



# **FIRST QUARTER INTERIM REPORT 2022**

1 JANUARY TO 31 MARCH

# **NELLY**

# Nelly Group interim report for the first quarter of 2022

## Q1 2022 – Financial highlights

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

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

*Kristina Lukes, VD Nelly Group AB*



## CEO's comments

### Lower net revenue in a challenging market

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

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

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

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

### Continued focus on efficiency and cost control

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

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

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

### Investments in Nelly's offer and frequency

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

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

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



VD Nelly Group AB



## Key ratios

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

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



# This is Nelly

## The Nelly brand

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

## Optimised operational platform

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

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

## Celebrating the Nelly generation of young women

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



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

# NELLY.COM

## Financial calendar

Annual general meeting, 12 May 2022

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

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

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

# First quarter result explained

## Higher gross revenue in a weak market

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

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

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

## Still saleable inventory and improved gross margin

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

## Lower warehousing and distribution expenses

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

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

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

## Investments in influencer marketing

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

## Administrative and operating expenses

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

# First quarter result explained

## Operating profit

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

## Net income for the period and earnings per share

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

## Continued good control of inventory levels

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

## Cash flow and cash and cash equivalents

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

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

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

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

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



# First quarter result explained

## Parent company

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

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



## Other information

### Nelly Group shares

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

### 2022 Annual general meeting

The annual general meeting will be held on 12 May 2022. Further information and the notice convening the meeting are available at [www.nellygroup.com](http://www.nellygroup.com).

### Effects of the Covid-19 pandemic

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

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

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

### The war in Ukraine

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

### Audit

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

### Risk

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

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

*Kristina Lukes, CEO of Nelly Group*

Borås, 28 April 2022

### **Webcast on the interim report**

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

### **Forward-looking statements**

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

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



## Condensed income statement – Group

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

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

## Consolidated statement of comprehensive income

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

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



## Condensed statement of financial position

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

## Condensed statement of changes in equity

(SEK million)	Q1 21	Q1 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	-15.9	-27.4	505.0	-45.9
Effects of long-term incentive plans	0.5	0.3	-2.1	0.5
Private placement	-	-	203.4	-
Dividend from participations in subsidiaries to shareholders	-	-	-1,345.0	-
<b>Closing balance</b>	<b>234.3</b>	<b>177.3</b>	<b>249.8</b>	<b>204.4</b>

## Condensed statement of cash flow

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

## Depreciation and amortisation of non-current assets

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

## Net revenue by geographical area

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



## Condensed income statement – parent company

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

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

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

## Condensed statement of financial position – parent company

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

## 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 20.

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

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 9. 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 customers

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 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

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**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.

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

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

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

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

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

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

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

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

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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, marketing income, operations-related currency gains 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, operations-related currency expenses 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 freight 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 costs to operate the company*

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

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

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

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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 in Nelly's other operations and the cost is significantly lower, the segment is no longer reported separately.

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### Note 4 – Reconciliation of cash and cash equivalents

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

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

## Notes

### 5 – Discontinued operations

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

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

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

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

### Note 6 – Deferred tax asset

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

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

### Note 7 – Divestment of Qliro Group Services

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

### Note 8 – Recognition of lease for the new warehouse premises

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

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

### Note 9 – Inventories include expected returns

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

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

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

(SEK million)	Q1 21	Q1 22	2020	2021
<b>Distributed assets and liabilities*</b>				
Intangible assets	-	-	-249.1	-
<b>Property, plant and equipment</b>	-	-	<b>-17.3</b>	-
Lease assets	-	-	-16.6	-
<b>Deferred tax asset</b>	-	-	<b>-27.2</b>	-
Inventories	-	-	-29.4	-
<b>Loans to the public</b>	-	-	<b>-2,200.7</b>	-
<b>Current investments</b>	-	-	<b>-375.1</b>	-
<b>Trade and other receivables</b>	-	-	<b>-86.9</b>	-
<b>Cash and cash equivalents</b>	-	-	<b>-100.5</b>	-
<b>Loan facility</b>	-	-	<b>127.7</b>	-
<b>Deposits from the public</b>	-	-	<b>1,958.5</b>	-
<b>Bond</b>	-	-	<b>100.0</b>	-
<b>Lease liabilities</b>	-	-	<b>16.8</b>	-
<b>Trade and other payables</b>	-	-	<b>234.4</b>	-
<b>Net assets and liabilities from discontinued operations</b>	-	-	<b>-665.3</b>	-

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





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