



**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 background is a plain, light-colored wall.

## 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
<b>Net revenue</b>	<b>312.6</b>	<b>284.3</b>	<b>1,021.1</b>	<b>911.8</b>	<b>1,319.0</b>
Cost of goods sold	-169.2	-166.3	-559.1	-504.8	-735.3
<b>Gross profit</b>	<b>143.4</b>	<b>118.1</b>	<b>462.0</b>	<b>407.0</b>	<b>583.7</b>
<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
<b>Operating profit/loss</b>	<b>-27.3</b>	<b>-11.9</b>	<b>-35.4</b>	<b>-54.4</b>	<b>-57.6</b>
<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
<b>Profit/loss before tax</b>	<b>-29.5</b>	<b>-16.3</b>	<b>-39.4</b>	<b>-64.9</b>	<b>-72.7</b>
Tax	0.1	0.4	0.1	1.2	0.5
<b>Profit/loss after tax</b>	<b>-29.4</b>	<b>-15.9</b>	<b>-39.3</b>	<b>-63.8</b>	<b>-72.2</b>
<b>Attributable to</b>					
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
<b>Basic and diluted earnings per share (SEK)</b>	<b>-1.63</b>	<b>-0.88</b>	<b>-2.18</b>	<b>-3.54</b>	<b>-4.01</b>

## Consolidated statement of comprehensive income

(SEK million)	Q3 21	Q3 22	9 M 21	9 M 22	R12
<b>Items reclassified or available for reclassification to profit or loss</b>					
Translation differences for the period	0.1	0.3	1.1	0.6	1.2
<b>Total comprehensive income for the period</b>	<b>-29.3</b>	<b>-15.6</b>	<b>-38.2</b>	<b>-63.2</b>	<b>-71.0</b>
<b>Total comprehensive income attributable to</b>					
Parent company owners	-29.3	-15.6	-38.2	-63.2	-71.0
<b>Total comprehensive income for the period</b>	<b>-29.3</b>	<b>-15.6</b>	<b>-38.2</b>	<b>-63.2</b>	<b>-71.0</b>
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
<b>Non-current assets</b>				
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 <sup>6</sup>	230.3	291.8	39.0	313.5
Deferred tax asset <sup>4</sup>	74.1	74.9	74.0	73.8
Deposits	-	6.1	-	6.1
<b>Total non-current assets</b>	<b>381.3</b>	<b>452.1</b>	<b>177.2</b>	<b>469.4</b>
<b>Current assets</b>				
Inventories <sup>7</sup>	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
<b>Total current assets</b>	<b>452.2</b>	<b>394.4</b>	<b>504.2</b>	<b>456.1</b>
<b>Total assets</b>	<b>833.5</b>	<b>846.5</b>	<b>681.4</b>	<b>925.4</b>
<b>Equity</b>				
Equity attributable to parent company shareholders	211.9	141.2	249.8	204.4
<b>Total equity</b>	<b>211.9</b>	<b>141.2</b>	<b>249.8</b>	<b>204.4</b>
<b>Non-current liabilities</b>				
<b>Non-interest-bearing</b>				
Other provisions	0.2	-	0.1	0.0
<b>Interest-bearing</b>				
Lease liabilities	208.6	242.3	19.0	266.3
<b>Total non-current liabilities</b>	<b>208.8</b>	<b>242.3</b>	<b>19.1</b>	<b>266.3</b>
<b>Current liabilities</b>				
<b>Interest-bearing</b>				
Credit facility	-	30.0	-	-
Lease liabilities	22.7	58.0	20.5	50.1
<b>Non-interest-bearing</b>				
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
<b>Total current liabilities</b>	<b>412.8</b>	<b>463.0</b>	<b>412.5</b>	<b>454.7</b>
<b>Total equity and liabilities</b>	<b>833.5</b>	<b>846.5</b>	<b>681.4</b>	<b>925.4</b>

## Condensed statement of changes in equity

(SEK million)	Q3 21	Q3 22	2020	2021
<b>Opening balance</b>	<b>249.8</b>	<b>204.4</b>	<b>888.5</b>	<b>249.8</b>
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	-
<b>Closing balance</b>	<b>211.9</b>	<b>141.2</b>	<b>249.8</b>	<b>204.4</b>

## 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
<b>Cash flow from operations</b>	<b>-33.5</b>	<b>-63.0</b>	<b>-51.3</b>	<b>157.3</b>
Divestment of subsidiaries, net liquidity impact <sup>5</sup>	-	-	0.3	0.1
Investments in non-current assets	-4.0	-3.3	-21.9	-11.1
<b>Cash flow to/from investing activities</b>	<b>-4.0</b>	<b>-3.3</b>	<b>-21.5</b>	<b>-11.0</b>
Utilised credit facility	-	30.0	-	30.0
Repayment of lease liability	-7.4	-6.3	-17.0	-18.7
<b>Cash flow to/from financing activities</b>	<b>-7.4</b>	<b>23.7</b>	<b>-17.0</b>	<b>11.3</b>
<b>Change in cash and cash equivalents for the period</b>	<b>-44.9</b>	<b>-42.6</b>	<b>-90.0</b>	<b>-157.0</b>
<b>Cash and cash equivalents at start of period</b>	<b>185.3</b>	<b>83.3</b>	<b>230.1</b>	<b>197.5</b>
Translation difference, cash and cash equivalents	0.1	0.0	0.5	0.2
<b>Cash and cash equivalents at end of period</b>	<b>140.5</b>	<b>40.7</b>	<b>140.5</b>	<b>40.7</b>

## 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
<b>Depreciation and amortisation (not including IFRS 16)</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-7.0</b>	<b>-7.5</b>
Amortisation of right-of-use assets	-7.9	-8.1	-17.6	-24.3
<b>Depreciation and amortisation (including IFRS 16)</b>	<b>-10.0</b>	<b>-10.5</b>	<b>-24.6</b>	<b>-31.8</b>

## Net revenue by geographical area

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



## Condensed income statement – parent company

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

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



# Definitions of key ratios and alternative performance measures

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**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.

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

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

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**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.

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**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

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**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

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**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

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**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

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**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

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**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

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**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

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**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

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# Income statement definitions

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**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

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**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

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**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

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**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

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**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

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**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

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## 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.





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