



Half-year report 2023

1 JANUARY TO 30 JUNE

NELLY

Nelly Group half-year report 2023

Q2 2023 – The quarter in brief

- Net revenue was SEK 288.6 (339.4) million, corresponding to a fall of -15.0% (-14.5%)
- Gross profit was SEK 141.4 (161.4) million, corresponding to a gross margin of 49.0% (47.6%)
- Operating profit was SEK 7.7 (-18.5) million, corresponding to an operating margin of 2.7% (-5.5%)
- Net income was SEK 4.5 (-19.4) million, corresponding to earnings per share of SEK 0.17 (-1.07)

H1 2023 – Financial highlights

- Net revenue was SEK 522.8 (627.5) million, corresponding to a fall of -16.7% (-11.4%)
- Gross profit was SEK 237.2 (288.9) million, corresponding to a gross margin of 45.4% (46.0%)
- Operating loss was SEK -26.0 (-42.4) million, corresponding to an operating margin of -5.0% (-6.8%)
- Net income was SEK -30.3 (-47.9) million, corresponding to earnings per share of SEK -1.36 (-2.66)

“The wide-ranging transformation work we began last year is now starting to produce effects and we can clearly see the first signs that we are moving in the right direction“

Helena Karlinder-Östlundh, acting CEO of Nelly Group AB



CEO's comments

Clear first signs of progress in the right direction

The wide-ranging transformation work we began last year is now starting to produce effects, and we can clearly see the first signs that we are moving in the right direction. We achieved an improved gross margin in the second quarter compared with the previous year of 49.0% (47.6%), as well as positive earnings of SEK 4.5 million despite net revenue continuing to fall with 15.0%.

During the quarter, we saw positive effects of the work on the product range which was a major feature of our change journey last year. Sales of our own brands increased to 41.2% (38.8%) as a proportion of total sales, and we saw that the strongest Nelly products in the quarter sold in larger quantities than the bestsellers in the previous year. We also continued the transition towards a more favourable balance between party fashion and everyday fashion in our product mix and improved our position in several categories, primarily trousers, which enjoyed a strong season. The product mix had a positive impact on the total return rate during the quarter, and we also saw that returns fell in nearly all categories compared with the previous year.

As early as the first quarter of the year, we began to see the effects of improved cost control in several areas of the company, and this trend continued in the second quarter. We reduced our operating expenses in warehouse and logistics operations, and we saw a clear fall in marketing and employee benefit expenses compared with the previous year. Over the past year, we have also achieved considerable improvements in our working methods and built a more efficient organisation that will continue to optimise our cost base going forward.

Further improvement in our customer offer

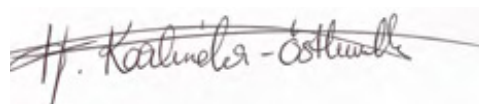
Since we began our transition towards a product range that is clearer and better suited to our customers, we have focused on our own brands to an even greater extent than before and reduced our variety to make it easier for our customers to find the right articles. At times we have also decided to promote sales by reducing prices to increase the movement of our stock during the transitional period. We have already made big changes but we need to continue to

focus on improving our customer offer. We did see that the conversion rate of 2.3% remained at the same level as in the previous year during the second quarter, but the average order value decreased to SEK 764 (831), which means that we need make our range and prices even more customer-friendly to increase sales. We will continue to work on this in the second half of the year and we look forward to presenting a strong autumn and winter collection to our customers.

It gave us great pleasure to announce in June that we will be opening a flagship store on Drottninggatan in Stockholm in the autumn. E-commerce will remain our principal business, but a physical store will afford us more opportunities to deepen our relationship with our existing customers and gain new customers who have not yet discovered Nelly.

Continued focus on profitability in the core business

We are now embarking on the second half of the year bolstered by a positive quarter but with the same rate of change. We continue to implement our transformation plan and improvements in our system landscape will now be firmly in our sights. We have started this work and continue to prioritise the elements that improve the customer experience and simplify our internal working methods. I would like to take this opportunity to say a heartfelt thank-you to our amazing Nelly team. You have worked together tirelessly to bring about change so far, and I know that you will tackle the second half of the year with just as much energy and determination.



Helena Karlinder-Östlundh, acting CEO
of Nelly Group AB



Key ratios and alternative performance measures

	Q2 22	Q2 23	H1 22	H1 23
Net revenue growth	-14.5%	-15.0%	-11.4%	-16.7%
Gross margin	47.6%	49.0%	46.0%	45.4%
Warehousing and distribution costs as a proportion of net sales	15.9%	17.0%	16.5%	17.6%
Marketing costs as a proportion of net sales	12.6%	10.2%	12.6%	10.2%
Operating margin	-5.5%	2.7%	-6.8%	-5.0%
Return rate	40.6%	38.0%	38.2%	37.9%
Inventoryshare of net revenue LTM	18.5%	15.2%	18.5%	15.2%
Proportion of sales of own brands	38.8%	41.2%	36.7%	38.8%
No. of active customers Nordic LTM (000)	1,099	1,055	1,099	1,055
No. of sessions Nordic (000)	26,345	23,231	49,287	45,492
No. of orders Nordic (000)	613	536	1,133	971
Average order value Nordic	831	764	798	763
Conversion rate Nordic	2.3%	2.3%	2.3%	2.1%
No. of employees	223	165	221	167
Proportion of women employed	64%	60%	64%	61%

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



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 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 offer 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 2.1 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 delivery 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 young women's everyday life, giving them inspiration to find their 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!



A woman with dark hair, wearing a black long-sleeved dress and a large diamond earring, is posing with her arms raised in a circle above her head. She is standing by a body of water, with a rocky shoreline and a blue sky with light clouds in the background. The lighting is warm, suggesting late afternoon or early morning.

Financial calendar

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

The 2023 year-end report will be presented on 2 February 2024

Second quarter and first half-year explained

Lower net revenue but improved return rate

Net revenue for Q2 2023 amounted to SEK 288.6 (339.4) million, corresponding to -15.0%. The reduction is mainly due to lower B2C sales before returns, but reduced B2B sales also had a negative impact on net revenue in the quarter. The lower return rate, higher shipping revenue and income from warehouse letting also made a positive contribution to net revenue compared with the same period in 2022. The proportion of own brand sales during Q2 2023 increased to 41.2% (38.8%) as part of the ongoing transformation of the assortment range. In local currencies, net revenue fell by -14.6% in Q2.

The return rate for Q2 2023 was 38.0% (40.6%). The lower return rate was mainly due to a more favourable product mix, but also improvements in categories.

Net revenue for H1 2023 amounted to SEK 522.8 (627.5) million, a fall of -16.7% (-11.4%). Sales fell by -16.3% in local currencies.

Improved gross margin in the second quarter

The gross margin rose to 49.0% (47.6%) in Q2 2023. Higher sales of own brands, higher shipping revenue and lower customs and shipping costs made a positive contribution to the gross margin compared with the second quarter of the previous year. Currency effects and higher campaign activity to customers however had a negative impact on the gross margin in the second quarter of 2023.

The gross margin fell to 45.4% (46.0%) in the first half of 2023. Currency effects and higher campaign activity to customers were not offset by the improvement in the gross margin in the second quarter of 2023.

Lower warehousing and distribution costs

Warehousing and distribution costs amounted to SEK 48.9 (53.9) million during the second quarter of the year. The lower warehousing and distribution costs were the result of lower volumes processed. Measured as a proportion of net revenue, the costs amounted to 17.0% (15.9%).

However, fixed costs, costs attributable to warehouse letting operations and reduced

B2B sales with lower distribution costs had a negative effect as a proportion of net revenue.

Warehousing and distribution costs amounted to SEK 92.0 (103.3) million in the first half of 2023. As in the second quarter, the reduction in costs was driven primarily by lower volumes processed.

Lower marketing costs

Marketing costs for Q2 2023 amounted to SEK 29.3 (42.9) million. The main reason for the lower marketing costs in Q2 is fewer brand-building activities, and because less paid traffic was purchased. Measured as a proportion of net revenue, the costs amounted to 10.2% (12.6%) in both the second quarter and the first half of 2023.

Lower administrative and operating costs

Nelly Group's administrative and other operating costs in Q2 were SEK 55.4 (83.1) million. The reduction compared with Q2 2022 was mainly on account of lower payroll costs. Provisions were made for outgoing members of the management team in Q2 2022. The cost-saving programme implemented also helped greatly to reduce administrative and operating costs during the quarter.

Administrative and other operating costs were SEK 117.9 (148.8) million in H1 2023, with lower payroll costs as the primary driver of the reduction.

Improved operating profit/loss

The operating profit/loss for the second quarter was SEK 7.7 (-18.5) million.

The operating profit/loss for the first half of the year was SEK -26.0 (-42.4) million.

Profit/loss after tax

The profit/loss for Q2 2023 was SEK 4.5 (-19.4) million. The improved profit/loss after tax for the second quarter is primarily attributable to higher operating profit/loss. Profit/loss after tax for the first half of 2023 was SEK -30.3 (-47.9) million.

Lower inventory valuation

The inventory valuation amounted to SEK 182.0

(249.9) million as at 30 June 2023. Inventory as a proportion of net revenue over a rolling 12-month period amounted to 15.2% (18.5%).

Cash flow and cash and cash equivalents

Cash flow from operations for Q2 2023 amounted to SEK 76.7 (42.6) million. The change compared with the corresponding period of 2022 is primarily on account of improved cash flow from operating activities and lower capital tied up in inventory.

Cash flow from operations amounted to SEK 22.6 (94.2) million during the first half of 2023. The change compared with the corresponding period of 2022 is on account of changes in working capital and improved cash flow from operating activities.

Cash flow from investing activities amounted to SEK -2.4 (-3.6) million in Q2 2023. The amount of -2.4 was primarily attributable to IT and technology-related investments.

Cash flow from investing activities amounted to SEK -3.0 (-7.8) million during the first half of 2023. The amount of -3.0 was as for the quarter primarily attributable to IT and technology-related investments.

The improvement in cash flow from financing activities of SEK 38.9 (-6.3) million in Q2 2023 is primarily attributable to the preferential share issue completed in Q2 2023.

Cash flow from investing activities amounted to SEK 32.5 (-12.4) million during the first half of 2023, with the preferential share issue as the driving force.

Cash and cash equivalents amounted to SEK 150.2 (83.3) million as at 30 June 2023. The payment respite for employer's contributions and tax payments amounted to SEK 116.5 (55.4) million at the end of the quarter. Assets amount-

ed to SEK 797.5 (853.8) million as at 30 June 2023. Equity amounted to SEK 149.4 million, compared with SEK 157.1 million as at 30 June of the previous year, corresponding to an equity/assets ratio of 18.7% (18.4% as at 30 June 2022).

Parent company

The parent company, Nelly Group AB (publ), reported sales of SEK 0.0 (0.0) million in Q2 2023 and the corresponding amount for the first half of 2023.

Administrative costs in Q2 2023 amounted to SEK 3.5 (4.2) million, and SEK 5.6 (6.7) million in the first half of the year.

The parent company's profit/loss before tax for Q2 2023 was SEK -3.5 (-4.2) million. The corresponding figure for the first half of 2023 was SEK -5.6 (-6.7) million.

Cash and cash equivalents in the parent company amounted to SEK 11.4 million as at 30 June 2023 compared with SEK 2.3 million at the 2022 year-end and SEK 5.5 million as at 30 June 2022.



Other information

Nelly Group shares

As at 30 June 2023, Nelly Group AB had 30,483,985 shares issued, of which 30,015,278 were ordinary shares and 468,707 were class C shares. The share capital was SEK 30,015,278 and each share had a quotient value of SEK 1.00. 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 42,747 class B treasury shares after they were returned by former participants in the Owner Plan 2020.

Information on Nelly Group's preferential share issue, which was implemented in H1 2023, is available on [Nelly Group's website](#).

Transactions with related parties

Nelly purchased consultancy services during the quarter for SEK 1.2 million from Wahsel AB, which is owned by Nelly's interim CFO.

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.

For more information about risks, please see the latest published annual report for 2022, pages 50–52.

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, 14 July 2023

Ebba Ljungerud
Chair of the Board

Axel Medefelt
Board member

Stefan Palm
Board member

Josephine Salenstedt
Board member

Lennart Sparud
Board member

Daniel Hörnqvist
Board member

Helena Karlinder-Östlundh
Acting CEO

Webcast on the half-year report

Analysts, investors and the media are invited to a [webcast](#) on Q2 on 14 July at 09:00. 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 report may contain forward-looking statements. Information in this report that is not 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 14 July 2023.

Condensed income statement – Group

(SEK million)	Q2 22	Q2 23	H1 22	H1 23	LTM
Net revenue	339.4	288.6	627.5	522.8	1,194.3
Cost of goods sold	-178.0	-147.2	-338.6	-285.5	-679.7
Gross profit	161.4	141.4	288.9	237.2	514.6
<i>Gross margin</i>	47.6%	49.0%	46.0%	45.4%	43.1%
Warehousing and distribution costs	-53.9	-48.9	-103.3	-92.0	-193.8
Marketing costs	-42.9	-29.3	-79.2	-53.4	-122.1
Administrative and other operating costs	-83.1	-55.4	-148.8	-117.9	-238.3
Operating profit/loss	-18.5	7.7	-42.4	-26.0	-39.7
<i>Operating margin</i>	-5.5%	2.7%	-6.8%	-5.0%	-3.3%
Net financial items	-1.2	-3.5	-6.3	-5.1	-14.2
Profit/loss before tax	-19.8	4.2	-48.7	-31.0	-53.9
Tax	0.4	0.3	0.8	0.7	-0.2
Profit/loss after tax	-19.4	4.5	-47.9	-30.3	-54.1
Attributable to					
Parent company shareholders	-19.4	4.5	-47.9	-30.3	-54.1
Shares outstanding at end of period (million)	18.0	30.0	18.0	30.0	30.0
Average number of shares outstanding (million)	18.0	26.5	18.0	22.3	20.1
Average number of shares, diluted (million)	18.0	26.5	18.0	22.3	20.1
Basic and diluted earnings per share (SEK)	-1.07	0.17	-2.66	-1.36	-2.69

Consolidated statement of comprehensive income

(SEK million)	Q2 22	Q2 23	H1 22	H1 23	LTM
Items reclassified or available for reclassification to profit or loss					
Translation differences for the period	-0.8	0.4	0.3	-1.3	1.0
Total comprehensive income for the period	-20.2	4.9	-47.6	-31.6	-53.1
Total comprehensive income attributable to					
Parent company owners	-20.2	4.9	-47.6	-31.6	-53.1
Total comprehensive income for the period	-20.2	4.9	-47.6	-31.6	-53.1
Shares outstanding at end of period (million)	18.0	30.0	18.0	30.0	30.0
Average number of shares outstanding (million)	18.0	26.5	18.0	22.3	20.1
Average number of shares, diluted (million)	18.0	26.5	18.0	22.3	20.1

Condensed statement of financial position

(SEK million)	Q2 22	Q2 23	2021	2022
Non-current assets				
Goodwill	39.7	39.7	39.7	39.7
Other intangible assets	25.2	20.6	21.1	23.9
Property, plant and equipment	13.6	10.7	15.1	11.9
Lease assets	299.9	268.0	313.5	284.3
Deferred tax asset ⁴	74.6	74.5	73.8	73.8
Deposits	6.1	8.0	6.1	6.0
Total non-current assets	459.1	421.6	469.4	439.7
Current assets				
Inventories	249.9	182.0	205.0	225.6
Current non-interest-bearing receivables	61.5	43.7	53.6	75.2
Cash and cash equivalents	83.3	150.2	197.5	96.8
Total current assets	394.7	375.9	456.1	397.5
Total assets	853.8	797.5	925.4	837.2
Equity				
Equity attributable to parent company shareholders	157.1	149.4	204.4	133.6
Total equity	157.1	149.4	204.4	133.6
Non-current liabilities				
<i>Non-interest bearing</i>				
Other provisions	0.0	0.0	0.0	0.0
<i>Interest-bearing</i>				
Lease liabilities	251.6	208.6	266.3	232.6
Total non-current liabilities	251.6	208.6	266.3	232.6
Current liabilities				
<i>Interest-bearing</i>				
Lease liabilities	54.9	72.9	50.1	62.0
<i>Non-interest bearing</i>				
Accounts payable – trade	127.6	85.6	144.3	143.2
Other liabilities	80.3	120.4	90.0	112.0
Accrued expenses and deferred income	182.3	160.5	170.3	153.8
Total current liabilities	445.1	439.5	454.7	471.1
Total equity and liabilities	853.8	797.5	925.4	837.2

Consolidated statement of changes in equity

(SEK million)	Q2 22	Q2 23	2021	2022
Opening balance	177.3	97.1	249.8	204.4
Comprehensive income for the period	-20.2	4.9	-45.9	-70.9
Effects of long-term incentive plans	0.0	0.0	0.5	0.1
Preferential share issue	-	47.4	-	-
Closing balance	157.1	149.4	204.4	133.6

Condensed statement of cash flow

(SEK million)	Q2 22	Q2 23	H1 22	H1 23
Cash flow from operating activities before changes in working capital	-11.3	16.1	-28.4	-9.7
Changes in working capital	53.9	60.6	-65.8	32.4
Cash flow from operations	42.6	76.7	-94.2	22.6
Investments in non-current assets	-3.6	-2.4	-7.8	-3.0
Cash flow to/from investing activities	-3.6	-2.4	-7.8	-3.0
Preferential share issue	-	47.4	-	47.4
Repayment of lease liability	-6.3	-6.5	-12.4	-12.9
Changes in financial assets	0.0	-2.0	0.0	-2.0
Cash flow to/from financing activities	-6.3	38.9	-12.4	32.5
Change in cash and cash equivalents for the period	32.8	113.3	-114.3	52.1
Cash and cash equivalents at start of period	50.9	35.8	197.5	96.8
Translation difference, cash and cash equivalents	-0.4	1.2	0.2	1.3
Cash and cash equivalents at end of period	83.3	150.2	83.3	150.2

Depreciation and amortisation of non-current assets

(SEK million)	Q2 22	Q2 23	H1 22	H1 23
Depreciation of property, plant and equipment	-0.8	-0.8	-1.7	-1.7
Amortisation of intangible assets	-1.6	-2.9	-3.3	-5.8
Depreciation and amortisation (not including IFRS 16)	-2.4	-3.8	-5.0	-7.5
Amortisation of right-of-use assets	-8.1	-8.1	-16.2	-16.2
Depreciation and amortisation (including IFRS 16)	-10.5	-11.9	-21.2	-23.7

Net revenue by geographical area

(SEK million)	Q2 22	Q2 23	H1 22	H1 23
Sweden	163.2	153.8	298.1	270.1
The Nordic region, including Sweden	327.3	283.4	600.0	512.1
Rest of world	12.0	5.2	27.5	10.6
All regions	339.4	288.6	627.5	522.8



Condensed income statement – parent company

(SEK million)	Q2 22	Q2 23	H1 22	H1 23	LTM
Net revenue	-	-	-	-	2.0
Gross profit	-	-	-	-	2.0
Administrative expenses	-4.2	-3.5	-6.7	-5.6	-11.0
Operating profit/loss	-4.2	-3.5	-6.7	-5.6	-9.0
FINANCIAL INCOME AND EXPENSES					
Net financial items	0.0	0.0	0.0	0.0	0.2
Profit/loss after financial items	-4.2	-3.5	-6.7	-5.6	-8.9
APPROPRIATIONS					
Group contributions paid	-	-	-	-	-60.0
Profit/loss before tax	-4.2	-3.5	-6.7	-5.6	-68.9
Tax	-	-	-	-	-
Profit/loss for the period*	-4.2	-3.5	-6.7	-5.6	-68.9

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



Condensed statement of financial position – parent company

(SEK million)	Q2 22	Q2 23	2021	2022
Non-current assets				
Participations in Group companies	253.1	247.1	253.1	253.1
Deferred tax asset	71.7	71.7	71.7	71.7
Total non-current assets	324.8	318.8	324.8	324.8
Current assets				
Current non-interest-bearing receivables	3.3	3.4	2.3	2.3
Total current receivables	3.3	3.4	2.3	2.3
Cash and bank balances	5.5	11.4	4.7	2.3
Total cash and cash equivalents	5.5	11.4	4.7	2.3
Total current assets	8.8	14.9	7.0	4.6
Total assets	333.6	333.6	331.7	329.4
Equity				
Restricted equity	185.8	31.3	185.8	185.8
Unrestricted equity	107.9	242.1	114.3	44.4
Total equity	293.6	273.4	300.1	230.1
Provisions				
Other provisions	0.0	0.0	0.0	0.0
Total provisions	0.0	0.0	0.0	0.0
Current liabilities				
Liabilities to Group companies	37.7	48.1	29.5	98.2
Non-interest-bearing liabilities	2.3	12.1	2.1	1.1
Total current liabilities	39.9	60.2	31.6	99.3
Total liabilities	39.9	60.2	31.7	99.3
Total equity and liabilities	333.6	333.6	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 valuation divided by net revenue over a rolling 12-month period.

Proportion of sales of own-brands – the proportion 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 in the Nordics LTM (000) – a gauge of how well Nelly Group attracts new customers and retains existing ones

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

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

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

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

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

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

The number of Nordic orders divided by the number of Nordic sessions on nelly.com or nlyman.com. The conversion rate multiplied by the number of visitors equals the number of orders to customers

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

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

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

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

Income statement definitions

Net revenue – *all income from customers and partners, 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 published annual report.

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.

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 720.7 million as at 31 December 2022. More information can be found in Note 7 of the 2022 annual report.





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