 and then CEO until November 2020. His position before that was at Kinnevik AB where he was Investment Director. Prior to this, his positions included CFO for East Capital Group, East Capital Explorer and ETAC, and share analyst at Investor AB and the Wallenberg foundations.

Mathias holds a master's degree from the Stockholm School of Economics and has completed the Program for Management Development at Harvard Business School.

Chairman of the audit committee and member of the remuneration committee.

Independent of the company, executive management and major shareholders.

Shareholdings (including related parties): 24,000 shares (held through pension insurance, endowment insurance or the like).

Christoffer Häggblom
Board member

1981, Finnish

Christoffer Häggblom has been a Board member since 2017 and was Chairman between May 2018 and December 2020. Christoffer is the founder and Managing Partner of Rite Ventures and has 20 years of experience with technology-focused growth companies, both as an entrepreneur and investor. Christoffer is Deputy Chairman of Verkkokauppa.com (Finland's largest e-commerce company listed on Nasdaq Helsinki Main Market), Chairman of Lemonsoft (a SaaS company) and is also a board member of CDON (a leading online Nordic marketplace listed on Nasdaq First North Growth Market) and Acervo (an investment company focused on listed equities and bonds).

Christoffer is a graduate in business administration from Hanken School of Economics in Helsinki.

Chairman of the remuneration committee and member of the audit committee.

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

Shareholdings (including related parties): Rite Ventures owns 4,634,348 shares.

Stina Westerstad
Board member

Swedish, born 1974

Stina Westerstad has been a member of the Board of Nelly Group since December 2020. Stina is CEO of BabyBjörn AB and a member of the board of SkinCity and was previously a board member of Nelly Group's subsidiary Nelly NLY AB and CEO of Afound. Between 1999-2018, she held several senior positions in the H&M Group, most recently as Global Buying Director.

Stina is a graduate in business administration from Lund University.

Member of the audit committee.

Independent of the company, executive management and major shareholders.

Shareholding (including any related person holding): 1,500 shares.

Josephine Salenstedt
Board member

1984, Swedish

Josephine Salenstedt has been a member of the Board of Nelly Group since September 2020. Josephine is a partner in Rite Ventures. She is Chairman of the Board of CDON AB and Söder Sportfiske AB and serves on the boards of companies including Paradox Interactive AB and Doro AB. In the past, she was the Chairman of the Board of Skincity.

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

Member of the remuneration committee.

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

Shareholding (including any related person holding): Rite Ventures owns 4,634,348 shares.

Louise Nylén
Board member

1976, Swedish

Louise Nylén has been a member of the Board of Nelly Group since December 2020. Louise is CEO of Dynamic Code AB and was previously a member of the Board of Nelly Group's subsidiary Nelly NLY AB and CMO of Trustly (2019-2020), deputy CEO and CMO of LeoVegas (2013- 2019) and Senior Director of OSM Group AB (2005-2013).

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

Independent of the company, executive management and major shareholders.

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

Maj-Louise Pizzelli
Board member

1963, Swedish

Maj-Louise Pizzelli has been a member of the Board of Nelly Group since December 2020. Maj-Louise is the founder, CEO and Board member of ATP Atelier (All Tomorrows Parties AB) and HOW Fashion Industry Aktiebolag, and Board member of the Swedish Fashion Association. Previous positions include Board member of Nelly Group' subsidiary Nelly NLY AB and Stutterheim Raincoats (2017-2019), Assortment Director of JC / Brothers (2012-2013), Director Axstores Far East of Åhlens AB (2009-2012) and Product Director of Filippa K (1995-2008).

Maj-Louise studied at the Swedish School of Textiles in Borås.

Independent of the company, executive management and major shareholders.

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

The current Board was elected until the end of the next AGM, which will be held on May 12, 2021.

Management

Kristina Lukes
CEO of Nelly

Born 1977

Kristina Lukes took over as CEO of Nelly in April 2020. Kristina has a solid background in business development, marketing, sales, innovation and product development of fast-moving consumer goods, primarily with Unilever and Orkla, where she has held executive positions during the past 15 years. She was also CEO of one of McCann's communication and advertising agencies in Gothenburg. Her most recent position was with Paulig, where she held global responsibility for business development, marketing and innovation of Santa Maria and Risenta.

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

Shareholdings (including related parties): 68,646 shares.

John Afzelius
CFO from April 1, 2021

Born 1978

John Afzelius became CFO of Nelly Group in April 2020. John had been CFO at subsidiary Nelly NLY from August 2019. He was previously at Transtema Group AB, where he was a member of the management team as CFO. Before that, from 2013 to 2016, he was CFO at Thin Film Electronics ASA. The company is listed on the Oslo Stock Exchange. John also worked at Orkla in strategy and M&A, and at Nordea Investment Management and Catella Kapitalförvaltning in asset management.

John is a graduate in engineering from KTH, and economics from Stockholm University, a Chartered Financial Analyst from CFA Institute and an officer in the naval reserve.

Shareholding (including any related person holding): 30,820 shares.

Maria Segergren
Chief Assortment Officer

Born 1972

Maria Segergren became Chief Assortment Officer (CAO) of Nelly Group's subsidiary Nelly NLY AB in May 2019 and was appointed CAO of Nelly Group in December 2020. Her previous position was at KappAhl, where she had been Assortment and Design Director since September 2016. She was also Global Assortment Manager at & Other Stories. Between 2000 and 2014, she had several senior roles in assortment and purchasing at H&M.

Maria is a graduate in business administration and textiles from the University of Borås.

Shareholding (including any related person holding): 10,600 shares.

Mimi Darin
Chief Commercial Officer

Born 1966

Mimi Darin became CCO in March 2021. She has solid experience of business development in e-commerce and fast-moving consumer products. Since 2016, she worked at IKEA as Global Business Leader with responsibility for business development, branding and sustainability. Between 1995 and 2016, she had a number of senior roles at Ellos.

Mimi has an MBA from the School of Business, Economics and Law at the University of Gothenburg.

Shareholding (including any related person holding): 7,703 shares.

Andreas Drougge
Chief Technology Officer

Born 1980

Andreas Drougge became CTO of Nelly Group's subsidiary Nelly NLY AB in August 2020 and was appointed CTO of Nelly Group in December 2020. He was previously a co-founder of the companies Ayo and Suavoo. He has also been CTO of Jetshop, Development Manager at Amazon, Head of IT at Lovefilm, as well as other positions.

Andreas has a BSc and MSc in IT from the University of Jönköping.

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

Therese Knutsson
Chief Human Resources Officer

Born 1982

Therese Knutsson became CHRO of Nelly Group's subsidiary Nelly NLY AB in December 2018 and was appointed CHRO of Nelly Group in December 2020. She was previously at Fristads, where she had been HR Manager since January 2015. She has also worked as an HR consultant in the Västra Götaland region and as HR officer at Uniflex.

Maria is a graduate in behavioral science from the University of Borås.

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

Stefan Svensson
Chief Operations Officer from summer 2021

Born 1980

Stefan Svensson has solid experience of logistics in e-commerce and fast-moving consumer products. Since 2015, he has been responsible for developing the logistics within NetOnNet as head of logistics. Prior to that, he was head of logistics and IT at Focus Nordic AB for five years. He also has experience in logistics within, among others, ProFlow AB.

Stefan has a bachelor's degree and a master's degree in logistics from Borås University.

David Granath
CFO until March 31, 2021

Born 1981

David Granath was appointed CFO of Nelly Group in June 2020. David had been Head of Business Control at Nelly Group from 2016. He previously worked in business development and business control at Dustin and was a management consultant at Applied Value.

David is a graduate in engineering from Linköping University.

Shareholding (including any related person holding): 9,754 shares.

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Consolidated income statement

(SEK million)	Note	2020	2019
Net sales	4, 5	1,394.1	1,452.2
Cost of goods sold	16	–1,085.1	–1,113.3
Gross profit		**309.0**	**338.9**
Sales & administrative expenses		–360.0	–407.3
Other operating income	7	7.7	12.2
Other operating expenses	7	–2.6	–5.5
Operating profit/loss		**–45.9**	**–61.7**
Financial income	8	3.7	0.3
Financial expenses	8	–5.4	–11.7
Profit before tax		**-47.5**	**–73.1**
Tax	9	–23.5	–13.7
Profit after tax for continuing operations		**–71.1**	**–86.8**
Profit after tax for discontinued operations	6	**583.2**	**–23.4**
Profit after tax for continuing and discontinued operations		**512.1**	**–110.2**
Attributable to:			
Parent company shareholders		512.1	–110.2
Non-controlling interest		-	-
Profit for the year		**512.1**	**–110.2**
Basic and diluted earnings per share (excluding discontinued operations), SEK	30	-4.44	-5.80
Basic and diluted earnings per share (including discontinued operations), SEK	30	31.97	-7.36

Consolidated statement of comprehensive income

(SEK million)	Note	2020	2019
Profit for the year		**512.1**	**–110.2**
Other comprehensive income			
Items that have been or can be reclassified to profit or loss			
Translation differences for foreign operations for the year		–7.1	1.5
Other comprehensive income for the year	17	**–7.1**	**1.5**
Comprehensive income for the year		**505,0**	**–108.7**
Comprehensive income for the year attributable to:			
Parent company shareholders		505,0	–108.7
Non-controlling interest		-	-
Comprehensive income for the year		**505,0**	**–108.7**

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Consolidated statement of financial position

(SEK million)	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	10		
Projects in progress		1.3	23.6
Development expenses		15.0	244.9
Domains		0.6	1.1
Goodwill		39.7	64.4
Total intangible assets		**56.7**	**333.9**
Property, plant and equipment			
Leasehold improvements	11	0.3	0.5
Equipment	11	3.4	27.6
Construction in progress	11	3.9	0.0
Lease assets	22	39.0	81.4
Total property, plant and equipment		**46.6**	**109.5**
Deferred tax asset	9	74.0	111.0
Total non-current assets		**177.2**	**554.5**
Current assets			
Inventories	16		
Finished goods and merchandise		156.3	333.7
Advances to suppliers		10.0	15.9
Total inventory		**166.3**	**349.6**
Current receivables			
Accounts receivable	13	47.3	78.4
Loans to the public	14	-	2,070.4
Current investments		-	255.0
Other current receivables, non-interest-bearing		14.8	41.2
Prepaid expenses and accrued income	15	19.5	107.2
Total current receivables		**81.5**	**2,552.2**
Cash and cash equivalents	21		
Cash and bank balances		230.1	553.9
Total cash and cash equivalents		**230.1**	**553.9**
Total current assets		**477.9**	**3,455.6**
Total assets		**655.1**	**4,010.0**

Consolidated statement of financial position, continuing

(SEK million)	Note	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders	17		
Share capital		185.0	155.0
Reserves		1,399.4	1,233.2
Retained earnings including profit for the year		–1,334.5	–499.6
Total equity attributable to parent company shareholders		**249.8**	**888.5**
Non-current liabilities			
Interest-bearing			
Borrowing facilities	21	-	292.4
Bond loan	21	-	100.0
Lease liabilities	22	19.0	53.6
Total non-current interest-bearing liabilities		**19.0**	**445.9**
Non-interest-bearing			
Other provisions	18	0.1	0.7
Total non-current non-interest-bearing liabilities		**0.1**	**0.7**
Total non-current liabilities		**19.1**	**446.6**
Current liabilities			
Interest-bearing			
Deposits from the public	21	-	1,819.1
Lease liabilities	22	20.5	29.1
Total current interest-bearing liabilities		**20.5**	**1,848.2**
Non-interest-bearing			
Accounts payable		143.7	316.3
Other liabilities		69.4	190.5
Accrued expenses and prepaid income	19	152.5	319.9
Total current non-interest-bearing liabilities		**365.7**	**826.7**
Total current liabilities		**386.2**	**2,674.9**
Total liabilities		**405.2**	**3,121.5**
Total equity and liabilities		**655.1**	**4,010.0**

For information on pledged assets and contingent liabilities, see Note 20.

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Consolidated statement of changes in equity

		Equity attributable to parent company shareholders				
(SEK million)	Note 17	Share capital	Other capital contributions	Translation reserve	Retained earnings including profit for the year	Total equity
Opening balance, January 1, 2019		**310.0**	**1,077.4**	**–0.8**	**–392.1**	**994.5**
Comprehensive income for the year						
Profit for the year					–110.2	–110.2
Other comprehensive income for the year				1.5		1.5
Comprehensive income for the year		**-**	**-**	**1.5**	**–110.2**	**–108.7**
Effect of reduction in share capital		–155.0	155.0			
Share savings plan					2.7	2.7
Closing balance, December 31, 2019		**155.0**	**1,232.4**	**0.8**	**–499.6**	**888.5**
Opening balance, January 1, 2020		**155.0**	**1,232.4**	**0.8**	**–499.6**	**888.5**
Comprehensive income for the year						
Profit for the year					512.1	512.1
Other comprehensive income for the year				–7.1		–7.1
Comprehensive income for the year		**-**	**-**	**–7.1**	**512.1**	**504.9**
New share issue		30.0	173.4			203.4
Distribution of operations					–1,345.0	–1,345.0
Share savings plan					–2.0	–2.0
Closing balance, December 31, 2020		**185.0**	**1,405.8**	**–6.4**	**–1,334.6**	**249.8**

2020
A directed new share issue was held in August 2020 for approximately SEK 210 million less transaction costs.

During the year, Nelly Group distributed all shares in Qliro AB and CDON to ordinary shareholders and listed these companies on the stock exchange. The shares in the companies were distributed in October and November 2020.

In December 2020, the number of shares in votes in Nelly Group also decreased from 184,949,730 to 18,494,973. The change in the number of shares and votes is the result of a reverse split of Nelly Group's shares decided by an extraordinary general meeting on December 16, 2020. The reverse split had no impact on Nelly Group's total share capital.

2019
In 2019, Nelly Group reduced the share capital to make provisions to a free reserve. The reduction in all shares in the company was performed by reducing the shares' quotient value from SEK 2 to SEK 1. After the decision, Nelly Group AB's share capital amounted to SEK 154,994,779.

Consolidated statement of cash flows

(SEK million)	Note	2020	2019
Operating activities			
Profit before tax		–47,5	–73.1
Adjustments for items not included in cash flow	26	3.1	45.3
Income tax paid		–0.8	–1.5
Cash flow from operating activities before change in operating profit/loss		**–45.3**	**–29.3**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in inventories		79.4	–4.1
Increase (–)/decrease (+) in other current receivables		–9.7	–14.8
Increase (+)/decrease (–) in accounts payable		15.9	–4.6
Increase (+)/decrease (–) in other current liabilities		–16.2	77.0
Total cash flow from changes in working capital		**69.5**	**53.4**
Cash flow from operating activities		**24.2**	**24.1**
Investing activities			
Investments in intangible assets		–6.1	–10.1
Investments in property, plant and equipment		–0.1	–2.7
Cash flow from investing activities		**–6.2**	**–12.8**
Financing activities			
New share issue[1]		203.4	-
Shareholder contribution, net change[2]		–125.0	–138.0
Internal loan, net change[3]		–50.2	50.3
Redemption of bond loans		-	–256.0
Lease liabilities paid		–16.8	–17.3
Distribution of participations in subsidiaries[3]		84.4	0.0
Cash flow from financing activities		**95.8**	**–361.0**
Change in cash and cash equivalents from continuing operations		**113.8**	**–349.7**
Cash flow from discontinued operations	6		
Cash flow from operating activities		–343.2	159.5
Cash flow from investing activities		–74.2	–126.1
Cash flow from financing activities		80.5	177.4
Change in cash and cash equivalents from discontinued operations		**–336.9**	**210.8**
Change in cash and cash equivalents		**–223.1**	**–138.9**
			–138.9
Cash and cash equivalents, start of year		**553.9**	**691.8**
Exchange rate difference for cash and cash equivalents		–0.4	0.9
Less cash from discontinued operations	6	–100.2	-
Cash and cash equivalents, end of year		**230.1**	**553.9**

[1] A directed new share issue for approximately SEK 210 million less transaction costs.
[2] Investment of SEK 125 million in Qliro AB through unconditional shareholder contribution.
[3] Additional dividend from previously wholly owned subsidiary CDON of SEK 84.4 million.
The Group also repaid a loan of SEK 50.2 million to CDON before distribution of participations in subsidiaries.

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Income statement – parent company

(SEK million)	Note	2020	2019
Net sales		2.7	7.4
Gross profit		**2.7**	**7.4**
Administrative expenses		–37.3	–56.4
Operating profit/loss		**–34.6**	**–49.0**
Profit from shares in subsidiaries		40.6	-
Interest income and similar items		1.9	0.7
Interest expenses and similar items		–2.9	–8.4
Profit/loss after financial items	8	**5.0**	**–56.7**
Group contributions received		-	0.0
Group contributions paid		–12.0	–10.0
Profit before tax		**–7.0**	**–66.6**
Tax	9	–23.0	–15.0
Profit for the year		**–30.0**	**–81.6**

Statement of comprehensive income – parent company

(SEK million)	Note	2020	2019
Profit for the year		**–30.0**	**–81.6**
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		**–30.0**	**–81.6**

Balance sheet – parent company

(SEK million)	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment	11	-	0.4
Total property, plant and equipment		**-**	**0.4**
Financial assets			
Participations in Group companies	12	253.4	1,068.9
Deferred tax asset	9	71.7	94.7
Total financial assets		**325.1**	**1,163.5**
Total non-current assets		**325.1**	**1,163.9**
Current assets			
Current receivables			
Receivables in Group companies		-	5.8
Other receivables		3.4	3.0
Prepaid expenses and accrued income	15	1.5	0.6
Total current receivables		**5.0**	**9.4**
Cash and bank balances	21	31.6	8.3
Total cash and cash equivalents		**31.6**	**8.3**
Total current assets		**36.5**	**17.7**
Total assets		**361.6**	**1,181.5**

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Balance sheet – parent company, continuing

(SEK million)	Note	2020	2019
EQUITY AND LIABILITIES			
Equity	17		
Restricted equity			
Share capital		184.9	155.0
Statutory reserve		0.8	0.8
Total restricted equity		**185.7**	**155.8**
Non-restricted equity			
Share premium reserve		1,405.0	1,231.5
Accumulated profit or loss		–1,219.2	–196.7
Profit for the year		–30.0	–81.6
Total non-restricted equity		**155.8**	**953.2**
Total equity		**341.6**	**1,109.0**
Provisions			
Other provisions	18	0.1	0.7
Total provisions		**0.1**	**0.7**
Current liabilities			
Accounts payable		0.8	3.7
Loans to Group companies		0.0	50.2
Liabilities to Group companies		13.6	10.9
Other liabilities		0.9	0.4
Accrued expenses and prepaid income	19	4.8	6.7
Total current liabilities		**20.0**	**71.9**
Total liabilities		**20.1**	**72.5**
Total equity and liabilities		**361.6**	**1,181.5**

For information on pledged assets and contingent liabilities for the parent company, see Note 20.

Statement of changes in equity – parent company

(SEK million)	Note 17	Restricted equity: Share capital	Restricted equity: Statutory reserve	Non-restricted equity: Share premium reserve	Non-restricted equity: Retained earnings	Non-restricted equity: Profit for the year	Total equity
Opening balance, January 1, 2019		**310.0**	**0.8**	**1,076.5**	**–419.7**	**220.3**	**1,187.9**
Comprehensive income for the year							
Profit for the year						–81.6	–81.6
Comprehensive income for the year		**-**	**-**	**-**	**-**	**–81.6**	**–81.6**
Appropriation of profits					220.3	–220.3	0.0
Effect of reduction in share capital		–155.0		155.0			0.0
Share savings plan					2.7		2.7
Closing balance, December 31, 2019		**155.0**	**0.8**	**1,231.5**	**–196.7**	**–81.6**	**1,109.0**
Opening balance, January 1, 2020		**155.0**	**0.8**	**1,231.5**	**–196.7**	**–81.6**	**1,109.0**
Comprehensive income for the year							
Profit for the year						–30.0	–30.0
Other comprehensive income for the year							-
Comprehensive income for the year		**-**	**-**	**-**	**-**	**–30.0**	**–30.0**
Appropriation of profits					–81.6	81.6	-
New share issue		30.0		173.4			203.4
Distribution of participations in subsidiaries					–938.8		–938.8
Share savings plan					–2.0		–2.0
Closing balance, December 31, 2020		**185.0**	**0.8**	**1,405.0**	**–1,219.2**	**–30.0**	**341.6**

Financial statements

Cash flow statement – parent company

(SEK million)	Note	2020	2019
Cash flow from operations			
Profit/loss after financial items		5.0	–56.7
Adjustments for items not included in cash flow	26	-76.1	-3.0
Cash flow from operating activities before change in working capital		**-71.2**	**-59.7**
Cash flow from changes in working capital			
Increase (–)/decrease (+) in other current receivables		–1.4	1.0
Increase (+)/decrease (–) in accounts payable		–2.9	2.8
Increase (+)/decrease (–) in other current liabilities		12.9	2.7
Total cash flow from changes in working capital		**8.6**	**6.5**
Cash flow from operating activities		**-62.5**	**-53.2**
Cash flow from investing activities		**-**	**-**
Financing activities			
New share issue[1]	6, 12	203.4	-
Dividend from subsidiaries[2]		84.4	-
Shareholder contribution paid out[3]	12	–147.0	–139.0
Group contributions paid out		–9.9	–2.3
Internal loans, net[2]		–45.1	27.8
Bond loan		-	–256.0
Cash flow from financing activities		**85.8**	**-369.5**
Cash flow for the year		**23.3**	**–422.8**
Cash and cash equivalents, start of year		8.3	431.0
Cash and cash equivalents, end of year		**31.6**	**8.3**

[1] A directed new share issue for approximately SEK 210 million less transaction costs.
[2] Dividend and repayment of internal loan from previously wholly owned subsidiary CDON.
[3] Unconditional shareholder contribution, primarily to previously wholly owned subsidiary Qliro AB.

Notes

Note 1 General information

Nelly Group AB has its registered office in Stockholm, 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 December 31, 2020 include the parent company and its subsidiaries. Nelly Group is listed on the Nasdaq Stockholm exchange under the ticker symbol 'NELLY'.

This annual report was approved for publication by the Board and CEO on April 8, 2021.

Note 2 Accounting policies and valuation principles

2.1 Compliance with standards and laws

The consolidated accounts were prepared per International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as well as interpretive statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved for application within the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups has also been applied when preparing the consolidated accounts.

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 have come into effect in 2020

The IFRS standards effective as of 2020 had no impact on the consolidated accounts.

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 accounting.

IASB has not published any new standards that have been adopted by the EU for application as of January 1, 2021.

2.1.3 Valuation methods used in preparing the financial statements

Assets and liabilities are recognized at historical cost, except for financial assets and financial liabilities, which are recognized at amortized cost.

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. See Note 4 for further information on the division and presentation of operating segments.

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 recognized 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 recognized directly 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 recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized directly in profit/loss for the year.

Compensation transferred in connection with the acquisition does not include payments for the settlement of past business relationships. This type of settlement is recognized in profit/loss.

Contingent considerations are recognized 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 recognized 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 recognizing non-controlling interest: (1) recognize the non-controlling interest's share of proportional net assets, or (2) recognize non-controlling interest at fair value, which means that non-controlling interest is part of goodwill. Choosing between the two options for recognizing 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 recognized in profit/loss for the year.

Disposals leading to loss of controlling interest but where holdings are retained are assessed at fair value and the change in value is recognized in profit/loss for the year.

Note 2, continuing

Acquisition of non-controlling interest
Acquisitions of non-controlling interest are recognized 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.

Transactions eliminated at consolidation
Intra-group receivables and liabilities, income or expenses, and unrealized 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. Exchange differences arising from the translations are recognized 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 recognized 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 realized 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 recognized 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 significantly exceeds the other quarters due to Christmas shopping.

Revenue from the sale of services is recognized when services are delivered.

2.6.2 Bartering
Bartering refers to the exchange of gift vouchers for other goods or services. Bartering is recognized 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. Revenue from bartering is recognized when the gift voucher is redeemed; the expense is booked when the goods or services are used.

2.7 Finance leases
In reporting finance leases, the asset is recognized 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 recognized 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 recognized as an expense in a straight line over the lease term. For more information about the Group's leases, see note 22.

2.8 Financial income and expenses
Financial income comprises interest income on invested funds. Financial expenses comprise interest expenses on loans. Borrowing costs are recognized in profit/loss using the effective interest method.

Exchange gains and exchange losses are recognized 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 recognized 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.

Note 2, continuing

2.9 Taxes
Income taxes comprise current and deferred tax. Income taxes are recognized in profit/loss for the year, except when the underlying transaction is recognized in other comprehensive income or equity, in which case the related tax effect is recognized 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, which at the time of the transaction affect neither recognized nor taxable earnings.

Also not considered are temporary differences that are attributable to interests in subsidiaries that are not expected to be reversed within the foreseeable future. Measurement of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and regulations enacted or for all practical purposes enacted at the end of the reporting period.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognized 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 recognized as a liability when the dividend is recognized.

2.10 Financial instruments
Financial instruments recognized in the statement of financial position include cash and cash equivalents, loans receivable, and accounts receivable among the assets and accounts 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 recognized 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. Accounts receivable 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. Accounts payable are carried when an invoice is received.

Financial assets are removed from the statement of financial position when the entitlements of agreements are realized, 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 derecognized 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 recognized in the income statement.

Financial assets and financial liabilities are offset and recognized 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) realize the asset and settle the liability simultaneously.

Acquisitions and disposals of financial assets are recognized 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 recognized 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 recognized 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 valued after initial recognition, as described below.

Cash and cash equivalents consist of cash resources.

2.10.3 Loans receivable and accounts receivable
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortized cost, which is determined based on the effective rate as calculated at acquisition. Accounts receivable are recognized at the amounts expected to be received, that is, less bad debts.

2.10.4 Other financial liabilities
This category contains loans and other financial liabilities, such as accounts payable. Liabilities are valued at amortized cost.

Consolidated financial assets and liabilities are allocated to the categories described in Note 20 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 recognized 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 derecognized 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

Notes

Note 2, continuing

the carrying amount, less direct selling expenses. Gain and loss are recognized 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:

Equipment	3-5 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 recognized 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 Trademarks
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 recognized 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 recognized in the income statement as expenses when they arise. In the statement of financial position, capitalized development expenses are carried at cost, less accumulated amortization and any impairment losses. Capitalized expenses refer mainly to software and software platforms.

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

2.12.2.3 Customer relationships
Customer relationships are recognized at cost less accumulated amortization (see below) and impairment loss (see accounting policy 2.14).

2.12.3 Amortization method for intangible assets
Amortizations are recognized in profit/loss 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 and trademarks with indefinite useful lives are tested for impairment annually and when there are indications that the asset has lost value. Intangible assets with determinable useful lives are amortized from the date on which they become available for use.

Estimated useful lives:

Development expenses	5 years
Domains	5 years
Customer relationships	4-5 years

2.13 Inventories
Inventories are valued according to the lowest value principle, which means the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. 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. Provisions for obsolescence are included in cost of goods sold.

2.14 Impairment losses
The Group's recognized 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 recognized 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 recognized in profit/loss for the year as an expense. When impairment has been identified for a CGU (group of units), the impairment loss is first allocated to goodwill. Thereafter, impairment losses are distributed proportionately among other assets included 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 Impairment of financial assets
According to IFRS 9, provisions for credit losses must be made directly when a credit is issued, instead of as previously when there is an indication of increased credit risk. This results in earlier and higher recognition of the provisions for credit losses than before, but it does not affect cash flow or underlying credit risk.

The provisions for credit losses for Qliro AB are measured using a model for expected credit losses and reflect

Note 2, continuing

a probability-weighted amount determined by evaluating a number of possible outcomes, taking into account all reasonable and verifiable information that is available on the reporting date without unreasonable cost or effort. The provisions for credit losses are measured based on whether there has been a significant increase in credit risk compared to the time of initial recognition of an instrument.

- Step 1 includes financial instruments for which there has been no significant increase in credit risk since the time of initial recognition and the counterparties that are subject to Qliro's policy for credit risk on the reporting date.
- Step 2 includes financial instruments for which there has been a significant increase in credit risk since the time of initial recognition but for which there is no objective evidence that the receivable is doubtful on the reporting date.
- Step 3 includes financial instruments for which objective evidence that the receivable is doubtful has been identified.

For financial instruments that are attributed to step 1, the provision corresponds to the credit loss that is expected to occur within 12 months, and for financial instruments in step 2, for which a significant increase in credit risk has been identified, and doubtful receivables in step 3, the provision corresponds to the expected credit losses for the remaining maturity of the financial instrument. The expected credit losses for the remaining maturity of the financial instrument represent losses from all default events that are possible throughout the remaining maturity of the financial instrument. The expected credit losses that are expected to occur within 12 months represent that part of the expected credit losses for the remaining maturity of the financial instrument that are due to default events within 12 months after the reporting date.

This is mostly relevant for comparative figures as the Group's remaining Group companies sell their accounts receivable to external factoring companies. See note 14.

2.14.3 Presentation of credit losses

For financial assets measured at amortized cost, provisions for credit losses are presented in the balance sheet as a reduction in the recognized gross value of the asset to obtain the recognized 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 entered as income in credit losses.

2.14.4 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 recognized (less depreciation or amortization, where applicable), had no impairment loss been recognized.

Impairment losses on loans and accounts receivables recognized at amortized 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 recognized as a liability after approval at the AGM.

2.15.2 Purchase of treasury shares

Acquisition of treasury shares is recognized as a deductible item from equity. Payment from divestment of such equity instruments is recognized as an increase in equity. Transaction expenses are recognized 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 one class of instrument that may generate potential dilution in the future: custodial C shares attributable to the Group incentive plan. These have not been included in the calculation of earnings per share since they contributed no dilutive effect in either 2020 or 2019.

2.17 Employee benefits

2.17.1 Short-term employee benefits

Short-term employee benefits are calculated without discounting and are recognized as a cost when the related services are rendered.

A provision is recognized 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 recognized 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 recognized 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.

Notes

Note 2, continuing

2.17.4 Share-based 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 fair value 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 24.

The Group also had synthetic call option plans directed at employees of the subsidiary Qliro AB. The plans gave employees the right to acquire the synthetic call options from the parent company (Nelly Group AB) at market prices. The market value of the options was calculated by an independent valuation institute, applying a standard model for the valuation of options (Black-Scholes). The change in value of the options is linked to the long-term change in value of Qliro AB. Participants in the synthetic call option plans may exercise their options three years after the options were issued or if Nelly Group divests Qliro AB. One (1) synthetic call option gives the holder the right to receive an amount from Nelly Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at exercise of the option is at least 152 percent of the established value when the option was issued (exercise price). Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, as a rule through the parent company Nelly Group AB's transference of its own ordinary shares to the participants. Because the plan is aimed at employees and the payment is made with shares in the parent company, it is recognized as an equity compensation benefit. Payment from the employees is recognized as an increase in equity.

The synthetic call option program that had been launched in 2017 ("QOP 2017") ended in June 2020. As the determined value of Qliro AB at the end of QOP 2017 (in June 2020) was lower than at least 152 percent of the determined value of Qliro AB when the call option program was launched in 2017, all issued synthetic call options expired in QOP 2017 and became worthless. Premiums paid previously by employees are recognized as financial income and a reduction in equity.

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 recognized 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 recognized 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 recognized 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 Financial Reporting Board. The Swedish Financial Reporting Board's statement on listed companies is also applied. 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. The parent company's accounting policies described below were applied consistently to all periods reported in the parent company's financial statements.

2.21.1.1 Changes to accounting policies

Unless otherwise indicated below, changes to the parent company's accounting policies in 2020 were the same as stated above for the Group.

2.21.1.2 Classification and presentation

The parent company uses the names Balance Sheet and Cash Flow Statement for the reports that in the Group are called Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. The parent company's income statement and balance sheet are prepared in accordance with the Swedish Annual Accounts Act's schedule, while the statement of comprehensive income,

Note 2, continuing

statement of changes in equity, and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in parent company reporting versus Group reporting as seen in the parent company income statement and balance sheet mainly comprise reporting of financial income and expenses, equity, and the occurrence of provisions as a separate heading in the balance sheet.

2.21.1.3 Subsidiaries

Participations in subsidiaries are recognized in the parent company using the cost method. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. In the consolidated accounts, transaction costs related to subsidiaries are recognized directly in profit/loss for the year when they arise.

Contingent considerations are valued based on the probability that the purchase price will be paid. Any changes to the provision increase/decrease the cost. In the consolidated accounts, contingent considerations are recognized at fair value with changes in value via earnings.

2.21.1.4 Group contributions and shareholder contributions for legal entities

The parent company recognizes Group contributions received and paid as balance sheet appropriations in accordance with RFR 2. Shareholder contributions are recognized directly in the equity of the recipient and are capitalized in shares and participating interests of the issuer, to the extent impairment is not required.

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 recognized amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on historic experience and several other factors that are judged to be reasonable taking current conditions into consideration. Resulting estimates and assumptions are used to determine the estimated value of assets and liabilities that are not otherwise clear from other sources. The actual outcome may differ from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognized 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 recognized 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.

Key sources of uncertainties in estimates

Note 10 contains information about the assumptions and risk factors regarding impairment testing of goodwill and other intangible assets with indefinite useful lives. Note 18 includes a description of provisions made.

Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives are 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. See Note 10 Intangible assets for further information.

Deferred tax asset

The Group's deferred tax assets are based on loss carryforwards 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 utilization of these loss carryforwards is evaluated.

Obsolescence assessment of inventories

Inventories are reviewed at the close of accounts each month to determine possible impairment. An impairment loss is recognized in cost of goods sold at the amount which, after careful evaluation, the inventory is considered obsolete. If true obsolescence differs from estimates or if management makes future adjustments to the assumptions, changes in valuation can affect the period's earnings and financial position.

Assessment of returns rate

At the close of accounts each month, the provision requirement associated with future returns is assessed. The assessment is carried out based on historic outcome and actual sales. The provision requirement is recognized as a reduction in net sales, with the equivalent adjustment being made to cost of goods sold.

Provisions and contingent liabilities

Liabilities are recognized 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 recognized in the statement of financial position. A contingent liability is recognized 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. Realization of contingent liabilities that are not recognized 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 pending litigation, and differences between outcome and estimate may significantly affect the company's financial position and have an unfavorable impact on operating income and liquidity. For additional information, see Note 18 Provisions.

Note 4 Segment reporting

The Nelly segment offers a vibrant world of fashion to young women online, primarily in the Nordic region. The Group previously had several segments but now only operates the Nelly segment. Central operations will be integrated into the operations in Borås but are recognized separately in this annual report.

Central operations incurred costs related to the discontinuation of operations during the year. For more information on the discontinuation of operations, see note 6.

	2020			
(SEK million)	Nelly segment	Central operations	Adjustments	Group total
External net sales	1,392.8	5.8	–4.5	1,394.1
Cost of goods sold	–1,089.6	-	4.5	–1,085.1
Sales and administrative expenses, excluding depreciation and impairment	–282.6	–48.9	-	–331.5
Other operating income	4.1	3.6	-	7.7
Other operating expenses	–1.4	–1.2	-	–2.6
Operating profit/loss before depreciation, amortization and impairment	**23.2**	**–40.7**	**-**	**–17.5**
Depreciation, amortization and impairment	–28.3	–0.1	-	–28.4
Operating profit/loss	**–5.0**	**–40.9**	**-**	**–45.9**
Financial income	2.0	1.7	-	3.7
Financial expenses	–2.6	–2.8	-	–5.4
Profit before tax	**–5.6**	**–42.0**	**0.0**	**–47.5**

	2019			
(SEK million)	Nelly segment	Central operations	Adjustments	Group total
External net sales	1,456.0	1.7	–5.4	1,452.2
Cost of goods sold	–1,119.2	-	5.9	–1,113.3
Sales and administrative expenses, excluding depreciation and impairment	–305.0	–69.2	3.9	–370.2
Other operating income	1.5	14.6	–3.9	12.2
Other operating expenses	–4.2	–1.3	-	–5.5
Operating profit/loss before depreciation, amortization and impairment	**29.0**	**–54.2**	**0.5**	**–24.7**
Depreciation, amortization and impairment	–34.2	–2.9	-	–37.1
Operating profit/loss	**–5.2**	**–57.1**	**0.5**	**–61.7**
Financial income	0.2	0.1	-	0.3
Financial expenses	–3.2	–8.0	–0.5	–11.7
Profit before tax	**–8.1**	**–65.0**	**0.0**	**–73.1**

Note 5 Sales by country and type

The Group's net sales and non-current assets are recognized 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 sales mainly comprises online sales of products. Sales are recognized by country of sale, that is, the country in which the consumer is located. No individual customer represents more than 10 percent of consolidated accounts receivables.

Geographical distribution (SEK million)[1]	Net sales		Non-current assets	
	2020	2019	2020	2019
Sweden	638.9	662.9	177.2	529.2
Other Nordics	641.2	658.7	-	25.2
Rest of world[2]	114.0	130.6	-	0.0
Total	**1,394.1**	**1,452.2**	**177.2**	**554.4**

[1] In connection with Nelly being an independent fashion company, the segment reporting has been updated to better reflect reality. The figures in the above table have been adjusted historically as a result of this.
[2] Primarily concerns sales in Germany and the Netherlands.

Sales per type of income (SEK million)	2020	2019
Products	1,359.7	1,422.2
Services	34.3	30.0
Total net sales	**1,394.1**	**1,452.2**

Note 6 Discontinued operations

Discontinued operations 2020:
On September 28, Nelly Group AB's 'Nelly's' Board of Directors decided to distribute all shares in the wholly owned subsidiary Qliro AB 'Qliro' to Nelly's ordinary shareholders. Ten (10) ordinary shares in Nelly resulted in one (1) share in Qliro. The first day of trading in Qliro's shares on Nasdaq Stockholm was October 2 at the price of SEK 42.035 per share. The distribution resulted in a non-recurring profit with no effect on cash flow of SEK 154.5 million, which concerns the difference between the market value of Qliro's shares (based on the opening price on the first day of trading) of SEK 755.5 million and the consolidated value of SEK 601.0 million. The capital gain also includes transaction expenses totaling SEK 18.0 million.

On October 26, Nelly Group AB's 'Nelly's' Board of Directors decided to distribute all shares in the wholly owned subsidiary CDON AB 'CDON' to Nelly's ordinary shareholders. Thirty (30) ordinary shares Nelly resulted in one (1) share in CDON. The first day of trading in CDON's shares on Nasdaq First North Growth Market was November 6 at the price of SEK 99.000 per share. The distribution resulted in a non-recurring profit with no effect on cash flow of SEK 528.8 million, which concerns the difference between the market value of CDON's shares (based on the opening price on the first day of trading) of SEK 593.1 million and the consolidated value of SEK 64.3 million. The capital gain includes no transaction expenses.

Discontinued operations 2019:
No operations were discontinued in 2019.

Profit from discontinued operations (SEK million)	2020	2019
Income	881.3	1,486.4
Expenses	–972.6	–1,518.8
Profit before tax	**–91.3**	**–32.4**
Tax	12.4	9.0
Profit after tax but before capital gain from the distribution of shares in discontinued operations	**–78.9**	**–23.4**
Capital gain on the distribution of Qliro AB and CDON[1]	662.1	-
Profit after tax from discontinued operations	**583.2**	**–23.4**
Earnings per share from discontinued operations		
basic and diluted, SEK[2]	36.41	–1.56

Net cash flows from discontinued operations (SEK million)	2020	2019
Cash flow to/from operating activities	–343.2	159.5
Cash flow to/from investing activities	–74.2	–126.1
Cash flow to/from financing activities	80.5	177.4
Net cash flow from discontinued operations	**–336.9**	**210.8**

Effect of distributed operations on individual Group assets and liabilities (SEK million)	2020-12-31	2019-12-31
Intangible assets	–249.1	-
Property, plant and equipment	–17.3	-
Lease assets	–16.6	-
Deferred tax asset	–27.2	-
Inventories	–29.4	-
Loans to the public	–2,200.7	-
Current investments	–375.1	-
Accounts receivable and other receivables	–86.9	-
Cash and cash equivalents	–100.5	-
Borrowing facilities	127.7	-
Deposits from the public	1,958.5	-
Bond loan	100.0	-
Lease liabilities	16.8	-
Accounts payable and other liabilities	234.4	-
Net divested assets and liabilities[3]	**–665.3**	**-**
Less: Cash and cash equivalents in divested operations	–100.2	-
Translation difference, cash and cash equivalents	–0.3	-
Effect on cash and cash equivalents	**–100.5**	**-**

[1] SEK 18.0 million for the full year of 2020 relating to transaction expenses in connection with the distribution of the shares in Qliro AB and SEK 3.2 million for the full year of 2020 relating to a deduction for consideration in accordance with certain specific provisions in the share transfer agreement in connection with the sale of Health and Sports Nutrition Group HSNG AB.
[2] 2Earnings per share are calculated based on the adjusted weighted average number of shares, a total of 16,016,898 for 2020 and 14,977,478 for 2019.
[3] Concerns assets and liabilities distributed for Qliro AB as at September 30 and CDON AB as at December 31

Note 7 Other operating income and expenses

	Group		Parent Company	
(SEK million)	**2020**	**2019**	**2020**	**2019**
Other operating income				
Other operating income	7.7	12.2	2.7	7.4
Total	**7.7**	**12.2**	**2.7**	**7.4**
Other operating expenses				
Loss on sale of non-current assets	–0.3	-	–0.2	-
Exchange losses on operating receivables/liabilities	0.0	–0.1	0.0	–0.1
Other operating expenses	–2.3	–5.5	–1.0	-1.2
Total	**–2.6**	**–5.5**	**–1.2**	**-1.3**
Total other operating income and expenses	**5.1**	**6.7**	**1.4**	**6.1**

Note 8 Financial items

	Group		Parent Company	
(SEK million)	**2020**	**2019**	**2020**	**2019**
Additional dividend from subsidiaries[1]	-	-	84.4	-
Expenses in connection with divestment of operations[2]	-	-	–21.2	-
Impairment of participations in subsidiaries[3]	-	-	–22.6	-
Profit from shares in subsidiaries	**-**	**-**	**40.6**	**-**
Interest income:				
– Interest income, internal	-	-	0.2	0.7
– Interest income, other	0.0	0.2	0.0	-
Net exchange differences	1.5	0.1	0.0	-
Other	2.1	-	1.6	-
Financial income	**3.7**	**0.3**	**42.5**	**0.7**
Interest expenses:				
– Interest expenses, bridging loan	–1.3	-	–1.3	-
– Interest expenses, bond loan	–	–8.0	-	–8.0
– Interest expenses, leases	–0.8	–1.2	-	–0.2
– Interest expenses, internal	–1.5	–0.2	–1.5	–0.2
– Interest expenses, other	–1.6	–0.3	0.0	0.0
Net exchange differences	–	–1.6	-	0.0
Other	–0.2	–0.4	–0.1	-
Financial expenses	**–5.4**	**–11.7**	**–2.9**	**–8.4**
Net financial items	**–1.7**	**–11.4**	**39.6**	**–7.7**

[1] On June 26, 2020, CDON's extraordinary general meeting decided to pay a dividend of SEK 71.6 million. On September 16, CDON's extraordinary general meeting made another decision to pay a further dividend of SEK 12.8 million.
[2] During the year, the transaction expenses relating to the distribution of the shares in Qliro AB came to SEK 18.0 million. SEK 3.2 million relating to a deduction for consideration in accordance with certain specific provisions in the share transfer agreement in connection with the sale of Health and Sports Nutrition Group HSNG AB.
[3] In connection with the additional dividend from CDON, the Board also decided to write down the book value of the shares related to the subsidiary.

Note 9 Taxes

Distribution of tax expenses (SEK million)	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Current tax expense				
Current tax for the period	0.0	-	-	-
Total	**0.0**	**-**	**-**	**-**
Deferred tax				
Deferred tax on temporary differences	1.3	1.6	-	-
Deferred tax on temporary loss carry-forwards[1]	–24.8	–15.4	–23.0	–15.0
Total	**–23.5**	**–13.7**	**–23.0**	**–15.0**
Total recognized consolidated tax expense	**–23.5**	**–13.7**	**–23.0**	**–15.0**

[1] During the year, the Group made use of a loss carry-forward of SEK 24.8 (15.4) million as a result of the distribution of the shares in Qliro AB and CDON.

Reconciliation of tax expense (SEK million)	Group 2020	%	Group 2019	%	Parent Company 2020	%	Parent Company 2019	%
Profit before tax	**–47.5**		**–73.1**		**–7.0**		**–66.6**	
Tax as per applicable tax rate for parent company	10.2	–21.4	15.6	–21.4	1.5	–21.4	14.3	–21.4
Non-taxable income	0.0	0.0	0.0	–0.1	-	-	-	-
Non-deductible expenses	–9.1	19.1	–0.2	0.3	0.0	–0.1	0.0	0.0
Losses for which deferred tax is not recognized	–24.6	51.7	–29.2	40.0	–24.5	348.4	–29.2	43.9
Effective tax/tax rate	**–23.5**	**49.4**	**–13.7**	**18.8**	**–23.0**	**326.9**	**–15.0**	**22.5**

Recognized deferred tax assets and liabilities (SEK million)	Group December 31 2020	Group December 31 2019	Parent Company December 31 2020	Parent Company December 31 2019
Deferred tax asset				
Loss carry-forwards	74.0	105.8	71.7	94.7
Other	0.0	5.2	0.0	-
Total	**74.0**	**111.0**	**71.7**	**94.7**
Net deferred tax	**74.0**	**111.0**	**71.7**	**94.7**

At December 31, 2020, recognized consolidated loss carry-forwards without an expiration date amounted to SEK 609.1 (562.3) million. For the year, the Group decided not to accumulate further deficits on recognized losses of SEK 249.9 (32.9) million. The 2020 annual accounts include the tax value of a deferred tax asset in all countries where it is considered probable that the loss carry-forward will be able to be used against taxable surplus.

Notes

Note 9, continuing

Change in net temporary differences

Group (SEK million)	2020						
	Opening balance January 1	**Deferred tax income**	**Deferred tax expense**	**Divestment of subsidiaries**	**Recognized in equity**	**Other**	**Closing balance, December 31**
Temporary differences							
Loss carry-forwards	111.0	1.3	–23.5	–14.7	-	–0.1	74.0
Total	**111.0**	**1.3**	**–23.5**	**–14.7**	**-**	**–0.1**	**74.0**

Group (SEK million)	**2019**						
	Opening balance January 1	**Deferred tax income**	**Deferred tax expense**	**Divestment of subsidiaries**	**Recognized in equity**	**Other**	**Closing balance, December 31**
Temporary differences							
Loss carry-forwards	113.1	7.7	–15.0	-	-	-	105.8
Other	-	5.1	-	-	-	0.2	5.2
Total	**113.1**	**12.8**	**–15.0**	**-**	**-**	**0.2**	**111.0**

Parent Company (SEK million)	2020				
	Opening balance January 1	**Deferred tax income**	**Deferred tax expense**	**Recognized in equity**	**Closing balance, December 31**
Temporary differences					
Loss carry-forwards	94.7	-	–23.0	-	71.7
Total	**94.7**	**-**	**–23.0**	**-**	**71.7**

Parent Company (SEK million)	2019				
	Opening balance January 1	**Deferred tax income**	**Deferred tax expense**	**Recognized in equity**	**Closing balance, December 31**
Temporary differences					
Loss carry-forwards	109.6	-	–15.0	-	94.7
Total	**109.6**	**-**	**–15.0**	**-**	**94.7**

At December 31, 2020, recognized consolidated loss carry-forwards without an expiration date amounted to SEK 609.1 (562.3) million. For the year, the Group decided not to accumulate further deficits on recognized losses of SEK 249.9 (32.9) million. The 2020 annual accounts include the tax value of a deferred tax asset in all countries where it is considered probable that the loss carry-forward will be able to used against taxable surplus.

Note 10 Intangible assets

Development expenditure and projects in progress (SEK million)	Group	
	2020	**2019**
Opening accumulated cost	**564.3**	**453.5**
Distribution of operations	–472.9	-
Investments	76.5	120.8
Sales/disposals	–78.4	–10.0
Reclassification	–3.9	-
Translation difference	0.0	-
Closing accumulated cost	**85.6**	**564.3**
Opening accumulated depreciation	**–295.9**	**–221.7**
Distribution of operations	248.3	-
Sales/disposals	78.3	10.0
Depreciation/amortization	–84.6	–84.2
Impairment losses	–15.6	-
Translation difference	0.0	0.0
Closing accumulated depreciation	**–69.3**	**–295.9**
Carrying amounts	**16.3**	**268.5**

The capitalized expenditure for development and similar work items consists of projects in progress, but not yet in service, as well as completed intangible assets. The costs are mainly attributable to the Group's web platform.

Amortization costs attributable to completed intangible assets of SEK 84.6 (84.2) million are included in consolidated selling and administrative expenses.

Both internal and external expenditures were capitalized. No borrowing costs were capitalized.

Projects in progress are not amortized.

Domains (SEK million)	Group	
	2020	**2019**
Opening accumulated cost	**5.1**	**5.0**
Investments	-	0.2
Distribution of operations	–0.7	-
Closing accumulated cost	**4.5**	**5.1**
Opening accumulated depreciation	**–4.0**	**–3.6**
Depreciation for the year	–0.5	–0.4
Distribution of operations	0.7	-
Closing accumulated depreciation	**–3.8**	**–4.0**
Carrying amounts	**0.6**	**1.1**

This item relates to expenses for registering and maintaining the Group's internet domains. Amortization costs of SEK 0.5 (0.4) million are included in consolidated selling and administrative expenses.

Goodwill (SEK million)	Group	
	2020	**2019**
Opening accumulated cost	**64.4**	**64.0**
Distribution of operations	–23.7	-
Translation differences	–0.9	0.4
Closing accumulated cost	**39.7**	**64.4**
Carrying amounts	**39.7**	**64.4**

This items concerns goodwill from previous acquisitions of the Nelly segment. Goodwill related to CDON was terminated in connection with the distribution of all shares in CDON to ordinary shareholders.

Note 10, continuing

Impairment testing for cash-generating units containing goodwill
The Group's cash-generating unit, the Nelly segment, recognizes significant goodwill:

(SEK million)	2020	2019
CDON Group	-	24.7
NLY Group	39.7	39.7
Total	**39.7**	**64.4**

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 sales, operating margin and working capital. The net sales forecast is the total of estimated performance within each product segment and the operating margin forecast is an average of the product mix. The cash flows calculated for each unit after the first five years were based on annual growth of 2.0 percent (2.0).

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 9.6 (10.5) percent after tax. The discount rate before tax amounts to 12.1 (13.4) percent.

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 at the same level, there would have been no need to recognize a goodwill impairment loss. Even if the estimated discount rate before tax applied to the discounted cash flows had been one (1) percent higher, there would have been no need to recognize 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 11 Property, plant and equipment

	Group	
Leasehold improvements (SEK million)	**2020**	**2019**
Opening accumulated cost	**1.1**	**4.2**
Investments	-	0.5
Divestments	-	–3.6
Closing accumulated cost	**1.1**	**1.1**
Opening accumulated depreciation	**–0.5**	**–3.8**
Depreciation for the year	–0.3	–0.3
Divestments	-	3.6
Closing accumulated depreciation	**–0.8**	**–0.5**
Carrying amounts	**0.3**	**0.5**

No investments during the year.

Both internal and external expenditures were capitalized. No borrowing costs were capitalized.

Depreciation costs of SEK 0.3 (0.3) million are included in consolidated selling and administrative expenses.

Note 11, continuing

	Group		Parent Company	
Equipment (SEK million)	**2020**	**2019**	**2020**	**2019**
Opening accumulated cost	**81.7**	**71.5**	**4.4**	**4.4**
Distribution of operations	–58.7	-	-	-
Investments	3.9	15.5	-	-
Sales/disposals	–8.4	–8.0	–4.4	-
Reclassifications	-	2.7	-	-
Closing accumulated cost	**18.4**	**81.7**	**0.0**	**4.4**
Opening accumulated depreciation	**–54.1**	**–48.1**	**–4.0**	**–3.6**
Distribution of operations	41.4	-	-	-
Depreciation for the year	–10.5	–14.0	–0.1	–0.4
Sales/disposals	8.2	8.0	4.2	-
Closing accumulated depreciation	**–15.1**	**–54.1**	**0.0**	**–4.0**
Carrying amounts	**3.4**	**27.6**	**-**	**0.4**

Depreciation costs of SEK 10.5 (14.0) million are included in consolidated selling and administrative expenses. Depreciation costs for the parent company of SEK 0.1 (0.4) million are included in the parent company's selling and administrative expenses.

Discontinued operations is related to distribution of all shares in both Qliro AB and CDON.

	Group	
Construction in progress (SEK million)	**2020**	**2019**
Opening accumulated cost	**0.0**	**0.8**
Investments	-	1.9
Reclassifications	3.9	–2.7
Closing accumulated cost	**3.9**	**0.0**
Carrying amounts	**3.9**	**0.0**

The item refers to expenditures on capital investments for the period prior to commissioning.

During the year, SEK 3.9 (0.0) million was reclassified from intangible assets to property, plant and equipment.

Note 12 Participations in Group companies

Shares in subsidiaries, parent company (SEK million)	**Corporate ID number**	**Registered office**	**No. of shares**	**Share capital (%)**	**Voting rights (%)**	**Carrying amount 12/31/2020**	**Carrying amount 12/31/2019**
Nelly NLY AB	556653-8822	Borås	172,100	100.0	100.0	247.1	231.1
Qliro Group Services AB	559018-1185	Stockholm	50,000	100.0	100.0	0.4	0.4
Qliro Group Shared Services AB	556774-1300	Stockholm	1,000	100.0	100.0	6.0	1.0
Total						**253.4**	**232.4**

Note 12, continuing

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**
NLY Norge AS	896 508 202	Norge	100	100.0	100.0
NLY Logistics AB	556904-0834	Borås	50,000	100.0	100.0
Qliro Group Services AB	**559018-1185**	**Stockholm**	**50,000**	**100.0**	**100.0**
Qliro Group Shared Services AB	**556774-1300**	**Stockholm**	**1,000**	**100.0**	**100.0**

Shares and participations in subsidiaries (SEK million)	Parent Company	
	2020	**2019**
Opening accumulated cost	**1,068.9**	**972.7**
Capital contribution[1]	146.0	139.0
Discontinued operations[2]	–961.5	-
Closing balance, December 31	253.4	1,068.9
Carrying amount, December 31	**253.4**	**1,068.9**

[1] The capital contribution for the year is primarily attributable to the previously wholly owned subsidiary Qliro AB, with the aim of increasing the company's own funds.
[2] Discontinued operations is related to distribution of all shares in the previously wholly owned subsidiaries Qliro AB and CDON.

Note 13 Accounts receivable

Credit exposure

(SEK million)	Group	
	2020	**2019**
Accounts receivable not overdue or impaired	19.5	29.7
Accounts receivable overdue but not impaired	27.8	48.8
Accounts receivable impaired	0.9	1.7
Provision for bad debts	–0.9	–1.7
Total accounts receivable	**47.3**	**78.4**

Nelly Group's accounts receivable are mainly in SEK. Thus, no significant currency exposure has arisen in the consolidated accounts receivables.

Credit risk in non-accrued or written-down accounts receivables is considered insignificant. No individual customer represents more than 10 percent of consolidated accounts receivables. See Note 21 for further details regarding credit risk.

Maturity structure

Receivables past due without provision for bad debts (SEK million)	Dec 31 2020	Dec 31 2019
<30 days	25.3	23.5
30-90 days	2.5	13.9
>90 days	-	11.3
Total	**27.8**	**48.8**

Receivables past due with provision for bad debts (SEK million)	Dec 31 2020	Dec 31 2019
<30 days	-	0.1
30-90 days	-	0.9
>90 days	0.9	0.7
Total	**0.9**	**1.7**

Provision for bad debts (SEK million)	Dec 31 2020	Dec 31 2019
Opening balance, January 1	–1.7	–1.6
Provision for potential losses	–0.9	–0.5
Unutilized amount reversed during the period	0.5	1.0
Actual losses	-	–0.6
Exchange difference	0.0	0.0
Less: Distributed assets	1.1	-
Closing balance, December 31	**–0.9**	**–1.7**

Note 14 Lending to the public

Lending to the public is attributable to the previously wholly owned subsidiary Qliro AB, which is recognized under discontinued operations in this financial report. The note is retained to show lending to the public for 2019.

(SEK million)	Group	
	2020	**2019**
Outstanding loans receivable		
Loans receivable	-	2,171.6
Reserve for potential credit losses	-	–101.2
Carrying amount, net	**-**	**2,070.4**
– of which Swedish currency	-	1,796.4
– of which foreign currency	-	274.0
Carrying amount, net	**-**	**2,070.4**

Note 14, continuing

Lending that is subject to impairment testing, broken down into steps (SEK million)	Not credit-impaired		Credit-impaired	
	Step 1	Step 2	Step 3	Total
Assets measured at amortized cost				
Opening balance, January 1, 2020	**1,545.5**	**470.9**	**155.2**	**2,171.6**
Distribution of operations	–1,545.5	–470.9	–155.2	–2,171.6
Closing balance, December 31, 2020	**0.0**	**0.0**	**0.0**	**0.0**
Opening balance, January 1, 2019	**1,034.3**	**406.2**	**147.1**	**1,587.6**
New lending during the period	1,131.8	212.5	33.1	1,377.3
Change in existing loans	–558.2	–128.3	–103.5	–789.9
Decrease in lending during the period	–0.4	–0.9	–2.1	–3.4
Transfers:				
Transfer from step 1 to step 2	–127.4	127.4	-	-
Transfer from step 1 to step 3	–26.2	-	26.2	-
Transfer from step 2 to step 1	90.9	–90.9	-	-
Transfer from step 2 to step 3	–	–56.3	56.3	-
Transfer from step 3 to step 1	0.6	-	–0.6	-
Transfer from step 3 to step 2	-	1.3	–1.3	-
Closing balance, December 31, 2019	**1,545.5**	**470.9**	**155.2**	**2,171.6**

Change in provision for expected credit losses (SEK million)	Not credit-impaired		Credit-impaired	
	Step 1	Step 2	Step 3	Total
Opening balance, January 1, 2020	**12.4**	**34.0**	**54.8**	**101.2**
Distribution of operations	–12.4	–34.0	–54.8	–101.2
Closing balance, December 31, 2020	**0.0**	**0.0**	**0.0**	**0.0**
Opening balance, January 1, 2019	**8.4**	**26.2**	**60.1**	**94.7**
New provisions for the period	8.4	16.6	15.9	40.9
Change in provisions in existing loans	11.9	2.3	–48.1	–33.9
Decrease in provisions for the period	0.0	–0.2	–0.4	–0.6
Transfers:				
Transfer from step 1 to step 2	–8.8	8.8	-	-
Transfer from step 1 to step 3	–8.7	-	8.7	-
Transfer from step 2 to step 1	1.2	–1.2	-	-
Transfer from step 2 to step 3	-	–18.9	18.9	-
Transfer from step 3 to step 1	0.0	-	0.0	-
Transfer from step 3 to step 2	-	0.2	–0.2	-
Closing balance, December 31, 2019	**12.4**	**34.0**	**54.8**	**101.2**

Receivables attributable to payment solutions concern credits that arise from Qliro AB's collaboration with various e-merchants for financing solutions. The financing solutions that Qliro AB offers consist of invoices, partial payments and open credit. The credit stock consists of unsecured credit and is targeted at individuals and companies in Sweden, Finland, Denmark and Norway.

Lending to the public totaled SEK 0.0 (2,070.4) million, of which sales financing amounted to SEK 0.0 (1,343.5) million and personal loans SEK 0.0 (726.9) million.

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
(SEK million)	**December 31 2020**	**December 31 2019**	**December 31 2020**	**December 31 2019**
Prepaid rent	5.9	9.6	-	0.0
Prepaid insurance expenses	0.7	1.7	0.5	0.5
Prepaid licensing costs	5.7	11.2	0.1	-
Accrued income	0.7	55.0	-	-
Other prepaid expenses and accrued income	6.4	29.8	0.9	0.1
Total	**19.5**	**107.2**	**1.5**	**0.6**

Note 16 Inventories

	Group	
Inventories (SEK million)	**2020**	**2019**
Finished goods and merchandise	156.3	333.7
Advances to suppliers	10.0	15.9
Total	**166.3**	**349.6**

	Group	
Inventories per segment (SEK million)	**2020**	**2019**
Nelly segment	166.3	245.9
CDON	-	103.7
Total	**166.3**	**349.6**

Consolidated cost of sales includes SEK -4.9 (4.0) million in impairment of inventories. The write-downs arise mainly as a result of the application of the Group's obsolescence ladder. The write-down amount excludes write-downs arising from damage in the event of internal or external handling and is written down in the event of fraud. There were no significant reversals of previous impairments in 2020 or 2019.

Note 17 Equity

At December 31, 2020, share capital comprised 18,494,973 (154,994,779) shares. Each share has a quotient value of SEK 10.

Shares issued	No. of shares	Share capital (SEK million)
Ordinary shares	17,972,973	179.7
C shares	522,000	5.2
Total number of shares issued/total share capital at December 31, 2020	**18,494,973**	**184.9**

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
1936-12-11	Establishment	1,000,000	2,000	1,000,000	2,000
2010-09-24	Split	-	498,000	1,000,000	500,000
2010-09-24	Offset issue	131,090,244	65,545,122	132,090,244	66,045,122
2010-10-26	Cash issue	594,004	297,002	132,684,248	66,342,124
2011-05-31	Cash issue C shares	380,000	190,000	133,064,248	66,532,124
2012-05-30	Cash issue C shares	570,000	285,000	133,634,248	66,817,124
2013-06-14	Cash issue	66,342,124	33,171,062	199,976,372	99,988,186
2013-09-03	Cash issue C shares	1,400,000	700,000	201,376,372	100,688,186
2014-12-19	Cash issue	99,513,186	49,756,593	300,889,558	150,444,779
2018-04-30	Cash issue C shares	9,100,000	4,550,000	309,989,558	154,994,779
2019-05-23	Reduction in share capital	–154,994,779	-	154,994,779	154,994,779
2020-08-26	Cash issue[1]	29,954,951	29,954,951	184,949,730	184,949,730
2020-12-30	Reverse split of a number of shares[2]	-	–166,454,757	184,949,730	18,494,973
Number of shares issued/share capital at December 31, 2020		**184,949,730**	**18,494,973**	**184,949,730**	**18,494,973**

[1] On August 26, 2020, Nelly Group held a new share issue for approximately SEK 210 million less transaction expenses, which increases 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.
[2] On December 16, 2020, a reverse split was agree upon for shares and votes in Nelly Group. On December 30, 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 C shares, to 18,494,973, of which 17,972,973 ordinary shares and 522,000 C shares. All 522,000 C shares are held by Nelly Group.

On May 23, 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 May 7, 2019, Nelly Group's AGM decided to reduce the company's share capital.

On April 29, 2019, 80,000 C shares (held by the company) were converted into 80,000 ordinary shares. On May 30, 2018, 425,000 C shares (held by the company) were converted into 425,000 ordinary shares.

C shares were issued for distribution to participants in the Group's long-term incentive plans. See Note 24 for more information.

On November 17, 2014, the extraordinary general meeting of Nelly Group resolved to approve the Board's decision of October 21, 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 May 14, 2013, the extraordinary general meeting of Nelly resolved to approve the Board's decision of April 16, 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 C shares in 2011, 2012, 2013 and 2018 were implemented for use in the Group's incentive plans. See Note 24 for further details regarding the incentive plan. All C shares are held by Nelly Group.

"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 C shares. 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.

Notes

Note 17, continuing

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)	2020	2019
Opening balance, January 1	0.8	–0.8
Translation difference for the year	–7.1	1.5
Total accumulated translation differences	**–6.4**	**0.8**

Retained earnings including profit for the year
Retained earnings recognized in the Group include the year's and prior years' earnings.

Proposed dividend
The Board of Directors will propose to the 2020 annual general meeting that no dividend be paid to shareholders for the financial year ending December 31, 2020, and that retained earnings for the year be carried forward into the 2021 accounts.

Proposed appropriation of profits

	Parent Company	
(SEK million)	2020	2019
Share premium reserve	1,405.0	1,231.5
Retained earnings	–1,219.2	–196.7
Profit for the year	–30.0	–81.6
Total	**155.8**	**953.2**

The Board proposes that the retained earnings, share premium reserve and profit/loss for the year of a total of SEK 155,8 (953.2) million be carried forward. The share premium reserve for the year totals SEK 1,405.0 (1,231.5) million as a result of the directed new share issue in the year, which changed the share capital to 184,949,730 from 154,994,779.

Note 18 Other provisions

A provision for employee-related benefits is recognized in accordance with agreements entered into for long-term incentive plans. See Note 24 for further details regarding share-related remuneration.

	Group		Parent Company	
Other provisions (SEK million)	2020	2019	2020	2019
Provisions for social security contributions on share-based remuneration	0.6	0.9	0.6	0.9
Other provisions	-	-	-	-
Total	**0.6**	**0.9**	**0.6**	**0.9**

	Group		Parent Company	
Provisions for share-based remuneration (SEK million)	2020	2019	2020	2019
Carrying amount at start of period	**0.7**	**1.6**	**0.7**	**1.6**
Change in provision during the period	–0.6	–0.9	–0.6	–0.9
Carrying amount at end of period	**0.1**	**0.7**	**0.1**	**0.7**

See Note 24 for further details regarding share-based remuneration.

Note 18, continuing

Total provisions (SEK million)	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Total carrying amount at start of period	**0.7**	**1.6**	**0.7**	**1.6**
Increase in provision during the period	-	-	-	-
Dissolution of provision during the period	–0.6	–0.9	–0.6	–0.9
Total carrying amount at end of period	**0.1**	**0.7**	**0.1**	**0.7**
Of which total non-current portion of provisions	0.1	0.7	0.1	0.7
Of which total current portion of provisions	-	-	-	-

Payments (SEK million)	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Amount for which payment is expected after more than 12 months	0.1	0.7	0.1	0.7

Note 19 Accrued expenses and deferred income

(SEK million)	Group December 31 2020	Group December 31 2019	Parent Company December 31 2020	Parent Company December 31 2019
Accrued employee benefit expenses	49.2	67.5	3.4	3.5
Accrued expenses for cost of goods sold	29.2	98.0	-	-
Accrued distribution costs	19.8	33.5	-	-
Accrued merchandise handling costs	-	5.6	-	-
Accrued marketing costs	17.0	33.0	-	-
Accrued provisions for returns	24.0	26.6	-	-
Deferred income	-	2.2	-	-
Other	13.5	53.4	1.4	3.2
Total	152.5	319.9	4.8	6.7

Note 20 Pledged assets and contingent liabilities

	Group		Parent Company	
Contingent liabilities (SEK million)	**December 31 2020**	**December 31 2019**	**December 31 2020**	**December 31 2019**
Bank guarantees and sureties to external parties	28.5	30.7	-	6.6
Parent company guarantees to external parties	-	44.5	-	44.5
Surety for Qliro Financial Services' utilized credit facility	-	-	-	292.4
Total	**28.5**	**75.2**	**-**	**343.5**

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

Parent company guarantees relate to parent company guarantees and sureties pledged to suppliers and other external parties on behalf of subsidiaries in the Group.

The parent company's guarantee commitment for the subsidiary Qliro AB's credit facility is a contingent liability in that Qliro AB's pledged loans receivable (see Pledged assets below) would not be enough to cover the outstanding debt under the said credit facility.

	Group		Parent Company	
Pledged assets (SEK million)	**December 31 2020**	**December 31 2020**	**December 31 2020**	**December 31 2020**
Pledged loans receivable	-	1,379.8	-	-
Property, plant and equipment	-	1.2	-	-
Total	**-**	**1,381.0**	**-**	**-**

There are no pledged receivables for the year. Pledged loans receivables for 2019 relate entirely to the previously wholly owned subsidiary Qliro AB, which used its accounts receivable as collateral for borrowing. Lending to the public consisted of loans receivable (invoices) and personal loans.

Pledged loans receivable were recognized net of credit losses, i.e. at the value of the accounts receivable recognized in the balance sheet.

Note 21 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)	**Dec 31 2020**	**Dec 31 2019**
Total equity	249.8	888.5

Finance policy

The aim of the Group's finance policy is to describe and specify common rules, the organization and the mandate for the Group's general financial activities. The Board has established financial policies for overall management of risks and for 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 risks 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 that the Group will not be able to fulfill its commitments associated with financial liabilities. This risk is managed by ensuring that there are enough cash and cash equivalents and the ability to increase available financing.

The Group's finance policy stipulates that there must always be at least SEK 50 million in available cash and cash equivalents.

Credit risk
Credit risk is defined as the company's exposure to losses if one party to a financial instrument fails to fulfill its obligations. The exposure is based on the carrying amount of the financial assets, of which the majority comprises accounts receivable and cash and cash equivalents. The Group has a credit policy for credit risks.

Credit risk related to accounts receivable is spread over many customers, mainly private individuals. See Note 13 for further details regarding accounts receivable. For additional information on loans to the public, see Note 14.

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 may operate with variable or fixed interest rates for interest-bearing assets. 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 39.5 (2,294.1) million and were attributable to finance leases. The comparative figure for consolidated interest-bearing liabilities was mainly attributable to Qliro AB.

In general, interest rate risk should be minimized using matching assets and liabilities. Exposure to interest rate risk should be reviewed every month to ensure that no limits have been exceeded. If the variable interest rate on the Group's loans in 2020 had increased or decreased by 1 percent (%), it would have affected the Group's net financial items by SEK 0.0 (3.9) million. At December 31, 2020, the Group had no loans.

Market risk – currency risk
Currency risk is the risk that fluctuations in exchange rates will affect the company's income statement, financial position and/or cash flow. The risk can be divided into transaction exposure and translation exposure.

Transaction exposure
Transaction exposure is the risk that arises from the net inflows and outflows in foreign currencies required by operations and their financing. 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)	**2020**	**2019**
NOK	226.5	255.5
DKK	38.2	55.4
EUR	–0.5	0.6
USD	–11.3	–16.8
GBP	–5.0	–8.2
PLN	0.3	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)	**2020**	**2019**
NOK	+/– 11.3	+/– 12.8
DKK	+/– 1.9	+/– 2.8
EUR	+/– 0.0	+/– 0.0
USD	+/– 0.6	+/– 0.8
GBP	+/– 0.2	+/– 0.4
PLN	+/– 0.0	+/– 0.0

Translation exposure
Translation exposure is the risk that arises from translation of equity in foreign subsidiaries. Financial instruments are not used to hedge translation exposure.

Net foreign assets including goodwill and other intangible assets arising from acquisitions are distributed as follows:

	Group			
Currency (SEK million)	**2020**	**%**	**2019**	**%**
DKK	0.0	0.0	8.8	7.5
NOK	24.4	100.0	46.4	40.0
EUR	0.0	0.0	60.8	52.4
Total	**24.4**	**100.0**	**116.0**	**100.0**

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

	Group	
Sensitivity analysis (SEK million)	**2020**	**2019**
DKK	+/– 0.0	+/– 0.4
NOK	+/– 1.2	+/– 2.3
EUR	+/– 0.0	+/– 3.0

Notes

Note 21, continuing

Classification and categorization of financial assets and liabilities in the Group
Valuation at fair value includes a valuation hierarchy related to the data for said valuations. This valuation hierarchy is divided into three levels, which coincide with the levels introduced in IFRS 13 Fair Value Measurement.

The 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 input data 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 data than observable listed prices of the asset or liability, such as interest rate levels, yield curves, volatility and multiples.
Level 3: Non-observable data 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.

For non-interest-bearing asset and liability items such as accounts receivable and accounts payable, 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.

	Carrying amount				Fair value
2020 Group (SEK million)	**Fair value through profit or loss**	**Financial assets not measured at fair value**	**Financial liabilities not measured at fair value**	**Total**	**Total**
Accounts receivable		47.3		47.3	47.3
Other receivables		14.8		14.8	14.8
Accrued income		0.7		0.7	0.7
Cash and cash equivalents		230.1		230.1	230.1
Total financial assets	**-**	**292.9**	**-**	**292.9**	**292.9**
Lease liabilities			39.5	39.5	39.5
Accounts payable			143.7	143.7	143.7
Other liabilities			69.4	69.4	69.4
Accrued expenses			152.5	152.5	152.5
Total financial liabilities	**-**	**-**	**405.2**	**405.2**	**405.2**

	Carrying amount				Fair value
2020 Parent company (SEK million)	**Fair value through profit or loss**	**Financial assets not measured at fair value**	**Financial liabilities not measured at fair value**	**Total**	**Total**
Other receivables		3.4		3.4	3.4
Cash and cash equivalents		31.6		31.6	31.6
Total financial assets	**-**	**35.0**	**-**	**35.0**	**35.0**
Accounts payable			0.8	0.8	0.8
Liabilities to Group companies			13.6	13.6	13.6
Other liabilities			0.9	0.9	0.9
Accrued expenses			4.8	4.8	4.8
Total financial liabilities	**-**	**-**	**20.0**	**20.0**	**20.0**

Note 21, continuing

2019 Group (SEK million)	Carrying amount Fair value through profit or loss	 Financial assets not measured at fair value	 Financial liabilities not measured at fair value	 Total	Fair value Total
Accounts receivable		78.4		78.4	78.4
Net lending to the public		2,070.4		2,070.4	2,070.4
Current investments (level 2)	255.0			255.0	255.0
Other receivables		41.2		41.2	41.2
Accrued income		55.0		55.0	55.0
Cash and cash equivalents		553.9		553.9	553.9
Total financial assets	**255.0**	**2,798.9**	**-**	**3,053.8**	**3,053.8**
Borrowing facilities			292.4	292.4	292.4
Bond loan			100.0	100.0	100.0
Lease liabilities			82.7	82.7	82.7
Deposits from the public			1,819.1	1,819.1	1,819.1
Accounts payable			316.3	316.3	316.3
Other liabilities			190.5	190.5	190.5
Accrued expenses			317.7	317.7	317.7
Total financial liabilities	**-**	**-**	**3,118.7**	**3,118.7**	**3,118.7**

2019 Parent company (SEK million)	Carrying amount Fair value through profit or loss	 Financial assets not measured at fair value	 Financial liabilities not measured at fair value	 Total	Fair value Total
Receivables from Group companies		5.8		5.8	5.8
Other receivables		3.0		3.0	3.0
Cash and cash equivalents		8.3		8.3	8.3
Total financial assets	**-**	**17.1**	**-**	**17.1**	**17.1**
Accounts payable			3.7	3.7	3.7
Loans to Group companies			50.2	50.2	50.2
Liabilities to Group companies			10.9	10.9	10.9
Other liabilities			0.4	0.4	0.4
Accrued expenses			6.7	6.7	6.7
Total financial liabilities	**-**	**-**	**71.9**	**71.9**	**71.9**

Note 21, continuing

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

Group (SEK million)	2020 Total	0–6 months	6 months–1 year	1–5	>5 years
Lease liabilities	39.5	8.5	11.9	19.0	-
Accounts payable	143.7	143.7			
Other liabilities	69.4	69.4			
Accrued expenses	152.5	152.5			
Total	**405.2**	**374.2**	**11.9**	**19.0**	**-**

Parent company (SEK million)	2020 Total	0–6 months	6 months–1 year	1–5	>5 years
Accounts payable	0.8	0.8			
Liabilities to Group companies	13.6	13.6			
Other liabilities	0.9	0.9			
Accrued expenses	4.8	4.8			
Total	**20.0**	**20.0**	**-**	**-**	**-**

Group (SEK million)[1]	2019 Total	0–6 months	6 months–1 year	1–5	>5 years
Utilized credit facilities	292.4	292.4			
Unutilized credit facilities	538.0	538.0			
Bond loan	167.5	3.5	3.5	27.7	132.9
Lease liabilities	82.7	13.1	15.9	50.0	3.6
Deposits from the public	1,819.1	1,819.1			
Accounts payable	316.3	316.3			
Other liabilities	190.5	190.5			
Accrued expenses	317.7	317.7			
Total	**3,724.1**	**3,490.6**	**19.4**	**77.7**	**136.4**

Parent company (SEK million)[1]	2019 Total	0–6 months	6 months–1 year	1–5	>5 years
Accounts payable	3.7	3.7			
Loans to Group companies	50.2	50.2			
Liabilities to Group companies	10.9	10.9			
Other liabilities	0.4	0.4			
Accrued expenses	6.7	6.7			
Total	**71.9**	**71.9**	**-**	**-**	**-**

[1] The maturity structure has been adjusted historically and now shows the measurement period 0-6 months and 6 months-1 year instead of the previous 0-3 months and 3 months-1 year.

Note 22 22 Leases

Nelly Group has implemented IFRS 16 since January 1, 2019. Contracts that have been signed but have not yet commenced total SEK 381.0 (0.0) million. Please see Note 21 for the maturity structure of the lease liability.

For Nelly Group as a lessee, IFRS 16 means in principle that all leases must be recognized 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, amortization on the leased asset and interest expenses related to the lease liability are recognized in the income statement. The leases concerned primarily include leases for offices, 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 recognized liabilities or rights of use. In addition, Nelly Group has decided not to recognize leases as assets with rights of use or lease liabilities where the underlying asset has low value.

A marginal loan rate of 2.5 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.

Property, plant and equipment (SEK million)	Group 2020	2019
Property, plant and equipment that is owned	7.6	28.1
Right-of-use assets, not investment property	39.0	81.4
Total property, plant and equipment	**46.6**	**109.5**

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

Note 22, continuing

Right-of-use asset

2020 Right-of-use assets (SEK million)	Group Premises	Vehicles	IT equipment	Other	Total
Depreciation/amortization	–16.2	–0.2	-	–0.5	–16.9
Closing balance, December 31, 2020	35.8	1.0	-	2.2	39.0

2019 Right-of-use assets (SEK million)	Group Premises	Vehicles	IT equipment	Other	Total
Depreciation/amortization[1]	–17.0	–0.1	-	–0.6	–17.7
Closing balance, December 31, 2019	80.4	0.4	-	0.5	81.4

Additions to right-of-use assets in 2020 amounted to SEK 22.6 (6.9) million. This amount includes the cost of rights of use acquired during the year and 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 2020	2019
Current	20.5	29.1
Non-current	19.0	53.6
Lease liabilities included in the statement of financial position	**39.5**	**82.7**

The Group's total lease liabilities amount to SEK 39.5 (82.7) million, of which SEK 6.0 (5.1) million relates to prepaid lease payments recognized as current assets.

Amounts recognized in profit or loss

Effect on profit (SEK million)	Group 2020	2019
Amortization of right-of-use assets[1]	–16.9	–17.7
Interest on lease liabilities[1]	–0.8	–1.2
Expenses for short-term leases and/or low-value leases	–0.7	-1.0

[1] Historical figures are adjusted and, like the consolidated income statement, show depreciation/amortization and/or interest for continuing operations.

Note 23 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	
2020	Men	Women	Men	Women
Sweden	125	191	2	0
Total average no. of employees		316		2

	Group		Parent Company	
2019	Men	Women	Men	Women
Sweden	353	338	2	0
Total average no. of employees		691		2

Distribution of men and women in executive management

	Group		Parent Company	
2020	Men %	Women %	Men %	Women %
Board of Directors	40	60	33	67
CEO and other executives	40	60	100	0
Total	**40**	**60**	**67**	**34**

	Group		Parent Company	
2019	Men %	Women %	Men %	Women %
Board of Directors	77	23	67	33
CEO and other executives	67	33	100	0
Total	**72**	**28**	**84**	**17**

Note 24 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 December 16, 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 curated fashion and beauty products from 300 other 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 realize 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-taking 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' cash variable 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-related instruments in Nelly Group.

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 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

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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 executive 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-based remuneration

The 2020 long-term incentive plans

An extraordinary general meeting held on December 16, 2020, resolved to establish a new long-term incentive plan ('Owner Plan 2020') for certain senior executives of Nelly Group AB (three persons) as per item A below.

The purpose of the Owner Plan 2020 is to create the conditions for Nelly Group to retain key individuals in the company's management team who are expected to contribute to the continued development of the company. The remuneration proposed must promote long-term sustainable decisions to achieve earnings in a manner that matches the company's vision and overarching strategy.

The Board wants the plan to give participants greater ownership of the company in order to align the interests of participants with those of shareholders, and has, therefore, proposed share-based remuneration for which it is a condition that the participants invest in the company's shares and remain at the company in the long term. The intention is to create greater incentives for participants to promote the long-term development of Nelly Group's earnings and shareholder value. Greater participation among the company's senior executives is also expected to lead to greater loyalty to the company, which is beneficial to the company and its shareholders.

To ensure that the company can meet its obligations under the Owner Plan 2020, the extraordinary general meeting also resolved to transfer shares as outlined in item B below.

A. Resolution to establish a long-term incentive plan for certain senior executives

1. Participants and summary conditions

The meeting resolved to establish the Owner Plan 2020, which is intended for Kristina Lukes (CEO), John Afzelius (who has been appointed Nelly Group's CFO from April 1, 2021; John is currently CFO of the subsidiary Nelly NLY AB) and Maria Segergren (CPO). To participate in the Owner Plan 2020, participants must have invested in the company privately by acquiring shares in Nelly Group ('investment shares'). The investment shares may consist either of shares

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in Nelly Group that participants already hold (that are not already allocated to Nelly Group's ongoing incentive plans) or shares that participants buy on the market in connection with application to join the Owner Plan 2020. The participants will then be entitled to be allocated shares in the company ('owner shares') under the conditions given below.

2. Allocation
The Board proposes that the Owner Plan 2020 include a maximum of 100,000 owner shares. The maximum number of owner shares per person must be as follows: Kristina Lukes, maximum 61,538 owner shares, John Afzelius, maximum 25 641 owner shares, and Maria Segergren, maximum 12 821 owner shares.

3. Private investment and maximum allocation of investment shares to the Owner Plan 2020
To participate in the Owner Plan 2020, each participant must make a private investment by acquiring investment shares. The investment shares may be either shares in Nelly Group that participants already hold (that are not already allocated to Nelly Group's ongoing incentive plans) or shares that participants buy on the market in connection with application to join the Owner Plan 2020. If a participant has insider information when they apply to join the Owner Plan 2020, the investment shares must be acquired as soon as possible after the participant no longer has insider information, and no later than before the next AGM.

The maximum number of investment shares that all participants may allocate to the Owner Plan 2020 must equate to a total value of SEK 1,950,000 million. The outcome of the Owner Plan 2020 for each participant is limited to the number of owner shares that may be allocated (including any dividend or similar that accrues on such shares during the qualification period).

The maximum number of investment shares that each participant may allocate to the Owner Plan 2020 must be as follows: Kristina Lukes may allocate a maximum number of investment shares equivalent to a value of SEK 1,200,000; John Afzelius may allocate a maximum number of investment shares equivalent to a value of SEK 500,000 and Maria Segergren may allocate a maximum number of investment shares equivalent to a value of SEK 250,000.

The value of the investment shares must be calculated based on the average volume-weighted price paid for Nelly Group's shares on Nasdaq Stockholm over a period of ten days before the date of the AGM.

4. Conditions for retaining owner shares
The participants are only entitled to retain the owner shares under the conditions specified by the Owner Plan 2020. The owner shares are earned during the period from January 1, 2021 to December 31, 2027, both dates inclusive (the 'qualification period'). After the end of the qualification period, allocated owner shares and any dividend or similar that accrues on them may be retained and disposed of freely by the participants, provided that the following conditions are met:

- The participant acquired investment shares and retained them during the qualification period according to the number of owner shares allocated to the participant. If a participant acquired fewer investment shares than the number of owner shares allocated to them, the number of owner shares must be adjusted accordingly.

5. Earning owner shares during the qualification period
Earning in connection with termination of employment
The owner shares are earned on a linear basis during the qualification period. This means that a participant earned 1/7 (roughly 14.3 percent) of the total maximum number of owner shares to which they are entitled at the end of each year under the Owner Plan 2020. If a participant was not employed by the company throughout the qualification period, the following conditions apply to the earning of owner shares.

- If a participant's employment is terminated by the company during the period from January 1, 2021 to December 31, 2021 (i.e. during years 0–1 of the plan), the participant will not be entitled to any owner shares.
- If a participant's employment is terminated by the company during the period from January 1, 2022 to December 31, 2027 (i.e. during years 2–7 of the plan), the participant's entitlement to owner shares is earned on a linear basis up to the start of the year in which the employment was terminated.
- If a participant terminates their own employment during the period from January 1, 2021 to December 31, 2023 (i.e. during years 0–3 of the plan), the participant will not be entitled to any owner shares.
- If a participant terminates their own employment during the period from January 1, 2024 to December 31, 2027 (i.e. during years 4–7 of the plan), the participant's entitlement to owner shares is earned on a linear basis during this period up to the start of the year in which the employment was terminated.

If the number of shares in the company changes following a stock dividend, reverse split or split of the company's existing shares or any other similar company event, the earning of owner shares must be converted proportionally in accordance with the change.

Notwithstanding the above, if a participant's employment is terminated by the company during the qualification period on account of criminal action or gross impropriety by the participant, the participant will not be entitled to retain any owner shares.

Earning in connection with a public takeover bid
If the company's shares are subject to a public takeover bid (corresponding to or pursuant to the Swedish Act (2006:451) relating to public takeover bids on the stock market), and such a takeover bid is completed, all owner shares must be earned.

Taxation
Receipt of owner shares is a taxable benefit that is taxed in the income year in which the owner shares are received by the participant. The taxable benefit that arises is calculated using the most recent price paid for Nelly Group's shares on Nasdaq Stockholm on the date on which the shares are received. The taxable benefit is taxed for holders/participants as income on employment, meaning that social security contributions will be charged to the employer. Participants will be compensated with a cash salary payment which means that, after tax has been deducted, the owner shares have been acquired at no cost to the participants.

Design and management
The Owner Plan 2020 was developed by the Board in consultation with external consultants.

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The Board, or the person appointed by the Board, must be responsible for the detailed design and management of the Owner Plan 2020 within the framework of specific conditions and guidelines. In this connection, the Board must be entitled to make adjustments to meet market conditions or to follow applicable rules. The Board must also be entitled to make other adjustments, including the right to decide on reduced allocation of shares, if significant changes occur in Nelly Group or on the market that, in the opinion of the Board, would mean that the conditions adopted for allocation of shares under the Owner Plan 2020 are no longer appropriate.

Costs of the plan, effects on key ratios and dilution
The Board has had a provisional cost calculation prepared for the Owner Plan 2020. The costs, primarily social security contributions for the value of the owner shares and the costs of salary payment to cover participants' costs under the Owner Plan 2020, are provisionally estimated to be approximately SEK 5.7 million. This cost is equivalent to approximately 5.4 percent of the company's employee benefit expenses in 2020.

The provisional cost calculation is based on the maximum number of owner shares that may be allocated under the Owner Plan 2020 corresponding to allocated investment shares with a maximum total value of SEK 1,950,000.

Based on an assumption that the company's shares are worth SEK 34.7 each, the Owner Plan 2020 entails maximum dilution of approximately 0.3 percent of the share capital and votes in the company. Assuming maximum allocation of owner shares under the Owner Plan 2020, in which 100,000 owner shares are allocated to the participants, the Owner Plan 2020 entails dilution of approximately 0.55 percent of the share capital and votes in the company. If participants leave the company during the qualification period, they may lose their entitlement to owner shares in full or in part, which would then be withdrawn after a resolution to reduce the share capital. Any such withdrawal of shares would reduce dilution.

B. Resolution to approve the transfer of shares to the participants
The extraordinary general meeting resolved that maximum 100,000 C shares held by Nelly Group would be converted to ordinary shares and could then be transferred to the participants under the conditions of the Owner Plan 2020.

The participants' right to receive ordinary shares is contingent on the conditions in Owner Plan 2020 being met, and the shares must be transferred during the period specified by the conditions for Owner Plan 2020. The shares must be transferred at no charge.

The 2019 long-term incentive plans
The 2019 AGM resolved to adopt the following new long-term incentive plans:

(a) a long-term performance share plan ('PSP 2019') for senior executives and other key individuals in the parent company, in the Group's central staff functions and in Nelly Group's (formerly Qliro Group's) then subsidiaries CDON and Nelly with a structure similar to that of the long-term incentive plans adopted by the 2011-2018 AGMs; and

(b) a synthetic call option plan ('QOP 2019') for the CEO, management and key employees of Nelly Group's former subsidiary Qliro AB, to be based on the underlying value growth of Qliro AB. For various reasons, the Board decided not to launch QOP 2019.

PSP 2019
The performance share plan (PSP 2019) is intended for about 22 senior executives and other key Nelly Group employees. To participate in the PSP, participants are required to make a personal investment in Nelly Group shares ('savings shares'). The savings shares can 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 will allot 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 fulfillment of certain retention and performance-based conditions during the period April 1, 2019 – March 31, 2022 ('measurement period'), each right entitles the participant to receive one ordinary share in the company. 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 2022.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Nelly Group's ordinary shares during the measurement period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Nelly Group's ordinary shares during the measurement period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention and performance-based rights can be exercised after publication of the interim report for the first quarter of 2022.

The 2018 long-term incentive plans
The 2018 AGM decided to adopt the following long-term incentive plans:

(a) a long-term performance share plan (PSP 2018) for senior executives and other key employees of the parent company and Nelly Group's then subsidiaries (excluding employees of Qliro AB) with a similar structure to that of the long-term incentive plans adopted at the 2011-2017 annual general meetings, and

(b) a synthetic call option plan ('QOP 2018') for Qliro Group's CEO, CFO, management and other key employees of Qliro AB, to be based on Qliro AB's underlying value growth. For various reasons, the Board decided not to launch QOP 2018.

PSP 2018
The performance share plan (PSP 2018) is intended for about 24 senior executives and other key Nelly Group employees. To participate in the PSP, participants are required to make a personal investment in Nelly Group shares ('savings shares'). The savings shares can 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,

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Nelly Group will allot 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 fulfillment of certain retention and performance-based conditions during the period April 1, 2018 – March 31, 2021 ('measurement period'), each right entitles the participant to receive one ordinary share in the company. 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 2021.

The number of shares that the participant can be awarded based on the share rights depends partly on the category to which the participant belongs and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Nelly Group's ordinary shares during the measurement period shall exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Nelly Group's ordinary shares during the measurement period shall be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention-based and performance-based rights can be exercised after publication of the interim report for the first quarter of 2021.

The 2017 long-term incentive plans

The 2017 AGM decided to adopt the following long-term incentive plans:

(a) a long-term performance share plan ('PSP 2017') for senior executives and other key employees of the parent company and Nelly Group's (then Qliro Group's) subsidiaries/segments with a similar structure to that of the long-term incentive plans adopted at the 2011-2016 annual general meetings, and

(b) a synthetic call option plan ('QOP 2017') for the management and other key employees in Nelly Group's then subsidiaries/segments that offered financial services, Qliro AB, to be based on the underlying value growth in Qliro AB.

PSP 2017

The performance share plan (PSP 2017) was intended for about 30 senior executives and other key Nelly Group employees.

To participate in the PSP, 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 were divided into Class A (retention rights) and Class B (performance rights). Subject to fulfillment of certain retention and performance-based conditions during the period April 1, 2017 – March 31, 2020 ('measurement period'), each right entitled the participant to receive one ordinary share in the company. The right to finally be awarded shares was also dependent on the participant having retained 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 2020.

The number of shares that the participant could be awarded based on the share rights depended partly on the category to which the participant belonged and partly on the fulfillment of the following objectives and performance-based conditions: (a) Class A: total shareholder return (TSR) on Nelly Group's ordinary shares during the measurement period had to exceed 0 percent to reach the entry target; (b) Class B: the average annual TSR on Nelly Group's ordinary shares during the measurement period had to be 10 percent to reach the entry target and 20 percent or more to reach the stretch target. The retention and performance-based rights could be exercised after publication of the interim report for the first quarter of 2020.

PSP 2017 ended in the second quarter of 2020. None of the retention- or performance-based conditions were met in PSP 2017, and all retention-based and performance-based rights have, therefore, expired.

QOP 2017

The synthetic call option plan (QOP 2017) comprised management and other key individuals working at Nelly Group's former subsidiary Qliro AB, a total of about 15 persons. To take part in QOP 2017, participants were required to acquire synthetic call options at market value. The market value of Qliro AB was determined through a valuation performed by an independent institute in connection with the notification ('start date') and at the end of the plan ('end date'). Generally accepted valuation models were applied.

Participants acquired the synthetic call options at market value in connection with the QOP notification in 2017 ('start date'). The market value of the synthetic call options was calculated by a prestigious, independent rating agency using a generally accepted valuation model (Black-Scholes). Synthetic call options were allocated by the Board of Directors' remuneration committee in accordance with the principles approved by the AGM and was based on the employee's expertise, area of responsibility and investment category. Participants were able to acquire synthetic call options at an amount corresponding to between 2 and 16 percent of the total investment in QOP 2017 (depending on the investment category to which the QOP 2017 participant belonged). Employees were able to invest a maximum of SEK 2.2 million in QOP 2017.

Issue of synthetic call options was to be through an agreement between Qliro Group (now Nelly Group) and the employee, essentially on the following conditions:

- The synthetic call options may be exercised three years after they were issued as well as on divestment of Qliro AB by Qliro Group ('end date').
- One (1) synthetic call option gives the holder the right to receive an amount from Qliro Group calculated based on the change in value of Qliro AB, provided that the established value of Qliro AB at the end date is at least 152 percent of the established value at the start date (exercise price).
- Payment of this amount to participants will be made, in accordance with the terms of the synthetic call options, with some exceptions, by Qliro Group transferring its own ordinary shares to the participants. The number of ordinary shares transferred to participants shall be based on the calculated share price of Qliro Group's ordinary share (calculated as the average of each trading day's average volume-weighted price of the Qliro Group common share on the Nasdaq Stockholm exchange during the 10 trading

Note 24, fortsättning

days beginning on the first trading day after publication of Qliro Group's first interim report after the start date).

- The synthetic call options that can be issued under QOP 2017 shall be freely tradeable, but subject to the right for Qliro Group to acquire the synthetic call options at market value, calculated using the Black-Scholes model.
- QOP 2017 will not cause the number of shares in Qliro AB to change.

QOP 2017 was closed in June 2020. As the value of Qliro AB determined on the end date (in June 2020) was lower than at least 152 percent of the value of Qliro AB determined on the start date (2017), all synthetic call options issued in QOP 2017 expired and became worthless.

Cost effects of incentive plans

The PSPs are equity-regulated plans. The fair value at the allotment date is expensed over the vesting period. The cost of the plans is recognized in equity and as an operating expense. The cost is based on the fair value of Nelly Group AB's shares at the allotment date and the number of shares that are expected to be earned. The cost of the plans in 2020 totaled SEK 0.3 (4.0) million, excluding social security contributions. When shares are allotted, social security contributions are paid for the value of benefits to the employee. During the vesting period, provisions are made for these estimated social security contributions.

The estimated fair value of services received in return for the employee options granted is based on the Black & Scholes valuation model. The expected volatility is based on historic values. Adjustments are also made in the plans for actual employee turnover during the period. For the retention-based plans, the probability that the targets will be achieved is considered by using adjustment factors for the various targets when the cost is calculated.

QOP 2017

Synthetic call options in QOP 2017 were transferred to the participants at market prices, There were, therefore, no upfront costs for Nelly Group as a result of QOP. Future expenses or income for Nelly Group attributable to synthetic call options issued under QOP depended on value developments in Qliro AB.

As the value of Qliro AB at the end date was less than 152 percent of the value at the start date, the synthetic call options became worthless and paid premiums became income for Nelly Group. If the value of Qliro AB at the end date had exceeded 152 percent of the value at the start date, the synthetic call options would have had value. The total value of issued synthetic call options at the end date could not exceed about 2.0 percent of the difference between the established value of Qliro AB at the end date and 152 percent of the value at the start date. However, the total gain (for participants in QOP 2017) was limited to a value of Qliro AB at the end date that is five times higher than the value at the start date.

The maximum dilution of outstanding shares and votes in Nelly Group due to QOP 2017 could amount to no more than 1 percent.

	Group		Parent Company	
Employee benefit expenses (SEK million)	**2020**	**2019**	**2020**	**2019**
Salaries	135.4	148.6	11.3	11.9
Social security contributions	42.6	47.7	4.0	3.8
Pension expenses – defined contribution plans	14.7	14.6	2.0	1.6
Expenses for share-based remuneration	0.3	4.0	0.3	4.0
Social security contributions on share-based remuneration	–0.4	–0.6	–0.4	–0.6
Total	**192.5**	**214.3**	**17.2**	**20.7**

The cost of share-based remuneration in 2020 totaled SEK -0.3 (4.0) million, excluding social security contributions. Of this SEK -0.3 million in employee benefit expenses for the performance share plan (PSP), SEK 0.6 million is for redemption of CDON participants' PSP share rights (PSP 2018 and PSP 2019) at pro-rata adjusted market value. In addition to this, equity is reduced by SEK 1.6 million in relation to the previously paid option premiums for the synthetic call option plan (QOP) in 2017.

	Group	
Basic salary and variable remuneration (SEK million)	**2020**	**2019**
CEO and senior executives, 4 (3) persons	13.5	12.5
Of which variable salary	*0.8*	-

	2020					
Remuneration and other benefits Group (SEK million)	**Basic salary**	**Variable remuneration**	**Other benefits**	**Pension expenses**	**Rights issue expenses**	**Total**
Kristina Lukes, current CEO	0.4	0.4	0.0	0.1	-	0.9
Mathias Pedersen, former CEO	2.5	-	0.1	0.7	-	3.3
Marcus Lindqvist, former CEO	5.3	-	0.1	1.0	-	6.3
Senior executives, 2 persons	4.4	0.4	0.1	0.7	0.1	5.6
Total	**12.7**	**0.8**	**0.2**	**2.5**	**0.1**	**16.1**

The amounts recognized for 2020 are for the full year. Variable remuneration for 2020 paid out in 2021 to the CEO: SEK 0.4 (0.0) million. Remuneration for 2020 paid out in 2021 to other senior executives: SEK 0.4 (0.0) million. Variable remuneration for 2019 paid out in 2020 to other senior executives: SEK 1.1 (0.4) million.

Note 24, fortsättning

Remuneration and other benefits Group (SEK million)	2019 Basic salary	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Marcus Lindqvist, CEO	5.3	-	0.1	1.0	1.3	7.6
Senior executives, 2 persons	7.3	-	0.1	1.2	1.2	9.6
Total	**12.5**	**-**	**0.2**	**2.2**	**2.5**	**17.2**

The amounts recognized for 2019 are for the full year. Variable remuneration for 2019 paid out in 2020 to the CEO: SEK 0.0 (0.8) million. Remuneration for 2019 paid out in 2020 to other senior executives: SEK 0.0 (1.0) million. Variable remuneration for 2018 paid out in 2019 to other senior executives: SEK 0.4 (0.0) million.

Payroll expenses and other remuneration Parent company (SEK million)	Parent Company 2020	2019
Board and senior executives, 10 (9) persons	13.8	15.9
Of which variable salary	0.0	0.0
Other employees	–0.2	1.6
Total salaries and other remuneration	**13.6**	**17.5**

Remuneration and other benefits Group and parent company (SEK million)	2020 Basic salary/ Board remuneration	For Board duties in subsidiaries	Variable remuneration	Other benefits	Pension expenses	Rights issue expenses	Total
Christoffer Häggblom, Chairman of the Board	0.7	0.1					0.8
Daniel Mytnik	0.5	-					0.5
Lennart Jacobsen	0.4	-					0.4
Jessica Pedroni Thorell	0.4	0.1					0.4
Andreas Bernström	0.3	-					0.3
Erika Söderberg Johnson	0.3	-					0.3
Josephine Salenstedt	0.0	-					0.0
Mathias Pedersen	0.0	-					0.0
Remuneration from parent company							
Marcus Lindqvist, CEO	5.3		-	0.1	1.0	-	6.3
Mathias Pedersen, CEO	2.5		-	0.1	0.7	-	3.3
Kristina Lukes, CEO	0.4		0.4	0.0	0.1	-	0.9
Other senior executives, 2 persons							
Remuneration from parent company	1.3	-	-	0.0	0.2	-	1.5
Remuneration from subsidiaries	3.2	-	0.4	0.0	0.5	0.1	4.2
Total	**15.4**	**0.1**	**0.8**	**0.2**	**2.5**	**0.1**	**18.9**

The amounts recognized for 2020 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 0.4 (0.0) million for other senior executives. The Board will receive its full remuneration from the parent company.

Notice of termination of the CEO is maximum 12 months when terminated by the company and 9 months when terminated by the employee. The CEO is not entitled to severance pay.

Notes

Note 24, fortsättning

Remuneration and other benefits Group and parent company (SEK million)	2019						
	Basic salary/ Board remuneration	**For Board duties in subsidiaries**	**Variable remuneration**	**Other benefits**	**Pension expenses**	**Rights issue expenses**	**Total**
Christoffer Häggblom, Chairman of the Board	0.7	0.2					0.9
Erika Söderberg Johnson	0.6	-					0.6
Daniel Mytnik	0.5	-					0.5
Jessica Pedroni Thorell	0.4	0.1					0.5
Lennart Jacobsen	0.4	0.5					0.9
Andreas Bernström	0.3	0.3					0.6
Remuneration from parent company							
Marcus Lindqvist, CEO	5.3	-	-	0.1	1.0	1.3	7.6
Other senior executives (4 persons)							
Remuneration from parent company	3.5	-	-	0.1	0.6	0.9	5.0
Remuneration from subsidiaries	3.7	-	-	-	0.6	0.3	4.6
Total	**15.5**	**1.0**	**-**	**0.2**	**2.2**	**2.5**	**21.2**

The amounts recognized for 2019 are for the full year. Accrued variable remuneration to be paid after year-end totals SEK 0.0 (0.0) million for the CEO and SEK 0.0 (0.4) million for other senior executives. The Board will receive its full remuneration from the parent company.

Notice of termination of the CEO is maximum 12 months when terminated by the company and 9 months when terminated by the employee. The CEO is not entitled to severance pay.

Share-based remuneration

Outstanding share rights	**President and CEO**	**Senior executives**	**Key employees**	**Total**
Long-term incentive plan, 2017	0	0	0	0
Long-term incentive plan, 2018	0	0	71,694	71,694
Long-term incentive plan, 2019	0	0	245,000	245,000
Total outstanding as at December 31, 2020	**0**	**0**	**316,694**	**316,694**

	2020		**2019**	
	No. rights and options	**Weighted redemption price**	**No. rights and options**	**Weighted redemption price**
Outstanding rights and options as at January 1	1,833,834	-	1,714,549	-
Rights and options issued during the year	-	-	1,312,422	-
Rights and options forfeited and redeemed during the year[1]	–1,517,140	-	–1,193,137	-
Total outstanding as at December 31	**316,694**	**-**	**1,833,834**	**-**

[1] PSP 2017 was closed in April 2020. Neither performance condition A nor B was met, resulting in the forfeiture of 37,200 class A share rights and 246,450 class B share rights. In addition to the above, 660,000 synthetic call options in QOP 2017 (in June 2020) and paid option premiums resulted in income for the Group.

Note 24, fortsättning

Specification of long-term incentive plan[6]	No. of rights and options	No. of partici-pants	Maximum redemp-tion price	Redem-ption period	No. of rights and options at January 1	Forfeited during the year	Redeemed during the year[5]	Outstanding rights and op-tions at December 31
Total allocation 2017[1)]								
2017	283,650	23	45.0[2)]	2020	283,650	–283,650	-	0
Total allocation 2018[1)]								
2018	503,002	14	53.0[3)]	2021	503,002	–348,169	–83,139	71,694
Total allocation 2019[1)]								
2019	1,047,182	16	42.9[4)]	2022	1,047,182	–519,206	–282,976	245,000
Total	**1,833,834**				**1,833,834**	**–1,151,025**		**316,694**

[1)] 1Refers only to the performance share plan (PSP).
[2)] Except for three participants with a maximum redemption price of SEK 17.80.
[3)] Except for two participants with a maximum redemption price of SEK 30.26 and SEK 30.60.
[4)] Except for three participants with a maximum redemption price of SEK 21.00, SEK 22.04 and SEK 22.11.
[5)] The share rights were redeemed through the repurchase of PSP 2018 & PSP 2019 share rights from three CDON-employed participants (after the distribution of CDON during Q4 2020). The share rights were repurchased / redeemed at a pro-rate adjusted market value.
[6)] Certain parameters (such as the number of shares that each PSP share right may entitle to and the maximum redemption price) in the long-term share-based incentive programs PSP 2018 and PSP 2019 are subject to customary adjustments / recalculations. The recalculations are made due to Nelly Group's completed dividends of the shares in Qliro AB and CDON AB and Nelly Group's reverse share split (aggregation of shares 1:10).

The long-term incentive plan PSP 2017 adopted at the 2017 AGM was closed in the second quarter of 2020. Performance condition A (TSR > 0% during the measurement period) and performance condition B (the average annual TSR on Qliro Group's ordinary shares during the measurement period must be 10 per cent to reach the entry target and 20 per cent or more to reach the stretch target) were not met. As neither performance condition A nor B was met, all 37,200 class A share rights and 246,450 class B share rights held by the remaining five (5) PSP 2017 participants were forfeited. The synthetic call option program QOP 2017 also ended during the second quarter of 2020 - all issued synthetic call options in QOP 2017 expired and became worthless.

On December 16, 2020, the meeting decided to establish a long-term incentive plan ('Owner Plan 2020') for certain senior executives of Nelly Group AB. The Board proposes that the Owner Plan 2020 include a maximum of 100,000 owner shares. The highest number of investment shares that all participants may allocate to the Owner Plan 2020 must equate to a total value of SEK 1.9 million. The owner shares are earned during the period from January 1, 2021 to December 31, 2027, both dates inclusive. Expenses attributable to the Owner Plan 2020 were not charged to the Group during the year.

	Group		Parent Company	
Employee benefit expenses (SEK million)	**2020**	**2019**	**2020**	**2019**
Granted rights and options 2015	-	-	-	-
Granted rights and options 2016	-	0.8	-	0.8
Granted rights and options 2017	1.0	1.3	1.0	1.3
Granted rights and options 2018	–1.1	0.8	–1.1	0.8
Granted rights and options 2019	0.4	1.1	0.4	1.1
Total expense recognized as employee benefit expenses	**0.3**	**4.0**	**0.3**	**4.0**

The cost of the plans in 2020 totaled SEK 0.3 (4.0) million, excluding social security contributions. Of this SEK 0.3 million in employee benefit expenses for the performance share plan (PSP), SEK 0.6 million is for redemption of CDON participants' PSP share rights (PSP 2018 and PSP 2019) at pro-rata adjusted market value.

Note 25 Fees and compensation to auditors

	Group		Parent Company	
(SEK million)	**2020**	**2019**	**2020**	**2019**
KPMG				
Audit engagements	1.2	3.5	0.7	0.7
Audit-related services	2.4	0.1	2.4	0.0
Tax consulting	0.0	0.2	-	-
Other services	0.1	5.3	0.0	5.3
Total	**3.7**	**3.7**	**3.1**	**6.0**

Audit engagements refer to statutory audits of the annual accounts and accounting records and the administration of 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 26 Supplementary disclosures regarding the statements of cash flows

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

	Group		Parent Company	
(SEK million)	**2020**	**2019**	**2020**	**2019**
Expenses on divestment of operations	–21.2	-	-	-
Loss on sale of non-current assets	-	-	0.2	-
Impairment of shares in subsidiaries	-	-	22.6	-
Dividend from subsidiaries	-	-	–84.4	-
Depreciation, amortization and impairment of non-current assets	11.5	19.4	0.1	0.4
Amortization of leases	16.9	17.7	-	-
Change in other provisions	–0.6	–0.9	–0.6	–0.9
Incentive plan	–2.0	2.7	–2.0	2.7
Interest expenses and income	-	–1.2	-	–1.2
Unrealized exchange differences	–2.1	1.8	0.0	-
Group contributions received / left	-	-	–12.0	–9.9
Other items	0.5	5.9	-	6.0
Total	**3.1**	**45.3**	**–76.1**	**–3.0**
Other supplementary disclosures				
Interest received during the financial year	0.0	0.2	-	-
Interest paid during the financial year	–3.7	–9.5	–1.3	–8.2
Total	**–3.7**	**–9.3**	**–1.3**	**–8.2**

Note 27 Transactions with related parties

Group

Rite Ventures SPV AB 'Rite Ventures' became the new major shareholder of Nelly Group AB 'Nelly' during the year, holding 25.06 percent of all shares.

On September 18, Rite Ventures acquired 36,021,945 shares in Nelly from Kinnevik AB 'Kinnevik'. This resulted in Rite Ventures replacing Kinnevik as the major shareholder of Nelly Group. During the year, related-party transactions thus took place between related parties of both Kinnevik and Rite Ventures.

Rite Ventures SPV AB 'Rite Ventures'	Rite Ventures holds a significant number of shares in Nelly Group AB 'Nelly'.
Kinnevik AB 'Kinnevik'	Kinnevik held a significant number of shares in Nelly Group AB 'Nelly'.

Parties related to Rite Ventures:

CDON AB 'CDON'	Rite Ventures holds a significant number of shares in CDON.
Qliro AB 'Qliro'	Rite Ventures holds a significant number of shares in Qliro.
Modular Finance AB 'Modular'	Rite Ventures holds a significant number of shares in Modular.

Parties related to Kinnevik:

Tele2 AB 'Tele2'	Kinnevik holds a significant number of shares in Tele2.

Transactions with parties related to Rite Ventures

The Group receives payment for shared Group expenses and purchases IT services from CDON. During the year, income totaled SEK 2.8 million and purchases totaled SEK 0.3 million.

The Group receives commission income on accounts receivable sold and purchases leased office space from Qliro. During the year, income totaled SEK 23.9 million and purchases totaled SEK 2.7 million.

The Group purchases IR and MAR services from Modular Finance. During the year, income totaled SEK 0.0 million and purchases totaled SEK 0.1 million.

Transactions with parties related to Kinnevik

The Group purchases telecom and data communication services from Tele2. During the year, income totaled SEK 0.0 (0.0) million and purchases totaled SEK 0.0 (4.1) million.

All transactions between related parties are based on market-based conditions and negotiations are completed on an arm's-length basis.

For information on remuneration and benefits to senior executives and the Board, please see Note 24.

Parent company

Of the parent company's invoiced sales, SEK 2.7 (7.4) million, equivalent to 100 (100) percent, were sales to Group companies. Of the parent company's purchases, SEK 1.0 (1.2) million or 2 (3) percent came from Group companies. The parent company has no loans to subsidiaries. Guarantees issued for the benefit of subsidiaries totaled SEK 28.5 (75.2) million.
All transactions are on market terms.

The parent company has related party relationships with its subsidiaries (see Note 12).

Summary of related party transactions (SEK million)	**Year**	**Sale of goods/ services to related parties**	**Purchase of goods/ services from related parties**	**Other (e.g. interest, dividend)**	**Claims on related parties at December 31**	**Liability to related parties at December 31**
Subsidiaries	2020	2.7	–1.0	–13.2	0.0	–13.6
Subsidiaries	2019	7.4	–1.2	–9.4	5.8	61.1

Note 28 Significant events after the end of the financial year

There have been no significant events after the end of the financial year.

Note 29 Operating expenses by expense type

(SEK million)	Group 2020	Group 2019
Cost of goods sold	–781.9	–767.7
Distribution and warehousing costs	–212.3	–241.8
Employee benefit expenses	–44.8	–242.4
Depreciation/amortization	–28.4	–37.1
Other expenses	–375.4	–224.9
Total expenses	**–1,442.8**	**–1,513.9**

Note 30 Earnings per share

Basic and diluted earnings per share (SEK)	Group 2020	Group 2019
Earnings per share, continuing operations	–4.44	–5.80
Earnings per share, discontinued operations	36.41	–1.56
Earnings per share, Group total	31.97	–7.36

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

Basic and diluted earnings per share for continuing operations	Group 2020	Group 2019
Profit for the year attributable to parent company shareholders (SEK million)	–71.1	–86.8
Weighted average number of shares	16,016,898	14,977,478
Earnings per share, continuing operations, SEK	**–4.44**	**–5.80**

Basic and diluted earnings per share for discontinued operations	Group 2020	Group 2019
Profit for the year attributable to parent company shareholders (SEK million)	583.2	–23.4
Weighted average number of shares	16,016,898	14,977,478
Earnings per share, discontinued operations, SEK	**36.41**	**–1.56**

Basic and diluted earnings per share for the Group in total	Group 2020	Group 2019
Profit for the year attributable to parent company shareholders (SEK million)	512.1	–110.2
Weighted average number of shares	16,016,898	14,977,478
Earnings per share, total, SEK	**31.97**	**–7.36**

Earnings per share for 2020 were calculated considering the new share issue, following which the number of outstanding ordinary shares increased from 149,774,779 to 179,729,730. During the year, there was also a 1:10 reverse split of the company's shares (both ordinary shares and C shares). Ten (10) existing shares were combined to form one (1) new share. This meant that the number of outstanding ordinary shares at the year-end was 17,972,973.

The parent company's custodial Class C shares attributable to the Group incentive plan (see Note 24) may generate potential dilution in the future. These have not been included in the calculation of earnings per share since they contribute no dilutive effect to either 2020 or 2019.

The Board's attestation

The Board of Directors and Chief Executive Officer certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards which are defined in regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts provide a true and fair view of the financial position and financial performance of the Parent Company and the Group. The Directors' Report for the Group and parent company present a fair summary of the Group and parent company's activities, position, and results, and describes significant risks and uncertainty factors faced by the parent company and Group companies.

Stockholm, April 8, 2021

Mathias Pedersen
Chairman of the Board

Kristina Lukes
CEO

Maj-Louise Pizzelli
Member of the board

Christoffer Häggblom
Member of the board

Louise Nylén
Member of the board

Josephine Salenstedt
Member of the board

Stina Westerstad
Member of the board

Our audit report was submitted on April 8, 2021

KPMG AB

Mårten Asplund
Authorized Public Accountant

The annual accounts and consolidated financial statements were, as stated above, approved for publication by the Board and CEO on April 8, 2021.

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 2020, except for the corporate governance statement on pages 42-47. The annual accounts and consolidated accounts of the company are included on pages 35-103 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 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 42-47. 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 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.

Deferred tax assets related to tax losses carried-forward

See disclosure 9 and accounting principles on pages 65 and 69 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

At December 31, 2020, the group accounted for a deferred tax asset of SEK 74,0 million (111,0) related to tax losses carried-forward.The same amount for the parent company equaled SEK 71,7 million (94,7). The measurement of such assets is based on estimates regarding the size and timing of future taxable profits. The forecasts of future profits require assessment of future market conditions as well as interpretation of tax regulations. The carrying value of deferred tax assets may differ significantly if other assumptions are used in the forecast of future profits and the possibility to offset taxable profits to the tax losses carried forward.

Response in the audit

We have tested and assessed the applied principles and the integrity of the group's model for forecasting future profits. We have also evaluated the reasonableness of the group's assessment of future profits and compared key assumptions used in the calculation to business plans as well as considered the group's historic ability to prepare accurate forecasts.

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 3-34 and 107. The other information comprises also of the 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 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 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
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 2020 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 corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 42-47 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing 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.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Nelly Group AB (publ) by the general meeting of the shareholders on the 12 May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 8 April 2021

KPMG AB

Mårten Asplund
Authorized Public Accountant

Definitions

Return on equity, %
Return on equity is calculated as net income for the four last quarters divided by average equity for the same period, as a percentage.

Return on capital employed, %
Return on capital employed is calculated as operating income for the four last quarters divided by average capital employed for the same period, as a percentage. Capital employed is calculated as the average of total non-current assets and working capital less provisions.

Equity per share
Equity attributable to parent company shareholders divided by the number of shares at the end of the period.

Net cash flow from operations
Cash flow from operating activities is calculated as operating income before depreciation, amortization and other non-cash items, plus/minus changes in working capital.

Net debt/Net cash
Net debt equals total interest-bearing liabilities, less interest-bearing current and non-current assets and cash and cash equivalents.

Earnings per share
Earnings for the year attributable to the parent company's shareholders divided by average number of shares for the period.

Working capital
Working capital equals the total of inventory and current receivables, less accounts payable and other current liabilities.

Operating margin, %
Operating margin is operating income as a percentage of net sales.

EBT
Profit before tax.

Equity/assets ratio
The equity/assets ratio equals equity including non-controlling interests, expressed as a percentage of total assets.

Investments/Net sales
Investments in property, plant and equipment divided by net sales for the period.

Number of active customers
The number of customers who have made a purchase at least once in the past 12 months.

Number of visits
Gross number of visits to the Group's online stores

Average shopping basket
(Online sales + shipping revenue)/number of orders placed.

Production: Nelly Group in partnership with Narva
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