



THIRD QUARTER INTERIM REPORT

1 JANUARY TO 30 SEPTEMBER 2021

NELLY

First part of relaunch complete – full focus on continued repositioning of Nelly

Nelly Group 9M 2021

Q3 2021 – Financial highlights

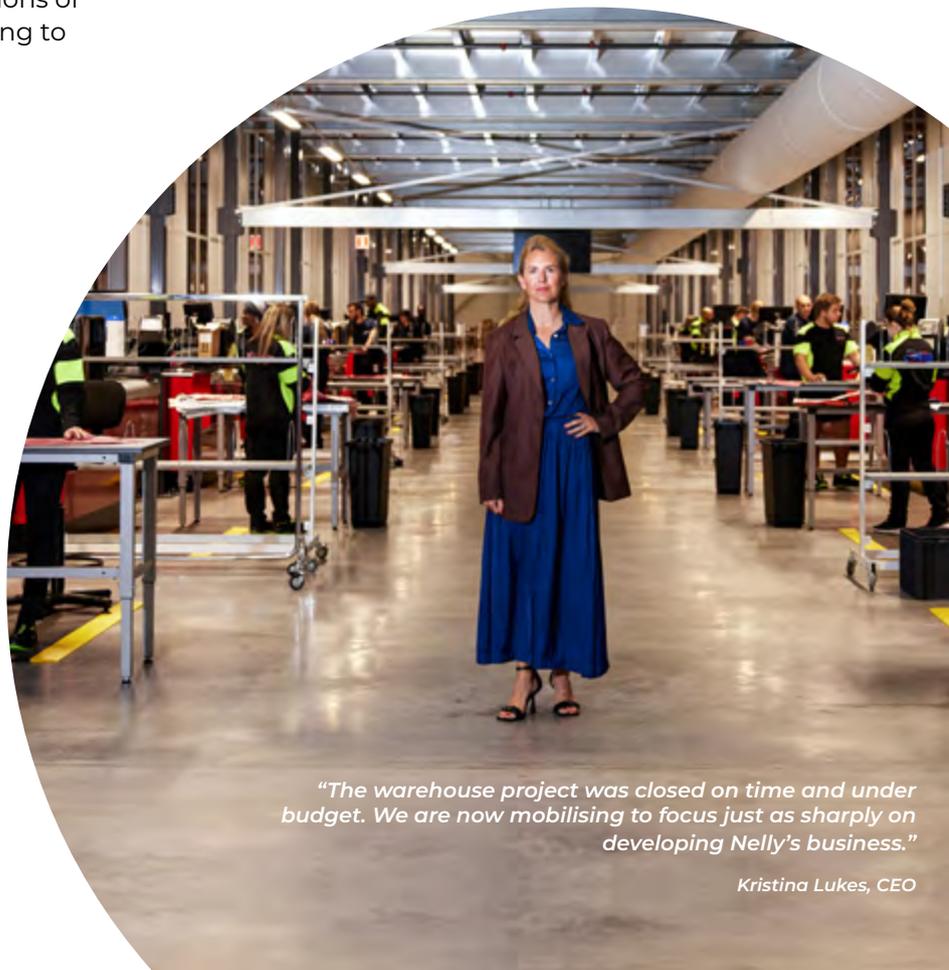
- Net revenue increased to SEK 312.6 (306.2) million, corresponding to growth of 2.1% (-6.9%)
- Gross profit fell to SEK 143.4 (144.3) million, corresponding to a gross margin of 45.9% (47.1%)
- Operating profit of SEK -27.3 (-0.7) million, corresponding to an operating margin of -8.7% (-0.2%), including costs related to warehouse relocation of SEK 22 million
- Net income from continuing operations of SEK -29.4 (-2.3) million, corresponding to earnings per share of SEK -1.63 (-0.14)

Q3 2021 – Significant events

- Design collaboration with Bianca Ingresso generated attention, website traffic and sales
- Warehouse relocation and automation project completed on time and under budget
- Continued solid inventory turnover rate and more up-to-date stock

January-September 2021 – Financial highlights of the first nine months

- Net revenue increased to SEK 1,021.1 (1,000.3) million, corresponding to growth of 2.1% (-4.9%)
- Gross profit increased to SEK 462.0 (443.8) million, corresponding to a gross margin of 45.2% (44.4%)
- Operating profit of SEK -35.4 (-46.1) million, corresponding to an operating margin of -3.5% (-4.6%)
- Net income from continuing operations of SEK -39.4 (-78.5) million, corresponding to earnings per share of SEK -2.18 (-5.11)



“The warehouse project was closed on time and under budget. We are now mobilising to focus just as sharply on developing Nelly’s business.”

Kristina Lukes, CEO

CEO comments on the quarter

Focus on improved customer experience and marketing efficiency

Repositioning Nelly includes focusing on a more narrowly defined target group, a wider offering and a focus on addressing a wider array of emotional brand attributes. During the next quarters we will prioritise generating more traffic based on our strong brand position. During the year, we changed the way we buy website traffic and we have boosted our conversion. Our position also requires that we further develop our channel strategy to build brand and to generate more revenue from each marketing krona spent. The most important thing is to generate additional organic traffic, including in new channels that are important to our target group, such as TikTok and different types of live shopping.

The warehouse project is a success. We closed Falkenberg and opened Borås as planned and delivered the project under budget. We are now laser-focused on realising our objective of annual savings of SEK 35 million and giving our customers a “WOW” delivery experience.

We are finally able to be physically on site in Borås, and it is important, especially for our more than 60 new employees, to meet IRL. It has been quite a challenge to onboard so many new colleagues without being able to meet in person. Now we can intensify our efforts to come together so we can gradually improve the experience and value for our customers with a better grasp of the website and with the many continuous improvements made every day.

Growth and inventory control

We end the quarter at 2.1% growth despite a weak start. We also faced challenges with traffic and generally high discount pressure in the first two months of the quarter. After a weak start, we intensified our activities in September, the Fall Fashion Festival early in the month and ending with the collaborative collection Bianca x Nelly. The design collaboration with Bianca Ingrosso made a significant impact and generated both website traffic and sales. Higher direct marketing costs impacted profit negatively in the quarter.

Inventory turnover continues to be good, and the stock is up to date. However, the currently strained situation in the freight and logistics market is causing delays and higher costs. Since we are now nearshoring most of our own brand production, we can react faster and more efficiently to adapt campaigns and websites to those items that are available. Cash on hand of SEK 141 million is also an important tool for being able to react quickly to business opportunities and fend off challenges like delivery delays.

Nelly's engaged community: the basis for our future growth

Our engaged community of 1.2 million customers is our main focus every day. This engagement in our channels is the basis for our future growth. We are inspired by international successes in social commerce where the customer base of others like us have a strong presence in social channels and a loyal, engaged community.



Kristina Lukes, VD Nelly Group AB



Key ratios

	Q3 20	Q3 21	2019	2020
Net revenue growth	-6.9%	2.1%	4.9%	-4.0%
Gross margin	47.1%	45.9%	47.1%	43.9%
Operating margin	-0.2%	-8.7%	-4.3%	-3.3%
Return rate	35.5%	37.0%	38.4%	34.4%
Inventory share of sales LTM	15.1%	15.7%	16.9%	11.9%
Own brand share of sales	44.7%	45.9%	44.4%	42.4%
No. of active customers Nordic LTM ('000)	1,125	1,134	1,147	1,128
No. of sessions Nordic ('000)	24,028	23,013	104,807	107,625
No. of orders Nordic ('000)	530	563	2,680	2,564
Average order value Nordic	755	767	726	712
Conversion rate Nordic	2.2%	2.4%	2.6%	2.4%
No. of employees	314	231	327	318
Share of women employed	61%	66%	61%	60%

**Alternative performance measures are described on page 19. Calculations may differ from other companies' definitions of similar measures.*



This is Nelly

Nelly – the direct-to-consumer brand

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

Optimised operational platform

The popularity of online shopping is accelerating, and e-commerce is a given for our target audience. Our community-based platform with 1.2 million active customers placing 2.7 million orders every year, enables short time-to-market for all emerging trends and consumer behaviours.

Our data- and customer-focused organisation analyses and engages with our target audiences daily from our hub in the heart of Sweden's e-commerce and fashion: Borås. We are now also investing in a high-capacity automated warehouse, which is set to decrease fulfilment and distribution costs, shorten delivery times and reduce our environmental footprint. Our new warehouse has an Autostore solution with possibilities for future growth.

Celebrating the Nelly generation of young women

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





Financial calendar

The 2021 year-end report
will be presented on 4 February 2022

The interim report for the first quarter
will be presented on 28 April 2022

Annual General Meeting 12 May 2022

Third quarter and first nine months

Everyday fashion trend still strong

Net revenue for Q3 2021 amounted to SEK 312.6 (306.2) million. The 2.1% increase is mainly due to continued growth in everyday fashion. Several categories of everyday fashion had major growth during the quarter, compared with both 2019 and 2020. However, sales of special occasion fashion were significantly lower than before the pandemic. The return rate increased somewhat, which further hampered net revenue growth for the quarter. In local currencies, net revenue increased by 2.0% in Q3. Net revenue for the first nine months of 2021 amounted to SEK 1,021.1 (1,000.3) million.

The return rate for Q3 2021 was 37.0% (35.5%). In Q2 and Q3 2021, the return rate increased year-on-year, mainly due to category mix since some categories of everyday fashion with a relatively high return rate increased more than average, but also a normalising of customers' return behaviour.

Own brand sales during Q3 2021 amounted to 45.9% (44.7%).

Improved underlying gross margin

The gross margin for Q3 2021 was 45.9% (47.1%). The decrease is due to inventory write-downs related to the warehouse project of SEK 4 million. The underlying gross margin therefore increased somewhat, which is mainly due to lower inventory write-downs and lower outlet sales than last year, mostly driven by newer stock. Active inventory management has been effective, leading to lower levels of older stock compared with 2020.

Warehouse project costs of SEK 22 million impact operating profit

Nelly Group's operating profit for Q3 2021 amounted to SEK -27.3 (-0.7) million. Profit for the quarter was impacted by costs related to the warehouse project amounting to SEK 22 million: (i) gross profit decreased by SEK 1.0 million, impacted by SEK 4 million in inventory write-downs related to the warehouse project; (ii) warehouse management and distribution costs increased by SEK 10.3 million and were impacted by SEK 12 million in warehouse project costs during the period; (iii) marketing costs increased by SEK 10.4 million, mostly due to increases in direct marketing costs; and (iv) administrative and other operating costs increased by SEK 4.9 million, of which SEK 6 million were for warehouse project costs. Depreciation attributed to IFRS 16 also increased as we operated two warehouses during the quarter. See Note 8.

The operating result for the first nine months improved by SEK 10.7 million, amounting to SEK -35.4 (-46.1) million. In total, the operating result was impacted by warehouse project costs of SEK 26 million in the same period. The underlying improvement in operating result for the first nine months is due mainly to a higher underlying gross profit and lower costs, apart from marketing costs, which increased significantly.

(SEK million)	Q3 20	Q3 21	Warehouse project
Net revenue	306.2	312.6	-
Cost of goods sold	-161.9	-169.2	-4
Gross profit	144.3	143.4	-4
Warehousing and distribution costs	-55.4	-65.7	-12
Marketing costs	-31.0	-41.4	-
Administrative and other operating expenses	-58.7	-63.6	-6
Operating profit or loss	-0.7	-27.3	-22

Net income for the period and earnings per share

Nelly Group reports net income from continuing operations for the period 1 July to 30 September 2021 of SEK -29.4 (0.2) million. The decrease is due mainly to costs related to the warehouse project as described above. Earnings per share for continuing operations was SEK -1.63 (-0.14). Earnings for the same period, including discontinued operations, amounted to SEK -29.4 (126.4) million. The much higher positive result for 2020 is due to the dividend from Qliro AB. See Note 5. Earnings per share amounted to SEK -1.63 (7.84). Net income for the first nine months of 2021 was SEK -39.3 (3.3) million or SEK -2.18 (0.22) per share.

Continued good control of inventory levels

The inventory turnover rate declined somewhat compared with Q3 2020. The inventory balance for continuing operations as at 30 September 2021 had increased by 5% compared with the previous year, and Nelly thereby retains inventory levels that are about 20–30% lower than the period before Q2 2020. Inventory as a percentage of net sales, rolling 12 months, amounted to 15.7% (15.1%), still good levels. The percentage of older inventory as at 30 September 2021 was significantly lower than the previous year, mainly due to Nelly's focus on targeting outgoing inventory levels each season, but also because we held a "warehouse moving sale" in Q2 to minimise the amount of inventory to be moved. A low volume of older inventory guarantees a more attractive customer offering and better margins going forward.

The inventory turnover rate on the current season's goods continued to be strong. In 2020, Nelly focused on reducing stock levels by lowering targets for outgoing season stock levels and liquidating old stock through on-site campaigns and outlet partners. In 2021, Nelly has maintained its focus on maximising in-season sales, and, consequently, minimising outgoing season inventory levels, as this supports margins over the product cycle and is more capital efficient.

Solid cash position

Cash generated from operations amounted to SEK -33.5 (-14.5) million in Q3. The decrease in cash flow for the period is due primarily to lower earnings, which in turn is mainly due to warehouse project costs. Cash generated from operations for the 1 January to 30 September 2021 period was SEK -51.3 (-39.6) million.

Cash flow from investing activities amounted to SEK -4.0 (-1.4) million in Q3 2021. The increase in investments was primarily related to the initial investments in Nelly's new warehouse, as described in more detail below. For the first nine months, cash flow from investing activities amounted to SEK -21.6 (-3.8) million. As for the quarter, the year-on-year decrease was dominated by warehouse investments.

Cash flow from financing activities amounted to SEK -7.4 (11.9) million, which was entirely attributable to lease liability amortisations under IFRS 16. See Note 8 below. The positive cash flow from financing activities in Q3 2020 was generated mainly from a dividend from a discontinued operation since proceeds from the 2020 new share issue were mostly used as a shareholder contribution in discontinued operations and for repayment of previously utilised credit facilities. See Note 5 below. Cash flow from financing activities for the first nine months totalled SEK -17.1 (100,4) million.

Cash and cash equivalents amounted to SEK 140.5 (221.9) million as at 30 September 2021 and the Group's available credit facilities had not been utilised. The payment respite for employer's contributions, and VAT and tax payments amounted to SEK 39.6 million at the end of the quarter. More information can be found in the Covid-19 section below.

Total assets as at 30 September 2021 were SEK 810.7 million compared with SEK 655.1 million as at 31 December 2020. The higher amount of total assets was mainly related to increased lease liabilities per IFRS 16 (see Note 8) and higher inventory value. Equity amounted to SEK 211.9 million, compared with 249.8, corresponding to an equity ratio of 26.1% and 38.1%. The change in equity is mainly due to the negative result for the

first nine months, which in turn was mostly due to warehouse project costs. The lower equity ratio is mainly due to the increase in lease liabilities per IFRS 16. See Note 8 below.

Parent company

The parent company, Nelly Group AB (publ), reported net revenue of SEK 0.0 (0.7) million in Q3 2021. Net revenue for the first nine months amounted to SEK 0.2 (2.5) million for the parent company.

Administrative expenses for Q3 2021 amounted to SEK -2.5 (-1.6) million. The reduction was mainly due to the integration of the previously Stockholm-based central functions into Nelly Group's Borås-based administration, as described below. The parent company's net income for the period 1 July to 30 September 2021 was SEK -2.6 (-27.4) million. For the first nine months of 2021, the parent company's net income amounted to SEK -10.8 (-2.4) million.

The parent company's cash and cash equivalents as at 30 September 2021 amounted to SEK 6.3 (55.7) million.



Warehouse project update

New automated warehouse open and warehouse project closed

Nelly started delivering to customers from the new automated warehouse in early Q3 2021. In the main, the project has been completed as planned and has been closed and handed over to the operational organisation. Focus has been on operational stability and efficiency during the quarter. At publication of this report, operational stability and efficiency are running according to plan.

Operations in Nelly's Falkenberg warehouse were scaled back in July and phased out in August and September 2021. The facilities have been handed back to the proprietor.

Lower project costs and investments than previously estimated

Nelly had two warehouses in operation in Q2 and Q3 2021, which, together with the warehouse relocation, resulted in total project costs of SEK 26 million. The main reason for lower project costs than the previously estimated SEK 35–45 million is that there were very few costs for contingencies. SEK 4 million were recorded in the accounts for the project at 30 June 2021 and the remaining SEK 22 million were entered in Q3.

The investment in the new warehouse amounted to SEK 103 million. SEK 84 million of this amount is related to the automation solution. The remain-

ing SEK 19 million is related to other warehouse equipment such as storage shelves, ventilation, network installations and IT equipment, thus, SEK 7 million less than the previously estimated SEK 26 million. The SEK 84 million automation investment is being financed through a rent surcharge over 10 years, with an option to refinance during the period.

Cost savings stand at an estimated SEK 35 million

The new automated high-capacity warehouse in Borås is the operational platform for Nelly's future growth. It is expected to decrease goods handling and distribution costs, shorten delivery times and improve our environmental footprint. The annual cost-saving target, using 2020 volume as a base, is SEK 35 million.

Nelly took over the new warehouse in Borås on 1 July 2021, so the lease will be recognised per IFRS 16 from that date. See Note 8 for additional details.



The last order is packed in Falkenberg.



COO Stefan Svensson in front of our new automated high-capacity warehouse in Borås

Other information

Nelly Group shares

As at 30 September 2021, Nelly Group AB had 18,494,973 shares issued, of which 18,026,266 were ordinary shares and 468,707 were C shares. The share capital was SEK 184,949,730 and each share had a quotient value of SEK 10.00. The Class C shares are held by Nelly Group and are not represented at general meetings.

Nomination Committee

In accordance with the Nomination Committee Rules adopted at Nelly Group's 2021 AGM, a representative of the largest shareholder, Rite Ventures, convened a nomination committee to prepare proposals for Nelly Group's 2022 AGM. Members of the Nomination Committee are: Peter Lindell, appointed by Rite Ventures; Alexander Antas, appointed by Mandatum Private Equity Partnership, Mandatum Private Equity; and Anders Böös, appointed by AGB Kronlund. The Nomination Committee appointed Peter Lindell as chair.

Shareholders who wish to submit nominations for Board members for Nelly Group may send written proposals to Nelly Group AB, FAO: Company Secretary, PO Box 690, SE-501 13 Borås, Sweden.

Former Qliro Group HQ closed

Following the dismantling of the former Qliro Group in the second half of 2020, Nelly has been integrating the previously Stockholm-based central functions such as Legal, Finance, Corporate Governance and Investor Relations into Nelly Group's Borås-based administration. The integration was completed in Q2 2021.

Effects of the Covid 19 pandemic

Nelly has been impacted by Covid-19 in several ways. Market conditions have been adversely affected by the drop in social gatherings, which has resulted in reduced demand for party wear, where party outfits were Nelly's largest category going into the pandemic. However, as Nelly has no physical stores, the increase in e-commerce and higher demand for other categories, such as everyday and sports fashion, have partially offset this effect.

In response to the pandemic, the company implemented a number of cost-cutting measures, including short-time working during parts of 2020. Nelly's administrative employees began to gradually return to the physical workplace during Q3 after a long period of mainly remote working. Nelly has benefited from reduced sick pay expenses and a payment respite for employer's contributions, and VAT and tax payments, which were part of the government's measures in response to the pandemic. The latter had a positive impact of SEK 39.6 million on 2020 cash flow and is part of current liabilities as at 30 September 2021. The net impact of Covid-related government support on the operating result was SEK 1.2 million in the first nine months of 2021.

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

Audit

This interim report was reviewed by Nelly Group's accountants. See the review report on page 12.

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 38–40 of the [2020 Annual Report](#).

Kristina Lukes, VD Nelly Group AB



Review report

To the Board of Directors of Nelly Group AB (publ)
Corp. id. 556035-6940

Introduction

We have reviewed the condensed interim financial information (interim report) of Nelly Group AB (publ) as of 30 September 2021 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 20 October 2021

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 20 October 2021 at 10 a.m. CET. The presentation will be delivered in English by CEO Kristina Lukes and CFO John Afzelius. The webcast will be made available on the [Nelly Group website](#).

Forward-looking statements

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

For further information, please contact:

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This information is information that Nelly Group AB (publ) is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above-mentioned contacts at 08.00 a.m. CET on 20 October 2021.

Condensed income statement – Group

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21	LTM
Net revenue	306,2	312,6	1 000,3	1 021,1	1 414,9
Cost of goods sold	-161,9	-169,2	-556,4	-559,1	-784,6
Gross profit	144,3	143,4	443,8	462,0	630,3
<i>Gross margin</i>	47,1%	45,9%	44,4%	45,2%	44,5%
Warehousing and distribution costs	-55,4	-65,7	-190	-188	-252,0
Marketing costs	-31	-41,4	-90,2	-113,3	-155,0
Administrative and other operating expenses	-58,7	-63,6	-209,7	-196,1	-258,4
Operating profit or loss	-0,7	-27,3	-46,1	-35,4	-35,2
<i>Operating margin</i>	-0,2%	-8,7%	-4,6%	-3,5%	-2,5%
Net financial items	0,9	-2,1	-18,7	-4,0	-4,3
Profit or loss before tax	0,2	-29,5	-64,8	-39,4	-39,5
Tax	-2,5	0,1	-13,7	0,1	-9,7
Profit or loss after tax for continuing operations	-2,3	-29,4	-78,5	-39,3	-49,2
Profit or loss after tax for discontinued operations ⁵	128,7	-	81,9	-	518,7
Profit or loss after tax	126,4	-29,4	3,3	-39,3	469,5
Attributable to:					
Parent company shareholders	126,4	-29,4	3,3	-39,3	469,5
Non-controlling interests	-	-	-	-	-
Shares outstanding at end of period (millions)*	18,0	18,0	18,0	18,0	18,0
Avg number of shares, basic (millions)*	16,1	18,0	15,4	18,0	18,0
Avg number of shares, diluted (millions)*	16,1	18,0	15,4	18,0	18,0
Basic and diluted earnings per share for continuing operations (SEK)*	-0,14	-1,63	-5,11	-2,18	-2,73
Basic and diluted earnings per share, including discontinued operations (SEK)*	7,84	-1,63	0,22	-2,18	26,07

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split implemented in Q4 2020.

Consolidated statement of comprehensive income

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21	LTM
<i>Items that may be reclassified subsequently to profit or loss</i>					
Translation differences for the period	0,1	0,1	-2,3	1,1	-3,7
Total comprehensive income for the period	126,5	-29,3	1,0	-38,2	465,8
<i>Total comprehensive income attributable to:</i>					
Parent company owners	126,5	-29,3	1,0	-38,2	465,8
Non-controlling interests	-	-	-	-	-
Total comprehensive income for the period	126,5	-29,3	1,0	-38,2	465,8
Shares outstanding at end of period (millions)*	18,0	18,0	18,0	18,0	18,0
Avg number of shares, basic (millions)*	16,1	18,0	15,4	18,0	18,0
Avg number of shares, diluted (millions)*	16,1	18,0	15,4	18,0	18,0

*Shares outstanding, average number of shares and earnings per share have been adjusted retrospectively for the 1:10 reverse share split implemented in Q4 2020.



Condensed statement of financial position

(SEK million)	Q3 20	Q3 21	2019	2020
Non-current assets				
Goodwill	64,6	39,7	64,4	39,7
Other intangible assets	80,2	21,5	269,6	16,9
Property, plant and equipment	6,1	15,6	28,1	7,6
Lease assets ⁸	49,8	230,3	81,4	39,0
Deferred tax assets ⁶	83,9	74,1	111,0	74,0
Total non-current assets	284,5	381,3	554,5	177,2
Current assets				
Inventories	237,9	221,8	349,6	166,3
Loans to the public	-	-	2070,4	-
Current interest-bearing investments	-	-	255,0	-
Current non-interest-bearing receivables	84,9	67,1	226,8	81,5
Cash and cash equivalents ⁴	222,0	140,5	553,9	230,1
Total current assets	544,8	429,4	3455,6	477,9
Total assets	829,3	810,7	4010,0	655,1
Equity				
Equity attributable to parent company shareholders	338,2	211,9	888,5	249,8
Total equity	338,2	211,9	888,5	249,8
Non-current liabilities				
<i>Non-interest-bearing</i>				
Other provisions	5,9	0,2	0,7	0,1
<i>Interest-bearing</i>				
Loan facility	-	-	292,4	-
Bond	-	-	100,0	-
Lease liabilities	27,8	208,6	53,6	19,0
Total non-current liabilities	33,7	208,8	446,6	19,1
Current liabilities				
<i>Interest-bearing</i>				
Deposits from the public	-	-	1819,1	-
Lease liabilities ⁸	23,1	22,7	29,1	20,5
<i>Non-interest-bearing</i>				
Accounts payable – trade	157,9	158,9	316,3	143,7
Other liabilities	98,8	64,1	190,5	69,4
Accrued expenses and deferred income	177,7	144,3	319,9	152,5
Total current liabilities	457,4	390,0	2674,9	386,2
Total equity and liabilities	829,3	810,7	4010,0	655,1

Condensed statement of changes in equity

(SEK million)	YTD 20	YTD 21	2019	2020
Opening balance	888,5	249,8	994,5	888,5
Comprehensive income for the period	1,0	-38,2	-108,7	505,0
Effects of long-term incentive plans	0,7	0,3	2,7	-2,1
Directed new share issue	203,4	-	-	203,4
Distribution from shares in subsidiaries	-755,5	-	-	-1 345,0
Closing balance	338,1	211,9	888,5	249,8

Condensed statement of cash flow

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21
Cash flow from operating activities before changes in working capital	-4,4	-17,9	-42,9	-12,0
Changes in working capital	-10,1	-15,5	3,4	-39,3
Cash flow from operations	-14,5	-33,5	-39,6	-51,3
Divestment of subsidiary, net liquidity impact ⁷	-	-	-	0,3
Investments in non-current assets	-1,4	-4,0	-3,8	-21,9
Cash flow to/from investing activities	-1,4	-4,0	-3,8	-21,6
New share issue	203,4	-	203,4	-
Shareholder contribution	-125,0	-	-125,0	-
Internal loan, net change	-	-	-50,2	-
Utilised credit facility	-75,0	-	-	-
Amortisation of lease liability ⁸	-4,4	-7,4	-12,2	-17,0
Dividend	12,8	-	84,4	-
Cash flow to/from financing activities	11,9	-7,4	100,4	-17,1
Change in cash and cash equivalents from continuing operations for the period	-4,0	-44,9	57,0	-90,0
Cash flow from discontinued operations				
Cash flow from operating activities	-113,2	-	-336,6	-
Cash flow from investing activities	-21,5	-	-72,3	-
Cash flow from financing activities	109,0	-	81,4	-
Change in cash and cash equivalents from discontinued operations for the period	-25,7	-	-327,4	-
Change in cash and cash equivalents for the period	-29,7	-44,9	-270,4	-90,0
Cash and cash equivalents at start of period	312,6	185,3	553,9	230,1
Translation difference, cash and cash equivalents	-	0,1	-0,6	0,5
Less cash from discontinued operations	-60,9	-	-60,9	-
Cash and cash equivalents at end of period	221,9	140,5	221,9	140,5

Depreciation and amortisation of non-current assets

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21
Depreciation of property, plant and equipment	-0,6	-0,2	-1,9	-1,1
Amortisation of intangible assets	-2,1	-1,9	-6,7	-5,9
Total depreciation and amortisation (not including IFRS 16)	-2,7	-2,1	-8,6	-7,0
IFRS 16 related depreciation and amortisation ⁸	-4,4	-7,9	-12,3	-17,6
Total depreciation and amortisation (including IFRS 16)	-7,1	-10	-20,9	-24,6

Net revenue by geographical area

(SEK million)	Q3 20	Q3 21	2019	2020
Sweden	145.4	153.9	662.9	638.9
Nordics, including Sweden	283.6	288.3	1,321.6	1,280.1
Rest of world	22.7	24.3	130.6	114.0
All regions	306.2	312.6	1,452.2	1,394.1



Condensed income statement – parent company

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21	LTM
Net revenue	0,7	-	2,5	0,2	0,4
Gross profit	0,7	-	2,5	0,2	0,4
Administrative expenses	-1,6	-2,5	-33,0	-10,9	-15,2
Operating profit or loss	-0,9	-2,5	-30,5	-10,7	-14,8
FINANCIAL INCOME AND EXPENSES					
Profit or loss from shares in subsidiaries*	-27,4	-	41,6	-0,1	40,6
Net financial items	1,2	-0,1	-1,1	-	-41,7
Profit or loss after financial items	-27,1	-2,6	10,0	-10,8	-15,8
GROUP CONTRIBUTIONS					
Group contributions paid	-	-	-	-	-12,0
Profit or loss before tax	-27,1	-2,6	10,0	-10,8	-27,8
Tax	-12,5	-	-12,5	-	-10,5
Net income for the period**	-39,6	-2,6	-2,4	-10,8	-38,3

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

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



Condensed statement of financial position – parent company

(SEK million)	Q3 20	Q3 21	2019	2020
Non-current assets				
Equipment	0,2	-	0,4	-
Participations in Group companies	478,6	253,1	1068,9	253,4
Deferred tax assets	82,2	71,7	94,7	71,7
Total non-current assets	560,9	324,8	1163,9	325,1
Current assets				
Current non-interest-bearing receivables	4,5	3,4	3,6	5,0
Receivables from Group companies	0,6	-	5,8	-
Total current receivables	5,1	3,4	9,4	5,0
Cash and bank balances	55,7	6,3	8,3	31,6
Total cash and cash equivalents	55,7	6,3	8,3	31,6
Total current assets	60,8	9,6	17,7	36,5
Total assets	621,7	334,4	1181,5	361,6
Equity				
Restricted equity	185,8	185,8	155,8	185,8
Unrestricted equity	416,2	145,2	953,2	155,8
Total equity	602,0	331,0	1109,0	341,6
Provisions				
Other provisions	0,5	-	0,7	0,1
Total provisions	0,5	-	0,7	0,1
Current liabilities				
Short-term interest-bearing loans, Group companies	-	-	50,2	-
Liabilities to Group companies	-	1,3	10,9	13,6
Non-interest-bearing liabilities	19,2	2,0	10,7	6,4
Total current liabilities	19,2	3,4	71,9	20,0
Total liabilities	19,8	3,4	72,5	20,1
Total equity and liabilities	621,7	334,4	1181,5	361,6

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 21.

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

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

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

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

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

Calculated by dividing total sales of own brands by total sales.

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

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

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

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

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

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

Average order value – the average customer "basket size" in SEK

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

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

The number of Nordic orders divided by the number of Nordic sessions at nelly.com or nlyman.com. The conversion rate multiplied by number of sessions translates into customer sales before returns.

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

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

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

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

Income statement definitions

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

Includes sales after returns, commissions, invoicing fees, outbound freight fees, return fees, marketing income, operational currency gains and other revenue.

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

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

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

Warehousing, handling costs and freight costs to the customer

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

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

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

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

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

Includes costs related to interest, currency gains or losses of financial character and other finance income and costs



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. Actual outcomes may differ from these assessments.

The parent company'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 operations, these costs are both significantly lower than previously and are also no longer managed separately.

Note 4 – Reconciliation of cash and cash equivalents

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

SEK million	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020	Q1 21	Q2 21	Q3 21
Cash and cash equivalents, continuing operations	116.7	122.5	177.3	173.2	230.1	230.1	184.5	185.3	140.5
Cash and cash equivalents, discontinued operations	437.1	48.5	135.3	48.8	-	-	-	-	-
Cash and cash equivalents, total	553.9	170.9	312.6	222.0	230.1	230.1	184.5	185.3	140.5

Notes

5 – Discontinued operations

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

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

The tables below show the discontinued operations attributable to the previously wholly-owned subsidiaries Qliro AB and CDON AB.

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

Note 6 – Deferred tax asset

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

The Group's recognised loss carryforwards amounted to SEK 609.1 million on 31 December 2020 and continue indefinitely. More information can be found in Note 9 of the 2020 Annual Report.

Note 7 – Divestment of QGS

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

Note 8 – Accounting treatment of the lease agreement for the warehouse

Nelly formally gained access to the new warehouse building on 1 July 2021. The agreement implies no lease payments during 2021 and rebated lease payments during 2022. The total lease payments under the agreement have however been summarised and evenly distributed as cost for the duration of the contract.

The lease agreement is accounted for in accordance with IFRS 16 which implies that a lease asset and a corresponding lease liability was recorded in the balance sheet on 1 July 2021.

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21
Income	259.5	-	840.9	-
Expenses	-268.6	-	-923.1	-
Profit or loss before tax	-9.1	-	-82.2	-
Tax	0.9	-	12.5	-
Profit or loss after tax but before capital gain on the distribution of discontinued operations	-8.2	-	-69.7	-
<i>Capital gain/loss on distribution of Qliro AB and CDON</i>	136.9	-	151.6	-
Profit or loss after tax for discontinued operations	128.7	-	81.9	-

(SEK million)	Q3 20	Q3 21	YTD 20	YTD 21
Net cash flows from discontinued operations				
Cash flows from operating activities	-113.2	-	-336.6	-
Cash flows from investing activities	-21.5	-	-72.3	-
Cash flows from financing activities	109.0	-	81.4	-
Net cash flows from discontinued operations	-25.7	-	-327.4	-

(SEK million)	Q3 20	Q3 21	2019	2020
Distributed assets and liabilities*				
Intangible assets	-165.1	-	-	-249.1
Tangible assets	-15.5	-	-	-17.3
Lease assets	-16.6	-	-	-16.6
Deferred tax asset	-27.2	-	-	-27.2
Inventories	0.0	-	-	-29.4
Loans to the public	-2,200.7	-	-	-2,200.7
Current investments	-375.1	-	-	-375.1
Accounts receivable – trade and other receivables	-65.0	-	-	-86.9
Cash and cash equivalents	-60.8	-	-	-100.5
Loan facility	127.7	-	-	127.7
Deposits from the public	1,958.5	-	-	1,958.5
Bond	100.0	-	-	100.0
Lease liabilities	16.8	-	-	16.8
Accounts payable – trade and other payables	121.9	-	-	234.4
Net assets and liabilities from discontinued operations	-601.0	-	-	-665.3

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





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