



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.

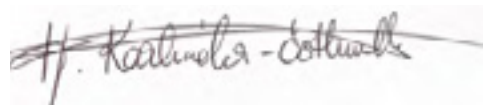
Early positive signs following our changes

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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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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