

NELLY.COM

**DOCUMENTATION TO THE
EXTRAORDINARY GENERAL MEETING
ON TUESDAY 14 MARCH 2023**

The Board's report in accordance with Chapter 12, Section 7, and Chapter 13, Section 6 of the Companies Act

The Board of Nelly Group AB (publ) hereby submits the following report in accordance with Chapter 12, Section 7, and Chapter 13, Section 6 of the Companies Act regarding events of material significance to the company's position occurred after the presentation of the 2021 Annual Report.

After the presentation of the 2021 Annual Report, no events of material significance to Nelly's position have occurred other than as set out in the interim financial report for the period January-March 2022, [Appendix A](#), the interim financial report for the period January-June 2022, [Appendix B](#), the interim financial report for the period January-September 2022, [Appendix C](#), and the year-end report for 2022, [Appendix D](#).

Borås in February 2023
Nelly Group AB (publ)
THE BOARD OF DIRECTORS

Auditor's report in accordance with Chapter 12, Section 7, and Chapter 13, Section 6 of the Companies Act



Auditor's statement as referred to in Chapter 12, section 7 and Chapter 13, section 6 of the Companies Act (2005:551) regarding the board of directors' report on material events during the period 2022-04-12 – 2023-02-03

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

We have reviewed the board of directors' report dated 2023-02-03.

The board of directors' responsibility for the report

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

Responsibility of the auditor

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

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

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

Opinion

Based on our review, no circumstances have come to light which give cause to believe that the board of directors' report does not accurately reflect material events in respect of the company during the period 2022-04-12 – 2023-02-03.

Other information

The sole purpose of this statement is to satisfy the requirement imposed by Chapter 12, section 7 and Chapter 13, section 6 of the Companies Act and the statement may not be used for any other purpose.

Göteborg 2023-02-03

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

The Board's report in accordance with Chapter 20, Section 13 of the Companies Act (2005:551)

The Board of Nelly Group AB (publ) hereby submits the following report in accordance with Chapter 20, Section 13 of the Companies Act due to the proposal regarding reduction of share capital without cancellation of shares as set out under item 7(b) in the notice of the Extraordinary General Meeting to be held on 14 March 2023.

The proposed reduction of share capital for allocation to unrestricted equity shall amount to SEK 166,454,757 in total and be made without cancellation of shares. The resolution to reduce the share capital may be effectuated without obtaining authorisation from the Swedish Companies Registration Office or a court of general jurisdiction as the company simultaneously effectuates a new issue of ordinary shares and a bonus issue, entailing that neither the restricted equity nor the share capital will be reduced.

The effect of the Board's proposal regarding reduction of share capital is that the company's restricted equity and share capital are reduced by SEK 166,454,757. The effect of the Board's proposal regarding increase of share capital by way of a bonus issue as set out under item 7(e) in the notice of the Extraordinary General Meeting is that the company's restricted equity and share capital are increased by SEK 166,454,757 and thereby, also considering the Board's proposal regarding approval of the Board's resolution on a new issue of ordinary shares as set out under item 7(c) in the notice of the Extraordinary General Meeting, will exceed the amount prior to the reduction.

Borås in February 2023

Nelly Group AB (publ)

THE BOARD OF DIRECTORS



Auditor's statement as referred to in Chapter 20, section 14 of the Companies Act (2005:551) regarding the board of directors' report with information on special redemption conditions etc.

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

We have reviewed the board of directors' report with information on special redemption conditions dated 2023-02-03.

The board of directors' responsibility for the report

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

Responsibility of the auditor

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

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

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

Opinion

We believe that

- The procedures taken which result in neither the company's restricted equity nor its share capital being reduced are appropriate and that the assessments that have been made about the effects of these procedures are correct.

Other information

The sole purpose of this statement is to satisfy the requirement imposed by Chapter 20, section 14 of the Companies Act and the statement may not be used for any other purpose.

Göteborg 2023-02-03

KPMG AB

Mathias Arvidsson
Authorized Public Accountant

Proposed wording of the Articles of Association

Articles of Association

Nelly Group AB (publ), reg. no. 556035-6940

Adopted by the Extraordinary General Meeting on 14 March 2023.

N.B. This is an in-house translation of the authorised Swedish Articles of Association and for convenience only.

§ 1

The Company's name is Nelly Group AB. The Company is public (publ).

§ 2

The board of directors shall have its registered office in Borås.

§ 3

The primary purpose of the Company's business shall be to generate profit for its shareholders.

The object of the Company's business shall be to own and manage real property and movables, primarily through investments in businesses within the areas internet, online, e-commerce and retailing primarily with consumer brands and products. Furthermore, the object of the Company's business shall be to conduct business operations compatible with the above mentioned businesses.

The Company shall have the right to guarantee or otherwise pledge security for obligations assumed by other companies within the group.

§ 4

The Company's share capital shall be not less than SEK 15,000,000 and not more than SEK 60,000,000.

The number of shares in the Company shall be not less than 15,000,000 and not more than 60,000,000.

Shares may be issued in two classes, ordinary shares and Class C shares. Ordinary shares may be issued up to a maximum amount of 60,000,000 and Class C shares up to a maximum amount of 60,000,000.

Class C shares do not entitle to dividends. Upon the Company's liquidation, Class C shares carry an equivalent right to the Company's assets as the other classes of shares, however not to an amount exceeding up to the quota value of the share, annualised as per day of distribution with an interest rate of STIBOR 1M with an additional 1 percentage point calculated from the day of payment of the subscription price. STIBOR 1M is set on the first business day of each calendar month.

Should the Company resolve on an issue of new ordinary and Class C shares, against other payment than contribution in kind, each holder of ordinary and Class C shares has preferential rights to

subscribe for new shares of the same class in proportion to the number of old shares held by such holder (primary preferential rights). Shares not subscribed for with primary preferential rights shall be offered for subscription to all shareholders in the Company (subsidiary preferential rights). If the number of shares so offered is less than the number subscribed for with subsidiary preferential rights, the shares shall be distributed among the subscribers in proportion to the number of already shares held, or, to the extent that this is not possible, by lot.

Should the Company resolve on an issue of new shares solely of ordinary shares or Class C shares, against other payment than contribution in kind, all shareholders, irrespective of which class of shares held, are entitled to preferential rights to subscribe for new shares in proportion to the number of shares previously held.

The stipulations regarding preferential rights shall apply mutatis mutandis for new issues of warrants and convertible debt, and shall not infringe on the possibility to resolve on an issue in which the preferential rights of shareholders are waived.

If the share capital is increased by a bonus issue, where new shares are issued, new shares shall be issued in relation to the number of shares of the same classes already held. In such cases, old shares of a specific class shall entitle to new shares of the same class. Following a requisite amendment in the Articles of Association, the aforementioned stipulation shall not infringe on the possibility to issue shares of a new class by a bonus issue.

Reduction of the share capital, however not below the minimum share capital, may on request of holders of Class C shares or as resolved by the Company's Board of Directors or General Meeting, be made by redemption of Class C shares. A request from a shareholder shall be made in writing to the Company's Board of Directors and the Board of Directors shall promptly act on the matter. When a resolution on reduction has been passed, an amount corresponding to the reduction amount shall be transferred to the Company's equity reserves, if the required funds are available.

The redemption payment per Class C share shall correspond to the quota value of the share annualised per day with an interest rate of STIBOR 1M with additional 1 percentage point calculated from the day of payment of the subscription price. STIBOR 1M shall be initially set on the day of payment of the subscription price.

Following notice of the redemption resolution, holders having requested redemption shall promptly receive payment for the share, or, if authorisation from the Swedish Companies Registration Office or a court is required, following notice that the final decision has been registered.

Class C shares held by the Company, may upon decision by the Board of Directors be reclassified into ordinary shares, provided that the Class C shares are held by the Company. Immediately thereafter, the Board of Directors shall report the reclassification to the Swedish Companies Registration Office (Sw. Bolagsverket) for registration. The reclassification is effected when it has been registered and the reclassification been noted in the Swedish Central Securities Depository.

§ 5

The board shall consist of no less than three and no more than nine directors.

§ 6

The Company shall as Auditor have no less than one and no more than three registered accounting firms. The Auditors term of office shall last until the end of the first Annual General Meeting which is held after the year the Auditor was appointed.

§ 7

Notice of a general meeting of shareholders shall be published in the Official Swedish Gazette (Post- och Inrikes Tidningar) as well as on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

§ 8

To be entitled to participate in a general meeting, shareholders must give notice to the company no later than on the day stipulated in the notice of the meeting. This day may not be a Sunday, another public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall before the fifth business day prior to the meeting.

A shareholder attending a general meeting may be accompanied by an assistant, however only where the shareholder has provided notification hereof in accordance with the foregoing paragraph.

§ 9

The Board of Directors may collect powers of attorney in accordance with the procedure described in Chapter 7, section 4, second paragraph of the Companies Act (2005:551).

The Board of Directors has the right before a General Meeting to decide that shareholders shall be able to exercise their right to vote by post before the General Meeting.

§ 10

The shareholder or nominee who on the record date is registered in the share register and in a central securities depository register pursuant to Chapter 4 of the Central Securities Depositories and Financial Instruments Accounts Act (1998:1479) or any person who is registered in a central securities depository account pursuant to Chapter 4, Section 18 first paragraph 6-8 of the mentioned Act, shall be deemed to be authorised to exercise the rights set out in Chapter 4, Section 39 of the Companies Act (2005:551).

§ 11

General meetings shall be held in Borås or Stockholm.

§ 12

The Company's financial year shall be the calendar year.

Appendix A



FIRST QUARTER INTERIM REPORT 2022

1 JANUARY TO 31 MARCH

NELLY

Nelly Group interim report for the first quarter of 2022

Q1 2022 – Financial highlights

- Net revenue fell to SEK 288.1 (311.8) million, corresponding to growth of -7.6% (3.0%)
- The gross margin increased to 44.3% (43.7%). Gross profit totalled SEK 127.5 (136.3) million
- Operating profit was SEK -23.9 (-15.1) million, corresponding to an operating margin of -8.3% (-4.8%)
- Net income from continuing operations was SEK -28.5 (-17.5) million, corresponding to earnings per share of SEK -1.58 (-0.97)

“We attracted more followers and more direct traffic during the quarter and are the go-to party destination for Nordic fashionistas. However, the changes we have made have not yet generated growth and sufficient profitability. We are now intensifying our efforts to boost the efficiency of our customer offer with clear short-term and long-term measures.”

Kristina Lukes, VD Nelly Group AB



CEO's comments

Lower net revenue in a challenging market

Nelly has renewed its organisation, automated its warehouse and established a new operating platform. In this transformation, we launched several new commercial initiatives, enhanced our brand, widened our offer and lowered inventory levels considerably.

We attracted more followers and more direct traffic during the quarter and are the go-to party destination for Nordic fashionistas. However, the changes we have made have not yet generated growth and sufficient profitability. We are now intensifying our efforts with clear short-term and long-term measures.

Sales in our core business, DTC in the Nordic region, increased by 2% before returns in the quarter. However, the return rate rose as a consequence of the category mix, low comparative figures during the pandemic and lower B2B sales with no right of return. Omicron and the invasion of Ukraine impaired sales, increased shipping costs and delayed the spring and summer collections in a quarter that is already weak for seasonal reasons.

The gross margin increased from 43.7% to 44.3%, largely due to our assortment management. The lower sales generated a lower gross profit which, with roughly unchanged operating expenses, meant a lower operating profit.

Continued focus on efficiency and cost control

We are building a profitable business by creating a much-loved brand and managing efficient processes behind the scenes.

We have an efficient operational platform with a new automated warehouse. Warehousing costs fell for the quarter and we are optimising the warehouse to achieve our annual savings target of SEK 35 million. We are also continuing to develop the 'last mile' and return processes, with the goal of offering our customers the delivery experience they want every time and minimising our environmental impact.

Our focus is on improving efficiency in the organisation, generating sales growth, improving our gross margin and reducing our net distribution expenses. To achieve results, we are focusing operations on gaining new customers, buying frequency, better margins and net distribution expenses.

Investments in Nelly's offer and frequency

Nelly's customers look for fashion and lifestyle inspiration for every occasion in all channels. We are gradually adding new channels to reach our customers more frequently with more relevant offers and content.

The number of followers of our channels increased during the quarter, partly because of the development of our presence on TikTok with Nelly House. Our direct traffic mainly increased as a result of sales via our app. Our investments in paid social media and micro-influencers (smaller profiles with fewer followers) also helped boost sales, engagement and the brand, above all in Sweden.

Nelly is unique because of the engagement created in our community every day. We raised awareness of and respect for Nelly in our target group during the quarter. Young fashionistas in the Nordic region see us as the go-to party destination, according to leading market research agency Nepa. Our customer and follower base is the foundation of our future growth.



VD Nelly Group AB



Key ratios

	Q1 21	Q1 22	2020	2021
Net revenue growth	3.0%	-7.6%	-4.0%	2.5%
Gross margin	43.7%	44.3%	43.9%	44.7%
Operating margin	-4.8%	-8.3%	-3.3%	-2.7%
Return rate	30.4%	35.2%	34.4%	34.8%
Inventory share of net revenue LTM*	16.1%	17.3%	13.8%	14.4%
Own brand share of sales	35.9%	34.0%	42.4%	39.4%
No. of active customers Nordic LTM (thousand)	1,134	1,126	1,128	1,137
No. of sessions Nordic (thousand)	23,626	22,942	107,625	103,632
No. of orders Nordic (thousand)	554	520	2,564	2,579
Average order value Nordic	708	761	712	749
Conversion rate Nordic	2.3%	2.3%	2.4%	2.5%
No. of employees	299	219	318	250
Proportion of women employed	62%	64%	60%	64%

Alternative performance measures are described on page 19. Calculations may differ from other companies' definitions of similar measures.
*Inventories include expected returns Comparative figures are adjusted, see note 9.



This is Nelly

The Nelly brand

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

Optimised operational platform

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

Our data- and customer-focused organisation analyses and engages with our target audiences daily from our hub at the heart of Sweden's e-commerce and fashion industries: Borås. We have invested in a high-capacity automated warehouse, which is set to decrease fulfilment and distribution costs, shorten delivery times and reduce our environmental footprint. Our new warehouse has an Autostoresolution, which offers the possibility of future growth.

Celebrating the Nelly generation of young women

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



A photograph of two young women in a clothing store. The woman on the left is wearing a black long-sleeved crop top and black pants, holding a green bag. The woman on the right is wearing a bright pink long-sleeved shirt and light blue jeans, with her right leg raised and resting on a white sneaker. They are surrounded by a large pile of denim jeans. A white sign with the text 'NELLY.COM' is positioned at the top of the image.

NELLY.COM

Financial calendar

Annual general meeting, 12 May 2022

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

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

Photo from our 'The Nelly House' event, at which we invited TikTok profiles and customers to create content.

First quarter result explained

Higher gross revenue in a weak market

Net revenue for Q1 2022 amounted to SEK 288.1 (311.8) million. The -7.6% reduction is mainly due to a higher return rate compared with the historically low return rate in Q1 2021. The return rate for Q1 2022 was 35.2% (30.4%). However, the return rate in Q1 2022 is 2 percentage points lower than Q1 2020 and 3 percentage points lower than Q1 2019. The increase in return rate was due to (i) a return to more normal return behaviour from very low levels in the period March 2020 to March 2021, (ii) a change in sales mix as some categories that have a higher than average return rate grew well in the quarter and (iii) lower B2B sales, which have no right of return.

Underlying sales before returns in Nelly's core markets grew 2% in the quarter, driven by a higher average order value. The start of the quarter was characterised by lower demand. However, after the Covid 19-related restrictions were lifted, sales grew markedly. The end of the quarter was weaker, with more cautious consumer behaviour, possibly affected by the war in Ukraine. Lower sales in non-Nordic markets contributed to lower growth during the quarter. This was an effect of the decision in early 2020 to focus on the Nordic region, discontinue translating non-Nordic websites into local languages and end active marketing in these markets. In local currencies, net revenue decreased by 10.2%.

Own brand sales during the period amounted to 34.0% (35.9%). The lower percentage compared with the same period of 2021 was mainly on account of lower B2B sales, which are exclusively own brands. Delays in delivery of some of Nelly's own assortment also had a negative impact in the form of lack of sales.

Still saleable inventory and improved gross margin

The gross margin improved by 0.5 percentage points to 44.3% (43.7%) in Q1 2022. Continued low levels of older inventory ensured minimal inventory write-offs. The lower percentage of sales of Nelly's own brands prevented further improvement in gross margin.

Lower warehousing and distribution expenses

Warehousing and distribution expenses amounted to SEK 49.4 (54.2) million. Measured as a proportion of net revenue, the expenses amounted to 17.1% (17.4%).

The reduction in the percentage was due to lower warehousing expenses, both in absolute figures and measured as a proportion of sales, which was one result of Nelly delivering only from the new automated warehouse in Borås since Q4 2021. The former manual warehouse in Falkenberg was closed in Q2 2021. The core processes of the new automation solution achieved target efficiency for most of the quarter. Peripheral processes continue to be adjusted, and the work to realise target cost savings potential during the year is going to plan.

However, distribution expenses rose during the quarter, driven primarily by a higher proportion of parcels than letters and by fuel surcharges, resulting in increased outbound freight expenses and increasing the total for the warehousing and distribution expenses line.

Investments in influencer marketing

Marketing expenses for Q1 2022 amounted to SEK 36.3 (32.0) million. A change in the way in which Nelly buys marketing meant that the cost of performance marketing was unchanged, despite higher prices. The main reason for the overall increase in expenses for marketing in the quarter is investments in influencer marketing and social media, for example, the TikTok event 'Nelly House', which was held in the quarter.

Administrative and operating expenses

Nelly Group's administrative and other operating expenses in Q1 were SEK 65.7 (65.2) million. The change in comparison with Q1 2021 is primarily due to: (i) higher lease-related amortisation as per IFRS 16 as the new automated warehouse entered service in October 2021 and (ii) lower expenses for group functions and administration of the listed Nelly Group company as these functions were fully integrated in Nelly's Borås-based administration in 2021 with full effect from August 2021.

First quarter result explained

Operating profit

Operating profit for the first three months of the year totalled SEK -23.9 (-15.1) million. The fall in operating profit of SEK 8.8 million was primarily the result of a reduction in sales, which was behind the fall in gross profit of SEK 8.8 million as operating expenses were unchanged overall, as described above.

Net income for the period and earnings per share

Nelly Group reported net income of SEK -28.5 (-17.5) million for Q1 2022. Earnings per share amounted to SEK -1.58 (-0.97). The lower profit compared with 2021 is primarily attributable to the lower operating profit.

Continued good control of inventory levels

The inventory turnover rate declined marginally compared with Q1 2021. The inventory balance for continuing operations as at 31 December 2021 increased by 8% compared with the previous year, meaning that Nelly retains inventory levels that are about 20–30% lower than the period before Q2 2020. Inventory as a percentage of net revenue, rolling 12 months, remained good at 17.3% (16.1%). The percentage of older inventory on 31 March 2022 was at the same level as in the previous year, mainly due to Nelly's continued focus on targeting outgoing inventory levels each season. A low volume of older inventory guarantees a more attractive customer offering and better margins going forward.

Cash flow and cash and cash equivalents

Cash flow from operations totalled SEK -136.8 (-33.2) million in the first three months of the year. The decrease on the corresponding period of 2021 is mainly due to changes in working capital. In seasonal terms, the first quarter usually has lower sales than other quarters and involves building up inventory ahead of the second quarter, in which sales are strong. In Q1 2022, SEK 18.3 million of the SEK 39.6 million in Covid 19-related payment respite for employer's contributions and tax payments that Nelly made use of in 2020 and 2021 was repaid.

Cash flow from investing activities amounted to SEK -4.2 (-4.8) million. Investments are mainly IT-related.

As in the previous year, cash flow from financing activities amounted to SEK -6.2 (-8.6) million, which was entirely attributable to lease liability repayments under IFRS16.

Cash and cash equivalents amounted to SEK 50.9 (184.5) million on 31 March 2022 and the Group's available credit facilities had not been utilised. The payment respite for employer's contributions and tax payments amounted to SEK 21.3 (39.6) million at the end of the quarter. More information can be found in the Covid-19 section below.

Total assets on 31 March 2022 were SEK 833.6 million compared with SEK 925.4 million on 31 December 2021. The decline in total assets was mainly related to lower current assets. Equity amounted to SEK 177.3 million, compared with SEK 204.4 million at the year-end, corresponding to an equity ratio of 21.3% and 22.1%.



First quarter result explained

Parent company

The parent company Nelly Group AB (publ) reported no sales in either Q1 2022 or 2021.

Administrative expenses amounted to SEK -2.5 (-5.8) million. The fall in expenses was mainly due to the integration of the previously Stockholm-based central functions in Nelly Group's Borås-based administration. The parent company's net income for the period 1 January to 31 March 2022 was SEK -2.5 (-5.8) million. Cash and cash equivalents in the parent company amounted to SEK 1.7 (26.4) million as at 31 March 2022.



Other information

Nelly Group shares

As of 31 March 2021, Nelly Group had 18,494,973 issued shares, of which 18,026,266 were ordinary shares and 468,707 were class C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The class C shares are held by Nelly Group and are not represented at general meetings.

2022 Annual general meeting

The annual general meeting will be held on 12 May 2022. Further information and the notice convening the meeting are available at www.nellygroup.com.

Effects of the Covid-19 pandemic

Nelly has been affected by Covid-19 in several ways. Market conditions have been adversely affected by the drop in social gatherings, which has resulted in reduced demand for party wear. Party dresses were Nelly's biggest product group before the pandemic. However, the increase in e-commerce and higher demand for other categories, such as everyday and sports wear, have partially offset this effect.

Nelly benefited from reduced sick pay expenses and a payment respite for employer's contributions and VAT and tax payments, which were part of the government's measures in response to the pandemic. The latter had a positive impact on cash flow of SEK 39.6 million in 2020. In Q1 2022, there was a negative impact on cash flow of SEK 18.3 million as repayments began during the period. The remaining respite was part of current liabilities as at 31 March 2022. The net impact of Covid 19-related government support on operating profit was SEK 0.1 (1.2) million in Q1 2022.

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

The war in Ukraine

At the time of publication of this report, Russia and Ukraine are at war. No significant direct exposure in Ukraine or Russia has been identified. Indirect effects of the war such as inflation, raw material price fluctuation, friction in logistics chains and customer behaviour may change, but it is difficult to assess the extent to which this may affect Nelly.

Audit

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

Risk

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

More information about risks can be found on pages 47-49 of the [2021 annual report](#).

Kristina Lukes, CEO of Nelly Group

Borås, 28 April 2022

Webcast on the interim report

Analysts, investors and the media are invited to a [webcast](#) on Q1 on 28 April at 13.00. The presentation will be delivered in English by CEO Kristina Lukes and CFO John Afzelius. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

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

For further information, please contact:

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This information is information that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 08.00 on 28 April 2022.



Condensed income statement – Group

(SEK million)	Q1 21	Q1 22	2020	2021	R12
Net revenue	311.8	288.1	1,394.1	1,428.4	1,404.6
Cost of goods sold	-175.5	-160.6	-781.9	-789.6	-774.7
Gross profit	136.3	127.5	612.1	638.7	629.9
<i>Gross margin</i>	43.7%	44.3%	43.9%	44.7%	44.8%
Warehousing and distribution costs	-54.2	-49.4	-254.0	-252.9	-248.1
Marketing costs	-32.0	-36.3	-131.9	-157.7	-162.1
Administrative and other operating expenses	-65.2	-65.7	-272.1	-266.7	-267.2
Operating profit	-15.1	-23.9	-45.9	-38.6	-47.5
<i>Operating margin</i>	-4.8%	-8.3%	-3.3%	-2.7%	-3.4%
Net financial items	-2.4	-5.0	-1.7	-8.6	-11.2
Profit before tax	-17.4	-28.9	-47.6	-47.2	-58.7
Tax	-0.1	0.4	-23.5	-0.6	-0.1
Profit after tax for continuing operations	-17.5	-28.5	-71.1	-47.8	-58.8
Profit after tax for discontinued operations ⁵	-	-	583.2	-	-
Profit after tax	-17.5	-28.5	512.1	-47.8	-58.8
<i>Attributable to</i>					
Parent company shareholders	-17.5	-28.5	512.1	-47.8	-58.8
Non-controlling interests	-	-	-	-	-
Shares outstanding at end of period (millions)*	18.0	18.0	18.0	18.0	18.0
Average number of shares outstanding (millions)*	18.0	18.0	16.0	18.0	18.0
Average number of shares, diluted (millions)*	18.0	18.0	16.0	18.0	18.0
Basic and diluted earnings per share for continuing operations (SEK)*	-0.97	-1.58	-4.44	-2.65	-3.27
Basic and diluted earnings per share (including discontinued operations), SEK*	-0.97	-1.58	31.97	-2.65	-3.27

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split made during the fourth quarter of 2020..

Consolidated statement of comprehensive income

(SEK million)	Q1 21	Q1 22	2020	2021	R12
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences for the period	1.6	1.1	-7.1	1.9	-3.7
Total comprehensive income for the period	-15.9	-27.4	505.0	-45.9	-62.5
<i>Total comprehensive income attributable to</i>					
Parent company owners	-15.9	-27.4	505.0	-45.9	-62.5
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	-15.9	-27.4	505.0	-45.9	-62.5
Shares outstanding at end of period (millions)*	18.0	18.0	18.0	18.0	18.0
Average number of shares outstanding (millions)*	18.0	18.0	16.0	18.0	18.0
Average number of shares, diluted (millions)*	18.0	18.0	16.0	18.0	18.0

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split made during the fourth quarter of 2020.



Condensed statement of financial position

(SEK million)	Q1 21	Q1 22	2020	2021
Non-current assets				
Goodwill	39.7	39.7	39.7	39.7
Other intangible assets	15.8	23.2	16.9	21.1
Property, plant and equipment	11.0	14.7	7.6	15.1
Lease assets ⁸	30.8	307.7	39.0	313.5
Deferred tax asset ⁶	74.0	74.2	74.0	73.8
Deposits	0.0	6.1	-	6.1
Total non-current assets	171.2	465.6	177.2	469.4
Current assets				
Inventories ⁹	225.7	243.2	192.6	205.0
Current non-interest-bearing receivables	69.2	73.9	81.5	53.6
Cash and cash equivalents ⁴	184.5	50.9	230.1	197.5
Total current assets	479.4	368.0	504.2	456.1
Total assets	650.6	833.6	681.4	925.4
Equity				
Equity attributable to parent company shareholders	234.3	177.3	249.8	204.4
Total equity	234.3	177.3	249.8	204.4
Non-current liabilities				
<i>Non-interest-bearing</i>				
Other provisions	0.1	0.0	0.1	0.0
<i>Interest-bearing</i>				
Lease liabilities ⁸	16.0	260.1	19.0	266.3
Total non-current liabilities	16.1	260.1	19.1	266.3
Current liabilities				
<i>Interest-bearing</i>				
Lease liabilities	15.2	52.3	20.6	50.1
<i>Non-interest-bearing</i>				
Accounts payable – trade	162.6	145.9	143.7	144.3
Other liabilities	66.6	55.2	69.4	90.0
Accrued expenses and deferred income ⁹	155.8	142.8	178.8	170.3
Total current liabilities	400.3	396.2	412.5	454.7
Total equity and liabilities	650.6	833.6	681.4	925.4

Condensed statement of changes in equity

(SEK million)	Q1 21	Q1 22	2020	2021
Opening balance	249.8	204.4	888.5	249.8
Comprehensive income for the period	-15.9	-27.4	505.0	-45.9
Effects of long-term incentive plans	0.5	0.3	-2.1	0.5
Private placement	-	-	203.4	-
Dividend from participations in subsidiaries to shareholders	-	-	-1,345.0	-
Closing balance	234.3	177.3	249.8	204.4

Condensed statement of cash flow

(SEK million)	Q1 21	Q1 22	2020	2021
Cash flow from operating activities before changes in working capital	-3.4	-17.1	-45.3	-6.7
Changes in working capital	-29.8	-119.7	69.5	25.5
Cash flow from operations	-33.2	-136.8	24.1	18.7
Divestment of subsidiaries, net liquidity impact ⁷	-	-	-	0.2
Investments in non-current assets	-4.8	-4.3	-6.2	-23.1
Cash flow to/from investing activities	-4.8	-4.2	-6.2	-22.9
New share issue	-	-	203.4	-
Shareholder contribution, net change	-	-	-125.0	-
Internal loan, net change	-	-	-50.2	-
Repayment of lease liability ⁸	-8.3	-6.2	-16.8	-23.1
Change in financial assets	-	-	-	-6.1
Dividend	-	-	84.4	-
Cash flow to/from financing activities	-8.3	-6.2	95.8	-29.3
Change in cash and cash equivalents from continuing operations for the period	-46.3	-147.2	113.8	-33.4
Cash flow from discontinued operations				
Cash flow from operating activities	-	-	-343.2	-
Cash flow from investing activities	-	-	-74.2	-
Cash flow from financing activities	-	-	80.5	-
Change in cash and cash equivalents from discontinued operations for the period	-	-	-336.9	-
Change in cash and cash equivalents for the period	-46.3	-147.2	-223.1	-33.4
Cash and cash equivalents at start of period	230.1	197.5	553.9	230.1
Translation difference, cash and cash equivalents	0.7	0.7	-0.4	0.8
Less cash from discontinued operations	-	-	-100.2	-
Cash and cash equivalents at end of period	184.5	50.9	230.1	197.5

Depreciation and amortisation of non-current assets

(SEK million)	Q1 21	Q1 22	2020	2021
Depreciation of property, plant and equipment	-0.4	-0.8	-2.8	-1.9
Amortisation of intangible assets	-2.1	-1.7	-8.7	-7.7
Depreciation and amortisation (not including IFRS 16)	-2.5	-2.5	-11.5	-9.6
Amortisation of right-of-use assets ⁸	-5.0	-8.1	-16.9	-25.5
Depreciation and amortisation (including IFRS 16)	-7.5	-10.6	-28.4	-35.1

Net revenue by geographical area

(SEK million)	Q1 21	Q1 22	2020	2021
Sweden	140.2	134.9	638.9	682.2
Other Nordics	144.8	137.8	641.2	657.8
Nordics, including Sweden	285.0	272.7	1,280.1	1,340.0
Rest of world	26.8	15.4	114.0	88.4
All regions	311.8	288.1	1,394.1	1,428.4



Condensed income statement – parent company

(SEK million)	Q1 21	Q1 22	2020	2021	R12
Net revenue	0.0	0.0	2.7	1.6	1.6
Gross profit	0.0	0.0	2.7	1.6	1.6
Administrative expenses	-5.8	-2.5	-37.3	-13.4	-10.1
Operating profit	-5.8	-2.5	-34.6	-11.8	-8.5
FINANCIAL INCOME AND EXPENSES					
Profit from shares in subsidiaries*	-	-	40.6	-0.1	-0.1
Net financial items	0.0	0.0	-1.0	0.0	0.0
Profit after financial items	-5.8	-2.5	5.0	-11.9	-8.6
GROUP CONTRIBUTIONS					
Group contributions paid	-	-	-12.0	-30.0	-30.0
Profit before tax	-5.8	-2.5	-7.0	-41.9	-38.6
Tax	-	-	-23.0	-	-
Profit for the period**	-5.8	-2.5	-30.0	-41.9	-38.6

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

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

Condensed statement of financial position – parent company

(SEK million)	Q1 21	Q1 22	2020	2021
Non-current assets				
Participations in Group companies	253.4	253.1	253.4	253.1
Deferred tax asset	71.7	71.7	71.7	71.7
Total non-current assets	325.1	324.8	325.1	324.8
Current assets				
Current non-interest-bearing receivables	2.8	2.8	5.0	2.3
Total current receivables	2.8	2.8	5.0	2.3
Cash and bank balances	26.4	1.7	31.6	4.7
Total cash and cash equivalents	26.4	1.7	31.6	4.7
Total current assets	29.2	4.5	36.5	7.0
Total assets	354.3	329.2	361.6	331.7
Equity				
Restricted equity	185.8	185.8	185.8	185.8
Unrestricted equity	150.3	112.1	155.8	114.3
Total equity	336.0	297.8	341.6	300.1
Provisions				
Other provisions	0.1	0.0	0.1	0.0
Total provisions	0.1	0.0	0.1	0.0
Current liabilities				
Liabilities to Group companies	12.3	30.3	13.6	29.5
Non-interest-bearing liabilities	6.0	1.1	6.4	2.1
Total current liabilities	18.2	31.4	20.0	31.6
Total liabilities	18.3	31.4	20.1	31.7
Total equity and liabilities	354.3	329.2	361.6	331.7

Key ratios and alternative performance measures

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

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

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

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

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

Closing inventory balance for the period divided by net revenue over a rolling twelve-month period. See also Note 9. Note that historical inventory balances for CDON AB and Qliro AB have been excluded to facilitate comparison between periods.

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

Calculated by dividing total sales of own brands by total sales

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

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

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

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

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

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

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

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

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

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com The conversion rate multiplied by the number of visitors equals the number of orders per customer.

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

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

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

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

Income statement definitions

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

Includes sales after returns, commissions, invoicing fees, outbound freight fees, return fees, marketing income, operations-related currency gains and other revenue

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

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

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

Warehousing, handling costs and freight costs to the customer

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

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

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

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

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

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



Notes

Note 1 – Accounting policies

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

In compliance with IFRS 16, Nelly Group makes assessments that affect its financial reporting and the amounts of assets and liabilities.

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

Note 2 – Fair value of financial instruments

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

Note 3 – Segment reporting

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

Note 4 – Reconciliation of cash and cash equivalents

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

SEK million	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22
Cash and cash equivalents, continuing operations	122.5	177.3	173.2	230.1	184.5	185.3	140.5	197.5	50.9
Cash and cash equivalents, discontinued operations	48.5	135.3	48.8	-	-	-	-	-	-
Cash and cash equivalents, total	170.9	312.6	222.0	230.1	184.5	185.3	140.5	197.5	50.9

Notes

5 – Discontinued operations

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

The wholly-owned subsidiary Qliro AB was admitted for trading on Nasdaq Stockholm. The first trading day was 2 October 2020.

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

The tables below show the distributed operations attributable to the previously wholly owned subsidiaries Qliro AB and CDON AB. Additional information can be found in the 2020 annual report and the Q4 2020 interim report.

Note 6 – Deferred tax asset

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

The Group's recognised loss carryforwards amounted to SEK 650.9 million on 31 December 2021. More information can be found in Note 8 of the [2021 annual report](#).

Note 7 – Divestment of Qliro Group Services

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

Note 8 – Recognition of lease for the new warehouse premises

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

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

Note 9 – Inventories include expected returns

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


(SEK million)	Q1 21	Q1 22	2020	2021
Income	-	-	881.3	-
Expenses	-	-	-972.6	-
Profit before tax	-	-	-91.3	-
Tax	-	-	12.4	-
Profit or loss after tax but before capital gain on the distribution of discontinued operations	-	-	-78.9	-
<i>Capital gain on the distribution of Qliro AB and CDON</i>	-	-	662.1	-
Profit after tax for discontinued operations	-	-	583.2	-

(SEK million)	Q1 21	Q1 22	2020	2021
Net cash flows from discontinued operations				
Cash flows from operating activities	-	-	-343.2	-
Cash flows from investing activities	-	-	-74.2	-
Cash flows from financing activities	-	-	80.5	-
Net cash flows from discontinued operations	-	-	-336.9	-

(SEK million)	Q1 21	Q1 22	2020	2021
Distributed assets and liabilities*				
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	-
Trade and other receivables	-	-	-86.9	-
Cash and cash equivalents	-	-	-100.5	-
Loan facility	-	-	127.7	-
Deposits from the public	-	-	1,958.5	-
Bond	-	-	100.0	-
Lease liabilities	-	-	16.8	-
Trade and other payables	-	-	234.4	-
Net assets and liabilities from discontinued operations	-	-	-665.3	-

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





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Appendix B



Half-year report 2022

1 JANUARY TO 30 JUNE

NELLY

Nelly Group half-year report 2022

Q2 2022 – Financial highlights

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

H1 2022 – Financial highlights

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

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

Helena Karlinder-Östlundh, acting CEO of Nelly Group AB



CEO comments on the first half of the year

Nelly must return to profitability

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

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

Fast pace of change

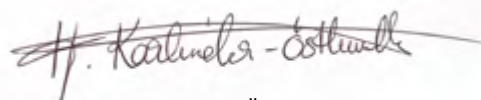
We appointed a number of new leaders in June, including the Chief Assortment Officer and the Chief Technology Officer. I was appointed to the role of acting CEO. Nelly Group also announced that Ludvig Anderberg has been appointed as the new CEO. He left the company in 2018 and will return in this role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

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

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

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

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



Helena Karlinder-Östlundh
Acting CEO of Nelly Group AB



Key ratios

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

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



This is Nelly

The Nelly brand

From the very start, Nelly has been a leader in fashion and e-commerce directly to customers. In 2004, we were an e-commerce pioneer. We now have a vibrant customer base consisting mainly of young women throughout the Nordic region. We have 1.3 million followers on social media and 19% of our target group visit us every week. Nelly is not only a fashion brand. Nelly.com is not only a fashion destination. We are an integral part of a young woman's everyday life, giving her inspiration to find her entire look both for everyday wear and special occasions.

Efficient operations enable the customer experience

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

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

Celebrating the Nelly generation of young women

Nelly is a very well-known brand in the mind of young Nordic women who love fashion. Our brand awareness is much higher than our market share. A core consumer need is to 'feel fab' every day, whatever the occasion. Today, our target audience shops for their appearance on average 18 times a year, including fashion, shoes, accessories, cosmetics, hair care products and intimates. Our range consists of our own brands and carefully selected complementary brands. On top of that, Nelly offers the inspiration and knowledge to create an entire look. For every day. We empower femininity in life-affirming and sustainable ways. We and our customers live according to the motto 'always celebrate the fab you!'.



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

Financial calendar

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

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

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

Second quarter and first half-year explained

Lower sales on a weak e-commerce market

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

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

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

Improved gross margin

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

Lower warehousing and distribution expenses

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

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

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

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

Investments in influencer marketing and social media

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

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

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

Operating profit

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

Net income for the period and earnings per share

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

Lower inventory turnover rate

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

Cash flow and cash and cash equivalents

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

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

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

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

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

Parent company

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

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



Other information

Nelly Group shares

As of 30 June 2022, Nelly Group had 18,494,973 issued shares, of which 18,026,266 were ordinary shares and 468,707 were class C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The class C shares are held by Nelly Group and are not represented at general meetings.

Audit

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

Risk

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

More information about risks can be found on pages 47-49 of the [2021 annual report](#).

Declaration by the Board

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

Borås, 15 July 2022

*Mathias Pedersen
Chairman of the Board*

*Josephine Salenstedt
Board member*

*Maj-Louise Pizzelli
Board member*

*Sandra Backlund
Board member*

*Stefan Palm
Board member*

*Daniel Hörnqvist
Board member*

*Helena Karlinder-Östlundh
Acting CEO*

Webcast on the H1 report

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

Forward-looking statements

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

For further information, please contact:

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This information is information that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication through the agency of the above-mentioned contacts at 08.00 on 15 July 2022.



Condensed income statement – Group

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

Consolidated statement of comprehensive income

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

Condensed statement of financial position

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

Condensed statement of changes in equity

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

Condensed statement of cash flow

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

Depreciation and amortisation of non-current assets

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

Net revenue by geographical area

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



Condensed income statement – parent company

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

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



Condensed statement of financial position – parent company

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

Key ratios and alternative performance measures

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

Gross profit divided by net revenue. Gross margin is what Nelly Group previously described as product margin. More information about the calculation components of net revenue and cost of goods sold can be found under the income statement definitions on page 18.

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

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

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

Closing inventory balance for the period divided by net revenue over a rolling twelve-month period. See also Note 7. Note that historical inventory balances for CDON AB and Qliro AB have been excluded to facilitate comparison between periods.

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

Calculated by dividing total sales of own brands by total sales

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

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

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

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

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

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

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

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

Conversion rate in the Nordics – *a gauge of the proportion of customers visiting the site that place an order.*

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com. The conversion rate multiplied by the number of visitors equals the number of orders per customer.

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

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

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

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

Income statement definitions

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

Includes sales after returns, commissions, invoicing fees, outbound freight fees, return fees, marketing income, operations-related currency gains and other revenue

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

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

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

Warehousing, handling costs and freight costs to the customer

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

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

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

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

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

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



Notes

Note 1 – Accounting policies

The report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The accounting policies are unchanged from those applied in the previous report for the same period.

In compliance with IFRS 16, Nelly Group makes assessments that affect its financial reporting and the amounts of assets and liabilities.

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

Note 2 – Fair value of financial instruments

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

Note 3 – Segment reporting

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

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

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

Note 4 – Deferred tax asset

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

The Group's recognised loss carryforwards amounted to SEK 650.9 million on 31 December 2021. More information can be found in Note 8 of the [2021 annual report](#).

Note 5 – Divestment of QGS

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

Note 6 – Recognition of lease for the new warehouse premises


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

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

Note 7 – Inventories include expected returns

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





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WEBSITES

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Appendix C



THIRD QUARTER INTERIM REPORT 2022

1 JANUARY TO 30 SEPTEMBER

NELLY

Nelly Group interim report for the third quarter of 2022

Q3 2022 – the quarter in brief

- Net revenue amounted to SEK 284.3 (312.6) million, corresponding to a fall of 9.0% (2.1%)
- Gross profit totalled SEK 118.1 (143.4) million, corresponding to a gross margin of 41.5% (45.9%)
- Operating loss was SEK -11.9 (-27.3) million, corresponding to an operating margin of -4.2% (-8.7%)
- Net income was SEK -15.9 (-29.4) million, corresponding to earnings per share of SEK -0.88 (-1.63)

January–September 2022 – the period in brief

- Net revenue amounted to SEK 911.8 (1,021.1) million, corresponding to a fall of 10.7% (2.1%)
- Gross profit totalled SEK 407.0 (462.0) million corresponding to a gross margin of 44.6% (45.2%)
- Operating loss was SEK -54.4 (-35.4) million, corresponding to an operating margin of -6.0% (-3.5%)
- Net income was SEK -63.8 (-39.3) million, corresponding to earnings per share of SEK -3.54 (-2.18)

“In 2022, Nelly rapidly implemented changes in its organisational structure and working methods to create a sustainable, scalable, profitable business model for the long term.”

Ludvig Anderberg, CEO of Nelly Group AB



CEO's comments

An ongoing journey with a high rate of change

In the third quarter, we experienced weak sales in a market characterised by high pressure to discount prices, lower traffic and customers who are more cautious in the prevailing economic situation. Net revenue decreased by 9% during the quarter. Our active choice to increase the level of campaign activity in relation to customers to sell off inventory has had a negative impact on the gross margin.

In 2022, Nelly rapidly implemented changes in its organisational structure and working methods to create a sustainable, scalable and profitable business model for the long term. We are still only in the beginning of our journey.

Clear cost efficiency measures in a tough market

Nelly aims to be a profitable e-commerce company offering fashion to young women in the Nordic region. To achieve this, we need to be really good in a number of areas:

- Develop spot-on, attractive fashion at competitive prices. This means a more accurate purchasing process with a smaller range in return for greater depth in terms of bestsellers.
- A results-focused, targeted marketing department working closely with purchasing and our customers.
- Efficient logistics.
- An efficient, tailored IT infrastructure.
- A slimmed-down, high-performing organisation.

Changing the range to create profitability

Nelly's profitability is based on an attractive offering to our target group. Nelly's model of offering our customers a curated, fashionable range with a mix of external brands with bestselling products from Nelly's own brands means that we have flexibility in how we create our range and good opportunities to generate traffic and strong margins.

How the purchasing organization is organised has changed substantially, and our updated range strategy is based on a narrower but clearer range for our customers, allowing us to offer popular, profitable products in large quantities. At the same time, we have an even clearer focus on Nelly's own brands, where our prospects for good margins are best.

The cost-saving programme that was previously communicated, which aims to reduce operating costs by SEK 40–50 million per annum, is in full swing and is expected to take full effect from the second quarter of 2023.

Costs continue to move in the right direction in logistics, and the customer delivery experience is constantly improving.

During the quarter, we saw greater effectiveness in our marketing and lower costs in both actual and relative figures as a result of improved management of our mix of channels and cost allocation.

However good we become at managing and controlling our costs, our main focus is always on creating a strong, attractive offering for our customers. Our aim is always to be our customers' first choice whether the outfit is for leisure, school, work or a party.

It feels great to be back at Nelly and see all our employees' commitment to our customers and our business. We are in a challenging situation but, with the determination I experience every day in our organisation, I am convinced that we will return Nelly to profitability and growth again.



Ludvig Anderberg, CEO of Nelly Group AB



Key ratios and alternative performance measures

	Q3 21	Q3 22	2020	2021
Net revenue growth	2.1%	-9.0%	-4.0%	2.5%
Gross margin	45.9%	41.5%	43.9%	44.7%
Warehousing and distribution costs as a percentage of net revenue	21.0%	15.5%	18.2%	17.7%
Marketing costs as a proportion of net revenue	13.2%	9.8%	9.5%	11.0%
Operating margin	-8.7%	-4.2%	-3.3%	-2.7%
Return rate	37.0%	36.2%	34.4%	34.8%
Inventory share of net revenue LTM	17.3%	22.0%	13.8%	14.4%
Own brand share of sales	45.9%	34.2%	42.4%	39.4%
No. of active customers Nordic LTM (000)	1,134	1,085	1,128	1,137
No. of sessions Nordic (000)	23,013	20,126	107,625	103,632
No. of orders Nordic (000)	563	474	2,564	2,579
Average order value Nordic	767	826	712	749
Conversion rate Nordic	2.4%	2.4%	2.4%	2.5%
No. of employees	231	216	318	250
Proportion of women employed	66%	62%	60%	64%

* Alternative performance measures are described on page 17. Calculations may differ from other companies' definitions of similar measures.



This is Nelly

The Nelly brand

Nelly is one of the best-loved fashion destinations for young women in the Nordic region. Nelly was founded in 2004 in Borås, the heartland of the Swedish textile and e-commerce industries, as a pioneer in influencer marketing and direct digital sales to customers. We now have a vibrant customer base consisting mainly of young women in the Nordic region. We have 2.3 million members of Nelly.com in the Nordics and 1.3 million followers of our social media. We offer our community daily inspiration in terms of trends and looks from our own brands and carefully selected supplementary brands from an international portfolio.

Men's clothes have been part of our range since 2008. The men's department was separated out in 2014, and the NLY Man site was launched, a fashion destination for young men offering clothes, shoes and accessories from the most popular brands for all occasions.

Efficient operations enable the customer experience

Our target audience has grown up with digital media, and e-commerce is second nature. We have 1.1 million active customers in the Nordic region who place 2.4 million orders a year via our website or our app. They choose Nelly on account of our reasonably priced, trend-aware and inclusive offering.

Our fashion- and customer-focused organisation analyses and engages with our target audiences daily from our hub in Borås. Here, we have invested in a high-capacity automated warehouse, which has reduced warehousing and distribution costs, improved the delivery experience and reduced our environmental footprint. We are in the process of launching our new e-commerce platform, which will simplify and enhance the customer experience even further.

Celebrating the Nelly generation of young women

Nelly is not only a fashion brand. Nelly.com is not only a fashion destination. We are an integral part of a young woman's everyday life, giving her inspiration to find her entire look both for everyday wear and special occasions.

With 'Celebrate the fab you' as our core concept, we are determined to always highlight and empower women around us to express themselves and celebrate life, whatever the occasion!



A photograph of two women. The woman on the left has dark, curly hair and is smiling, looking down. The woman on the right has long, wavy blonde hair and is looking off to the side. Both are wearing dark jackets with thick white fur collars. The woman on the right is also wearing a black ribbed crop top. A white circular graphic is overlaid on the bottom left of the image, containing text.

Financial calendar

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

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

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

The annual general meeting will be held on 17 May 2023.

The third quarter and first nine months explained

Lower sales on a weak e-commerce market

Net revenue for Q3 2022 amounted to SEK 284.3 (312.6) million. The 9% decrease is mainly explained by lower sales before returns, which were not offset by the lower return rate, and higher shipping revenue, both of which made a positive contribution. Sales fell despite a higher average order value and higher organic traffic. The fall in sales was mainly driven by lower paid traffic. The market was subject to high campaign pressure and competition for new customers. The proportion of own brand sales during Q3 2022 amounted to 34.2% (45.9%). In local currencies, net revenue decreased by 11.5%.

The return rate for Q3 2022 was 36.2% (37.0%). The lower return rate was mainly due to a more favourable product mix in this respect.

A discount-driven market had a negative impact on the gross margin

The gross margin fell by 4.3 percentage points to 41.5% (45.9%) in Q3 2022. The lower gross margin was primarily due to a higher level of campaign activity, both internally as well as among competitors, and a lower share of own brands in the quarter. Higher shipping revenue made a positive contribution to the gross margin after the terms and conditions were updated, compared with the previous year, and as a result of successful efforts to improve and highlight alternative shipping options.

Lower warehousing and distribution costs

Warehousing and distribution costs amounted to SEK 43.9 (65.7) million during Q3 2022. Measured as a proportion of net revenue, costs amounted to 15.5% (21.0%).

The reduction in the percentage was due to lower warehousing costs, both in absolute figures and measured as a proportion of sales, which was one result of Nelly delivering only from the new automated warehouse in Borås since Q4 2021. The former manual warehouse in Falkenberg was closed in Q3 2021 as the last phase of the warehouse project, which added costs of SEK 12 million in Q3 2021.

The core processes in the new automation solution are working well and the adjustment

work has given way to efforts towards continuous improvement. The work to achieve target cost savings potential during the year is going according to plan.

Distribution costs also fell during the quarter as lower volumes were handled. Warehousing and distribution costs for the first nine months of the year amounted to SEK 147.2 (188.0) million.

Lower marketing costs

Marketing costs for Q3 2022 amounted to SEK 28.0 (41.4) million. The main reason for the lower costs of marketing in the quarter is that there was less paid traffic, and the cost per visit fell as a result of more efficient working methods. Measured as a proportion of net revenue, the costs amounted to 9.8% (13.2%).

Lower administrative and operating costs

Nelly Group's administrative and other operating costs in Q3 were SEK 58.1 (63.6) million. The reduction compared with Q3 2021 was mainly on account of lower payroll costs. There were warehouse project costs of SEK 6 million in Q3 of the previous year.

Operating profit/loss

Operating profit/loss for Q3 2022 totalled SEK -11.9 (-27.3) million. The operating loss was primarily the result of lower sales and lower gross margin, resulting in a fall of SEK 25.3 million in gross profit, which was not adequately offset by lower operating costs. Operating profit/loss for the first nine months of the year totalled SEK -54.4 (-35.4) million.

Net income for the period

Nelly Group reported net income of SEK -63.8 (-39.3) million for the period 1 January to 30 September 2022. The lower profit after tax compared with 2021 is primarily attributable to the lower operating profit, as covered above.

Lower inventory turnover rate

The inventory turnover rate was lower during the quarter than in Q3 2021, primarily as a result of lower sales during the quarter and higher incoming inventory than in 2021. The inventory balance as at 30 September 2022 increased by

16% in relation to the previous year. Inventory as a proportion of net revenue, rolling 12 months, amounted to 22.0% (17.3%). The proportion of inventory older than three months as at 30 September 2022 was higher than in the previous year, but still lower than before the pandemic. As of 2022, the inventory balance is reported inclusive of the value of expected future returns. See Note 7 for further information.

Cash flow and cash and cash equivalents

Cash flow from operations totalled SEK -63.0 (-33.5) million in the third quarter of the year. The change compared with the corresponding period of 2021 is primarily on account of changes in working capital as inventory increased more than operating liabilities.

Cash flow from investing activities amounted to SEK -3.3 (-4.0) million. Investments mainly relate to IT projects.

The cash flow from financing activities of SEK 23.7 (-7.4) million is the total of an inflow of SEK 30 million from the use of the operating credit and SEK -6.3 million in lease liability repayments under IFRS 16.

Cash and cash equivalents amounted to SEK 40.7 (140.5) million as at 30 September 2022. The payment respite for employer's contributions and tax payments amounted to SEK 55.4 (39.6) million at the end of the quarter.

Total assets as at 30 September 2022 were SEK 394.4 million, compared with SEK 456.1 million as at 31 December 2021. The decline in total assets was mainly related to lower current assets, primarily cash and cash equivalents. Equity amounted to SEK 141.2 million, compared with SEK 204.4 million at the year-end, corresponding to an equity/assets ratio of 17% and 22%.

Parent company

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

Administrative expenses for Q3 2022 amounted to SEK -3.1 (-2.5) million. Cash and cash equivalents in the parent company amounted to SEK 4.9 million as at 30 September 2022, compared with SEK 4.7 million at the year-end.



Other information

Nelly Group shares

As at 30 September 2022, Nelly Group AB had 18,494,973 shares issued, of which 18,026,266 were ordinary shares and 468,707 were class C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The class C shares are held by Nelly Group AB and are not represented at general meetings. At the end of the quarter, Nelly Group AB had 28,087 class B treasury shares after they were returned by former participants in the Owner Plan 2020.

Audit

This interim report has been reviewed by Nelly Group's auditors. See the review report on page 10.

Risk

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

More information about risks can be found on pages 47–49 of the [2021 annual report](#).

Ludvig Anderberg, CEO of Nelly Group AB



Review report

To the Board of Directors of Nelly Group AB

Corp. id. 556035-6940

Introduction

We have reviewed the condensed interim financial information (interim report) of Nelly Group AB as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Göteborg 25 October 2022

KPMG AB

Mathias Arvidsson

Authorized Public Accountant

Webcast on the interim report

Analysts, investors and the media are invited to a [webcast](#) presentation of Q3 on 25 October 2022 at 10 a.m. CEST. The presentation will be given in English by Ludvig Anderberg, CEO, and John Afzelius, CFO. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

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

For further information, please contact:

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This information is information that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 08.00 a.m. CEST on 25 October 2022.

Condensed income statement – Group

(SEK million)	Q3 21	Q3 22	9 M 21	9 M 22	R12
Net revenue	312.6	284.3	1,021.1	911.8	1,319.0
Cost of goods sold	-169.2	-166.3	-559.1	-504.8	-735.3
Gross profit	143.4	118.1	462.0	407.0	583.7
<i>Gross margin</i>	45.9%	41.5%	45.2%	44.6%	44.3%
Warehousing and distribution costs	-65.7	-43.9	-188.0	-147.2	-212.2
Marketing costs	-41.4	-28.0	-113.3	-107.2	-151.6
Administrative and other operating expenses	-63.6	-58.1	-196.1	-206.9	-277.5
Operating profit/loss	-27.3	-11.9	-35.4	-54.4	-57.6
<i>Operating margin</i>	-8.7%	-4.2%	-3.5%	-6.0%	-4.4%
Net financial items	-2.1	-4.3	-4.0	-10.6	-15.1
Profit/loss before tax	-29.5	-16.3	-39.4	-64.9	-72.7
Tax	0.1	0.4	0.1	1.2	0.5
Profit/loss after tax	-29.4	-15.9	-39.3	-63.8	-72.2
Attributable to					
Parent company shareholders	-29.4	-15.9	-39.3	-63.8	-72.2
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0	18.0
Average number of shares outstanding (million)	18.0	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0	18.0
Basic and diluted earnings per share (SEK)	-1.63	-0.88	-2.18	-3.54	-4.01

Consolidated statement of comprehensive income

(SEK million)	Q3 21	Q3 22	9 M 21	9 M 22	R12
Items reclassified or available for reclassification to profit or loss					
Translation differences for the period	0.1	0.3	1.1	0.6	1.2
Total comprehensive income for the period	-29.3	-15.6	-38.2	-63.2	-71.0
Total comprehensive income attributable to					
Parent company owners	-29.3	-15.6	-38.2	-63.2	-71.0
Total comprehensive income for the period	-29.3	-15.6	-38.2	-63.2	-71.0
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0	18.0
Average number of shares outstanding (million)	18.0	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0	18.0

Condensed statement of financial position

(SEK million)	Q3 21	Q3 22	2020	2021
Non-current assets				
Goodwill	39.7	39.7	39.7	39.7
Other intangible assets	21.5	26.8	16.9	21.1
Property, plant and equipment	15.6	12.7	7.6	15.1
Lease assets ⁶	230.3	291.8	39.0	313.5
Deferred tax asset ⁴	74.1	74.9	74.0	73.8
Deposits	-	6.1	-	6.1
Total non-current assets	381.3	452.1	177.2	469.4
Current assets				
Inventories ⁷	244.6	289.7	192.6	205.0
Current non-interest-bearing receivables	67.1	64.0	81.5	53.6
Cash and cash equivalents	140.5	40.7	230.1	197.5
Total current assets	452.2	394.4	504.2	456.1
Total assets	833.5	846.5	681.4	925.4
Equity				
Equity attributable to parent company shareholders	211.9	141.2	249.8	204.4
Total equity	211.9	141.2	249.8	204.4
Non-current liabilities				
Non-interest-bearing				
Other provisions	0.2	-	0.1	0.0
Interest-bearing				
Lease liabilities	208.6	242.3	19.0	266.3
Total non-current liabilities	208.8	242.3	19.1	266.3
Current liabilities				
Interest-bearing				
Credit facility	-	30.0	-	-
Lease liabilities	22.7	58.0	20.5	50.1
Non-interest-bearing				
Accounts payable – trade	158.9	152.2	143.7	144.3
Other liabilities	64.1	73.7	69.4	90.0
Accrued expenses and deferred income	167.1	149.1	178.8	170.3
Total current liabilities	412.8	463.0	412.5	454.7
Total equity and liabilities	833.5	846.5	681.4	925.4

Condensed statement of changes in equity

(SEK million)	Q3 21	Q3 22	2020	2021
Opening balance	249.8	204.4	888.5	249.8
Comprehensive income for the period	-38.2	-63.2	505.0	-45.9
Effects of long-term incentive plans	0.3	0.0	-2.1	0.5
Private placement	-	-	203.4	-
Dividend from shares in subsidiaries to shareholders	-	-	-1,345.0	-
Closing balance	211.9	141.2	249.8	204.4

Condensed statement of cash flow

(SEK million)	Q3 21	Q3 22	9M 21	9M 22
Cash flow from operating activities before changes in working capital	-17.9	-5.6	-12.0	-34.0
Changes in working capital	-15.5	-57.4	-39.3	123.3
Cash flow from operations	-33.5	-63.0	-51.3	157.3
Divestment of subsidiaries, net liquidity impact ⁵	-	-	0.3	0.1
Investments in non-current assets	-4.0	-3.3	-21.9	-11.1
Cash flow to/from investing activities	-4.0	-3.3	-21.5	-11.0
Utilised credit facility	-	30.0	-	30.0
Repayment of lease liability	-7.4	-6.3	-17.0	-18.7
Cash flow to/from financing activities	-7.4	23.7	-17.0	11.3
Change in cash and cash equivalents for the period	-44.9	-42.6	-90.0	-157.0
Cash and cash equivalents at start of period	185.3	83.3	230.1	197.5
Translation difference, cash and cash equivalents	0.1	0.0	0.5	0.2
Cash and cash equivalents at end of period	140.5	40.7	140.5	40.7

Depreciation and amortisation of non-current assets

(SEK million)	Q3 21	Q3 22	9M 21	9M 22
Depreciation of property, plant and equipment	-0.2	-0.8	-1.1	-2.6
Amortisation of intangible assets	-1.9	-1.6	-5.9	-4.9
Depreciation and amortisation (not including IFRS 16)	-2.1	-2.4	-7.0	-7.5
Amortisation of right-of-use assets	-7.9	-8.1	-17.6	-24.3
Depreciation and amortisation (including IFRS 16)	-10.0	-10.5	-24.6	-31.8

Net revenue by geographical area

(SEK million)	Q3 21	Q3 22	9M 21	9M 22
Sweden	153.9	140.3	486.5	438.4
The Nordic region, including Sweden	288.3	272.7	947.8	872.8
Rest of world	24.3	11.6	73.4	39.1
All regions	312.6	284.3	1,021.1	911.8



Condensed income statement – parent company

(SEK million)	Q3 21	Q3 22	9M 21	9M 22	R12
Net revenue	-	-	0.2	-	1.4
Gross profit	-	-	0.2	-	1.4
Administrative expenses	-2.5	-3.1	-10.9	-9.8	-12.3
Operating profit/loss	-2.5	-3.1	-10.7	-9.8	-10.9
FINANCIAL INCOME AND EXPENSES					
Profit/loss from shares in subsidiaries	-	-	-0.1	0.1	-0.1
Net financial items	-0.1	0.1	-	0.0	0.2
Profit/loss after financial items	-2.6	-3.0	-10.8	-9.7	-10.8
APPROPRIATIONS					
Group contributions paid	-	-	-	-	-30.0
Profit/loss before tax	-2.6	-3.0	-10.8	-9.7	-40.8
Tax	-	-	-	-	-
Net income/loss for the period*	-2.6	-3.0	-10.8	-9.7	-40.8

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



Condensed statement of financial position – parent company

(SEK million)	Q3 21	Q3 22	2020	2021
Non-current assets				
Participations in Group companies	253.1	253.1	253.4	253.1
Deferred tax asset	71.7	71.7	71.7	71.7
Total non-current assets	324.8	324.8	325.1	324.8
Current assets				
Current non-interest-bearing receivables	3.4	2.8	5.0	2.3
Total current receivables	3.4	2.8	5.0	2.3
Cash and bank balances	6.3	4.9	31.6	4.7
Total cash and cash equivalents	6.3	4.9	31.6	4.7
Total current assets	9.6	7.7	36.5	7.0
Total assets	334.4	332.4	361.6	331.7
Equity				
Restricted equity	185.8	185.8	185.8	185.8
Unrestricted equity	145.2	104.6	155.8	114.3
Total equity	331.0	290.4	341.6	300.1
Provisions				
Other provisions	0.0	-	0.1	0.0
Total provisions	0.0	-	0.1	0.0
Current liabilities				
Liabilities to Group companies	1.3	40.0	13.6	29.5
Non-interest-bearing liabilities	2.0	2.0	6.4	2.1
Total current liabilities	3.4	42.0	20.0	31.6
Total liabilities	3.4	42.0	20.1	31.7
Total equity and liabilities	334.4	332.4	361.6	331.7

Definitions of key ratios and alternative performance measures

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

Gross profit divided by net revenue. Gross margin is what Nelly Group previously described as product margin. More information about the calculation components of net revenue and cost of goods sold can be found under the income statement definitions on page 18.

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

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

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

Closing inventory balance for the period divided by net revenue over a rolling twelve-month period. See also Note 7. Note that historical inventory balances for CDON AB and Qliro AB have been excluded to facilitate comparison between periods.

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

Calculated by dividing total sales of own brands by total sales

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

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

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

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

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

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

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

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

Conversion rate in the Nordics – a gauge of the proportion of customers visiting the website that place an order

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com The conversion rate multiplied by the number of visitors equals the number of orders per customer

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

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

Proportion of women employed – a measure of the proportion of women in the total number of employees

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

Income statement definitions

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

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

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

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

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

Warehousing, handling costs and shipping costs to the customer

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

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

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

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

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

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



Notes

Note 1 – Accounting policies

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

In compliance with IFRS 16, Nelly Group makes assessments that affect its financial reporting and the amounts of assets and liabilities.

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

Note 2 – Fair value of financial instruments

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

Note 3 – Segment reporting

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

Note 4 – Deferred tax asset

SEK 73.2 (73.2) million of the Group's deferred tax assets are a result of historical losses. Management has made assumptions about the company's future sales, expenses and profitability, and the possibility of future utilisation of these loss carryforwards is evaluated on this basis.

The Group's recognised loss carryforwards amounted to SEK 650.9 million as at 31 December 2021. More information can be found in Note 8 of the [2021 annual report](#).

Note 5 – Divestment of QGS

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

Note 6 – Recognition of lease for the new warehouse premises

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

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


Note 7 – Inventories include expected returns

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

Note 8 – Transactions with related parties

During the quarter, Nelly Group AB's board member Daniel Hörnqvist invoiced SEK 0.3 (0.0) million through his company Hörnqvist Consulting AB for consultancy work performed. Nelly Group AB's largest shareholder Rite Internet Ventures Holding AB invoiced SEK 0.1 (0.0) million during the quarter for consultancy work performed.





POSTAL ADDRESS

Nelly Group AB (publ)
Box 690
501 13 Borås, Sweden
Corp. ID 556035-6940
Registered office: Borås

VISITING ADDRESS

Nelly Group AB
Lundbygatan 1
506 30 Borås, Sweden

WEBSITES

nelly.com
nlyman.com
nellygroup.com

Appendix D



Year-end report 2022

1 JANUARY TO 31 DECEMBER

NELLY

Nelly Group year-end report 2022

Q4 2022 – the quarter in brief

- Net revenue was SEK 387.2 (407.2) million, corresponding to a fall of -4.9% (3.4%)
- Gross profit was SEK 159.3 (176.7) million, corresponding to a gross margin of 41.1% (43.4%)
- Operating loss was SEK -1.8 (-3.2) million, corresponding to an operating margin of -0.5% (-0.8%)
- Net income was SEK -7.9 (-8.4) million, corresponding to earnings per share of SEK -0.44 (-0.47)

January-December 2022 – the period in brief

- Net revenue was SEK 1,299.0 (1,428.4) million, corresponding to a fall of -9.1% (2.5%)
- Gross profit was SEK 566.2 (638.7) million, corresponding to a gross margin of 43.6% (44.7%)
- Operating loss was SEK -56.1 (-38.6) million, corresponding to an operating margin of -4.3% (-2.7%)
- Net income was SEK -71.7 (-47.8) million, corresponding to earnings per share of SEK -3.98 (-2.65)

“We can see that the conditions are now starting to fall into place for a return to profitability during the year by offering our customers an attractive range at the right price point with more appropriate, sustainable expenses”.

Helena Karlinder-Östlundh, acting CEO of Nelly Group AB



CEO's comments

A challenging year

The fashion industry grappled with a challenging market in 2022, and the fourth quarter in particular was even more dominated by inflation, consumer anxiety and high pressure to reduce prices. During the period, we saw a continued decline in our total footfall, and our net revenue fell by 4.9% on the previous year. During the quarter, we decided to promote sales by reducing prices to increase the movement of our autumn and winter stock, which also had a negative impact on our gross margin. To boost our working capital during this period of change, we have now decided to issue new shares and have announced this today.

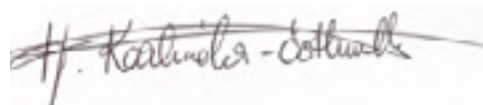
Early positive signs following our changes

The extensive transformation work we began in 2022 is not complete, but we are already seeing early positive signs that it is having an effect, primarily in the form of lower operating costs in many areas. Our marketing costs fell during the fourth quarter as a result of the continuing greater focus on organic traffic and a lower proportion of paid traffic. We also achieved further efficiency improvements in our logistics operations, primarily a considerable reduction in warehousing costs, and we reduced our employee benefit expenses after the reorganisation in the autumn.

In both the third and fourth quarters, we also saw an improved return rate. This was on account of a more favourable product mix in which we increasingly managed to add attractive everyday wear to our customers' party wardrobe. This will be an important component of our range strategy now, to boost buying frequency and consolidate our relationships with our customers.

Continued focus on building a profitable core business

We achieved great improvements in many areas of the company in 2022, returning above all to a clearer focus on our customers and our products. In 2023, we will continue to refine our customer offer and simplify all aspects of our operations and organisation with a clear focus on costs. We can see that the conditions are now starting to fall into place for a return to profitability during the year by offering our customers an attractive range at the right price point with more appropriate, sustainable expenses.



Helena Karlinder-Östlundh,
acting CEO of Nelly Group AB



Key ratios and alternative performance measures

	Q4 21	Q4 22	2021	2022
Net revenue growth	3.4%	-4.9%	2.5%	-9.1%
Gross margin	43.4%	41.1%	44.7%	43.6%
Warehousing and distribution costs as a percentage of net revenue	16.0%	14.7%	17.7%	15.8%
Marketing costs as a proportion of net revenue	10.9%	10.5%	11.0%	11.4%
Operating margin	-0.8%	-0.5%	-2.7%	-4.3%
Return rate	35.1%	32.0%	34.8%	36.0%
Inventory share of net revenue LTM	14.4%	17.4%	14.4%	17.4%
Own brand share of sales	38.3%	32.9%	39.4%	35.1%
No. of active customers Nordic LTM (000)	1,137	1,083	1,137	1,083
No. of sessions Nordic (000)	29,199	26,746	103,632	96,159
No. of orders Nordic (000)	752	660	2,579	2,267
Average order value Nordic	751	762	749	794
Conversion rate Nordic	2.6%	2.5%	2.5%	2.4%
No. of employees**	199	188	250	221
Proportion of women employed	66%	60%	64%	61%

* Alternative performance measures are described on page 17. Calculations may differ from other companies' definitions of similar measures.

** The number of employees at the end of period (2022-12-31) amounted to 174



This is Nelly

The Nelly brand

Nelly is one of the best-loved fashion destinations for young women in the Nordic region. Nelly was founded in 2004 in Borås, the heartland of the Swedish textile and e-commerce industries, as a pioneer in influencer marketing and direct digital sales to customers. We now have a vibrant customer base consisting mainly of young women in the Nordic region. We have 2.4 million members of Nelly.com in the Nordic region and 1.3 million followers of our social media profiles. We offer our community daily inspiration in terms of trends and looks from our own brands and carefully selected supplementary brands from an international portfolio.

Men's clothes have been part of our range since 2008. The men's department was separated out in 2014, and the NLY Man site was launched, a fashion destination for young men offering clothes, shoes and accessories from the most popular brands for all occasions.

Efficient operations enable the customer experience

Our target audience has grown up with digital media, and e-commerce is second nature. We have 1.1 million active customers in the Nordic region who place 2.3 million orders a year via our website or our app. They choose Nelly on account

of our reasonably priced, trend-aware, attractive offering.

Our fashion- and customer-focused organisation analyses and engages with our target audiences daily from our hub in Borås. Here, we have invested in a high-capacity automated warehouse, which has reduced fulfilment and distribution costs, improved the delivery experience and reduced our environmental footprint.

Celebrating the Nelly generation of young women

Nelly is not only a fashion brand. Nelly.com is not only a fashion destination. We are an integral part of a young woman's everyday life, giving her inspiration to find her entire look both for everyday wear and special occasions.

With 'Celebrate the fab you' as our core concept, we are determined to always highlight and encourage women around us to express themselves and celebrate life, whatever the occasion!





Financial calendar

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

The annual report will be published on 17 April 2023

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

The annual general meeting will be held on 17 May 2023

The interim report for the second quarter will be
presented on 14 July 2023

The interim report for the third quarter will be
presented on 26 October 2023

The fourth quarter and 2022 explained

Lower sales during the fourth quarter and in 2022

Net revenue for Q4 2022 amounted to SEK 387.2 (407.2) million. The -4.9% reduction is mainly due to lower sales before returns. Lower return rate, higher shipping revenue and higher average order value made a positive contribution to net revenue. As in Q3, the market continued to be dominated by tough competition for customers. Own brand sales during Q4 2022 amounted to 32.9% (38.3%). In local currencies, net revenue fell by -7.4% in Q4. Net revenue for 2022 was SEK 1,299.0 (1,428.4) million, corresponding to a fall of -9.1% (2.5%).

The return rate for Q4 2022 was 32.0% (35.1%). The lower return rate was mainly due to a more favourable product mix in this respect.

The return rate for 2022 was 36.0% (34.8%). The increase in the return rate for 2022 was primarily due to a return to historically more normal return behaviour from lower levels in 2021.

Lower gross margin linked to a strategic choice to discount prices

The gross margin fell to 41.1% (43.4%) in Q4 2022. The lower gross margin was primarily due to the strategic decision to drive higher level of discounts, as well as lower share of own brands in the quarter. Higher shipping revenue made a positive contribution to the gross margin after the terms and conditions were updated, compared with the same period in the previous year. The gross margin for 2022 amounted to 43.6% (44.7%). Higher level of discount-driven campaign activity and lower share of own brands are the main drivers for the lower gross margin during 2022.

Lower warehousing and distribution costs

Warehousing and distribution costs amounted to SEK 57.9 (65.0) million during Q4 2022. Measured as a proportion of net revenue, costs amounted to 14.7% (16.0%). The fall in the proportion was due to lower warehousing costs both in absolute figures and as a proportion of net revenue.

Distribution costs fell during the quarter, driven primarily by lower volumes to customers. Warehousing and distribution costs for 2022 amounted to SEK 205.1 (252.9) million.

Lower marketing costs

Marketing costs for Q4 2022 amounted to SEK 40.8 (44.4) million. The main reason for the lower costs of marketing in Q4 is that less paid traffic was purchased. Measured as a proportion of net revenue, the costs amounted to 10.5% (10.9%). Marketing costs for 2022 amounted to 148.0 (157.7). The decrease in paid traffic is the main driver for lower marketing cost for 2022.

Lower administrative and operating costs

Nelly Group's administrative and other operating costs in Q4 were SEK 62.3 (70.6) million. The reduction compared with Q4 2021 was mainly on account of lower payroll costs due to the cost reduction program launched in Q3.

Administrative and other operating costs amounted to SEK 269.2 (266.7) for 2022. Provisions for organisational changes and higher depreciation/amortisation of right of use assets in the first half of 2022 were the primary reason for the higher cost for the year.

Operating profit/loss

Operating profit/loss for Q4 2022 totalled SEK -1.8 (-3.2) million. The operating loss was primarily the result of lower sales and gross margin, resulting in a fall of SEK 17.5 million in gross profit. The operating profit/loss for 2022 was SEK -56.1 (-38.6) million.

Profit/loss after tax

Profit/loss after tax for Q4 2022 amounted to SEK -7.9 (-8.4) million. Profit/loss after tax for the period 1 January to 31 December 2022 amounted to SEK -71.7 (-47.8) million. The lower profit after tax for Q4 2022 and 2022 as a whole is primarily attributable to the lower operating profit.

Lower inventory turnover rate

The inventory turnover rate was lower during Q4 than in the corresponding period in the previous year, primarily as a result of lower sales and higher incoming inventory than in 2021. The inventory balance as at 31 December 2022 increased by 10% in relation to the previous year. Inventory as a proportion of net revenue, rolling 12 months, amounted to 17.4% (14.4%). As of 2022, the inventory balance is reported inclusive of the value of expected future returns. See Note 7.

Cash flow and cash and cash equivalents

Cash flow from operations totalled SEK 62.3 (70.1) million in the fourth quarter of the year. The change from the corresponding period of 2021 is primarily due to changes in working capital linked to a higher inventory balance, while cash flow from operations was higher than in Q4 2021.

Cash flow from investing activities amounted to SEK 0.0 (-1.2) million in Q4 2022. Cash flow from investing activities in 2022 was mainly driven by IT-related projects, but investments fell overall compared with 2021. Cash flow from investing activities in 2021 was primarily driven by investments in the automated warehouse in Borås.

Cash flow from financing activities of SEK -6.3 (-12.2) million was attributable to lease liability repayments of SEK 6.4 million. The amount of SEK -12.2 million in the comparative period 2021 is the total of right of use related repayments of SEK 6.1 million and SEK 6.1 million linked to payment of a warehouse-related deposit.

Cash and cash equivalents amounted to SEK 96.8 (197.5) million as at 31 December 2022. The payment respite for employer's contributions and tax payments amounted to SEK 93.8 (39.6) million at the end of the quarter.

Assets amounted to SEK 837.2 (925.4) million as at 31 December 2022. The lower figure for total assets was primarily related to cash and cash equivalents. Equity amounted to SEK 133.6 million, compared with SEK 204.4 million for the previous year, corresponding to an equity/assets ratio of 16% and 22%.

Parent company

The parent company, Nelly Group AB (publ), reported net revenue of SEK 2.0 (1.4) million in Q4 2022. Net revenue for 2022 amounted to SEK 2.0 (1.6) million.

Administrative expenses for Q4 2022 amounted to SEK 2.3 (2.5) million.

Parent company profit/loss before tax for Q4 2022 amounted to SEK -60.3 (-31.1) million, driven by Group contributions paid of SEK 60 million.

Cash and cash equivalents in the parent company amounted to SEK 2.3 million as at 31 December 2022, compared with SEK 4.7 million at the 2021 year-end.



Other information

Nelly Group shares

As at 31 December 2022, Nelly Group had 18,494,973 shares issued, of which 18,026,266 were ordinary shares and 468,707 were class C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The class C shares are held by Nelly Group AB and are not represented at general meetings. At the end of the quarter, Nelly Group AB had 28,087 class B treasury shares after they were returned by former participants in the Owner Plan 2020.

Nomination committee for the annual general meeting

Nelly Group's nomination committee for the 2023 annual general meeting was appointed in accordance with the instructions for the nomination committee adopted by the 2021 annual general meeting.

The nomination committee consists of Jonathan Sundqvist, appointed by Rite Ventures, Stefan Palm, appointed by ettfemsju själ AB and Alexander Antas, appointed by Mandatum Life Insurance Company. Jonathan Sundqvist was appointed chair of the nomination committee.



Information about the work of the nomination committee is available on the company's website at www.nellygroup.com. Shareholders who wish to make proposals to the nomination committee may do so in writing via email to ir@nelly.com or by letter to Nelly Group AB (publ), att. Bolagssekreteraren, Box 690, 501 13 Borås, Sweden.

The annual general meeting will be held in Stockholm on 17 May 2023.

Audit

This year-end report has not been audited by Nelly Group's auditors.

Risk

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

More information about risks can be found on pages 47–49 of the [2021 annual report](#).

Borås, 3 February 2023

Mathias Pedersen
Chair

Stefan Palm
Director

Daniel Hörnqvist
Director

Sandra Backlund
Director

Josephine Salenstedt
Director

Maj-Louise Pizzelli
Director

Helena Karlinder-Östlundh
Acting CEO

Webcast of the year-end report

Analysts, investors and the media are invited to a [webcast](#) presentation of Q4 on 3 February at 10 a.m. The presentation will be held in English by Helena Karlinder-Östlundh, acting CEO, and Ola Wahlström, interim CFO. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

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

For further information, please contact:

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www.nellygroup.com

This information is information that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 08:00 a.m. on 3 February 2023.

Condensed income statement – Group

(SEK million)	Q4 21	Q4 22	2021	2022
Net revenue	407.2	387.2	1,428.4	1,299.0
Cost of goods sold	-230.5	-227.9	-789.6	-732.7
Gross profit	176.7	159.3	638.7	566.2
<i>Gross margin</i>	43.4%	41.1%	44.7%	43.6%
Warehousing and distribution costs	-65.0	-57.9	-252.9	-205.1
Marketing costs	-44.4	-40.8	-157.7	-148.0
Administrative and other operating expenses	-70.6	-62.3	-266.7	-269.2
Operating profit/loss	-3.2	-1.8	-38.6	-56.1
<i>Operating margin</i>	-0.8%	-0.5%	-2.7%	-4.3%
Net financial items	-4.6	-4.9	-8.6	-15.4
Profit/loss before tax	-7.8	-6.6	-47.2	-71.6
Tax	-0.6	-1.3	-0.6	-0.1
Profit/loss after tax	-8.4	-7.9	-47.8	-71.7
<i>Attributable to</i>				
Parent company shareholders	-8.4	-7.9	-47.8	-71.7
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0
Average number of shares outstanding (million)	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0
Basic and diluted earnings per share (SEK)	-0.47	-0.44	-2.65	-3.98

Consolidated statement of comprehensive income

(SEK million)	Q4 21	Q4 22	2021	2022
<i>Items reclassified or available for reclassification to profit or loss</i>				
Translation differences for the period	0.6	0.2	1.9	0.8
Total comprehensive income for the period	-7.8	-7.7	-45.9	-70.9
<i>Total comprehensive income attributable to</i>				
Parent company owners	-7.8	-7.7	-45.9	-70.9
Total comprehensive income for the period	-7.8	-7.7	-45.9	-70.9
Shares outstanding at end of period (millions)	18.0	18.0	18.0	18.0
Average number of shares outstanding (million)	18.0	18.0	18.0	18.0
Average number of shares, diluted (millions)	18.0	18.0	18.0	18.0

Condensed statement of financial position

(SEK million)	2021	2022
Non-current assets		
Goodwill	39.7	39.7
Other intangible assets	21.1	23.9
Property, plant and equipment	15.1	11.9
Lease assets ⁶	313.5	284.3
Deferred tax asset ⁴	73.8	73.8
Deposits	6.1	6.0
Total non-current assets	469.4	439.7
Current assets		
Inventories ⁷	205.0	225.6
Current non-interest bearing receivables	53.6	75.2
Cash and cash equivalents	197.5	96.8
Total current assets	456.1	397.5
Total assets	925.4	837.2
Equity		
Equity attributable to parent company shareholders	204.4	133.6
Total equity	204.4	133.6
Non-current liabilities		
Non-interest bearing		
Other provisions	0,0	0,0
Interest-bearing		
Lease liabilities	266.3	232.6
Total non-current liabilities	266.3	232.6
Current liabilities		
Interest-bearing		
Lease liabilities	50.1	62.0
Non-interest-bearing		
Accounts payable – trade	144.3	143.2
Other liabilities	90.0	112.0
Accrued expenses and deferred income	170.3	153.8
Total current liabilities	454.7	471.1
Total equity and liabilities	925.4	837.2

Condensed statement of changes in equity

(SEK million)	2021	2022
Opening balance	249.8	204.4
Comprehensive income for the period	-45.9	-70.9
Effects of long-term incentive plans	0.5	0.1
Closing balance	204.4	133.6

Condensed statement of cash flow

(SEK million)	Q4 21	Q4 22	2021	2022
Cash flow from operating activities before changes in working capital	5.3	11.6	-6.7	-22.4
Changes in working capital	64.8	50.7	25.5	-42.6
Cash flow from operations	70.1	62.3	18.7	-65.0
Divestment of subsidiaries, net liquidity impact ⁵	-	-	0.2	0.1
Investments in non-current assets	-1.2	-	-23.1	-11.1
Cash flow to/from investing activities	-1.2	-	-22.9	-11.0
Changes in financial assets	-6.1	0.1	-6.1	0.1
Repayment of lease liability	-6.1	-6.4	-23.1	-25.1
Cash flow to/from financing activities	-12.2	-6.3	-29.3	-25.0
Change in cash and cash equivalents for the period	56.6	56.0	-33.4	-101.0
Cash and cash equivalents at start of period	140.5	40.7	230.1	197.5
Translation difference, cash and cash equivalents	0.4	0.1	0.8	0.3
Cash and cash equivalents at end of period	197.5	96.8	197.5	96.8

Depreciation and amortisation of non-current assets

(SEK million)	Q4 21	Q4 22	2021	2022
Depreciation of property, plant and equipment	-0.8	-0.9	-1.9	-3.4
Amortisation of intangible assets	-1.7	-2.9	-7.7	-7.8
Depreciation and amortisation (not including IFRS 16)	-2.5	-3.8	-9.6	-11.2
Amortisation of right-of-use assets	-8.0	-8.1	-25.5	-32.4
Depreciation and amortisation (including IFRS 16)	-10.5	-11.9	-35.1	-43.6

Net revenue by geographical area

(SEK million)	Q4 21	Q4 22	2021	2022
Sweden	195.6	187.2	682.2	625.6
The Nordic region, including Sweden	392.2	372.9	1,340.0	1,245.6
Rest of world	15.0	14.3	88.4	53.4
All regions	407.2	387.2	1,428.4	1,299.0



Condensed income statement – parent company

(SEK million)	Q4 21	Q4 22	2021	2022
Net revenue	1.4	2.0	1.6	2.0
Gross profit	1.4	2.0	1.6	2.0
Administrative expenses	-2.5	-2.3	-13.4	-12.1
Operating profit/loss	-1.1	-0.3	-11.8	-10.1
FINANCIAL INCOME AND EXPENSES				
Profit/loss from shares in subsidiaries	-	-	-0.1	0.1
Net financial items	0.0	0.0	0.0	0.0
Profit/loss after financial items	-1.1	-0.3	-11.9	-10.0
APPROPRIATIONS				
Group contributions paid	-30.0	-60.0	-30.0	-60.0
Profit/loss before tax	-31.1	-60.3	-41.9	-70.0
Tax	-	-	-	-
Net loss for the period*	-31.1	-60.3	-41.9	-70.0

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



Condensed statement of financial position – parent company

(SEK million)	2021	2022
Non-current assets		
Participations in Group companies	253.1	253.1
Deferred tax asset	71.7	71.7
Total non-current assets	324.8	324.8
Current assets		
Current non-interest-bearing receivables	2.3	2.3
Total current receivables	2.3	2.3
Cash and bank balances	4.7	2.3
Total cash and cash equivalents	4.7	2.3
Total current assets	7.0	4.6
Total assets	331.7	329.4
Equity		
Restricted equity	185.8	185.8
Unrestricted equity	114.3	44.4
Total equity	300.1	230.1
Provisions		
Other provisions	0.0	0.0
Total provisions	0.0	0.0
Current liabilities		
Liabilities to Group companies	29.5	98.2
Non-interest bearing liabilities	2.1	1.1
Total current liabilities	31.6	99.3
Total liabilities	31.7	99.3
Total equity and liabilities	331.7	329.4

Definitions of key ratios and alternative performance measures

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

Gross profit divided by net revenue. Gross margin is what Nelly Group previously described as product margin. More information about the calculation components of net revenue and cost of goods sold can be found under the income statement definitions on page 18

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conversion rate in the Nordics – *a gauge of the proportion of customers visiting the website that place an order*

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com The conversion rate multiplied by the number of visitors equals the number of orders per customer

No. of employees – *a measure of the number of employees in the Group*

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

Proportion of women employed – *a measure of the proportion of women in the total number of employees*

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

Income statement definitions

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

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

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

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

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

Warehousing, handling costs and shipping costs to the customer

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

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

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

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

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

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



Notes

Note 1 – Accounting policies

The report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The accounting policies are unchanged from those applied in the previous report for the same period.

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

For full information about the accounting policies and valuation principles applied by the Group, please see the most recent annual report, published on 12 April 2022.

Note 2 – Fair value of financial instruments

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

Note 3 – Segment reporting

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

Note 4 – Deferred tax asset

SEK 71.7 (73.2) million of the Group's total deferred tax assets are a result of historical losses. Management has made assumptions about the company's future sales, expenses and profitability, and the possibility of future utilisation of these loss carryforwards is evaluated on this basis.

The Group's recognised loss carryforwards amounted to SEK 650.9 million as at 31 December 2021. More information can be found in Note 8 of the [2021 annual report](#).

Note 5 – Divestment of QGS

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

Note 6 – Recognition of lease for the new warehouse premises


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

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

Note 7 – Inventories include expected returns

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





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