

— Q1 2019 —

qred

INTERIM REPORT

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JANUARY–MARCH 2019

Q1

The first quarter was characterized by continued strong growth. Qred is growing in both established markets such as Sweden and Finland, as well as expanding in nascent markets such as Denmark and the Netherlands. The Group's costs increased in line with growth. Values for corresponding period previous year are stated within brackets.

- Operating income increased by 71% to SEK 43.4 million (25.4)
- Operating profit increased by 211% to SEK 7.4 million (2.4)
- Profit for the period increased by 47% to SEK 6.5 million (4.4)

KPIs

	Q1 2019	Q1 2018	Δ %	FY 2018
Operating margin	17,1%	9,4%	7,7%	23,7%
Profit margin	14,8%	17,2%	-2,4%	20,0%
Cost / income ratio	44%	47%	-3%	49%
Interest coverage, x	2,5	2,1	18%	3,4

Operating margin: Operating profit for the period divided by operating income

Profit margin: Profit for the period divided by operating income

Cost / income ratio: Total operating expenses divided by total operating income (credit losses excluded)

Interest coverage: Operating profit plus interest expenses over interest expenses

CEO Commentary

Qred continued to develop very positively during the first quarter. Lending increased by 154% to SEK 420.6 million (165.6), which resulted in revenues increasing by 71% to SEK 43.4 million (25.4). Strong growth and the large intake of new customers also meant that loan losses increased by 48% to SEK 16.3 million (11.0). We invest heavily in both product development, personnel and marketing, which has meant that costs have increased. Although the operating margin increased to 17.1% (9.4%), the profit margin decreased to 14.8% (20.8%) due to exchange rate fluctuation being less favourable than in the previous comparison period, Q1 2018.

Qred has existed for four years and we are still a young company which much to achieve. At the same time, we are very proud of what we have attained so far.

Qred is currently the largest player in the Nordic region offering corporate loans up to EUR 50,000. Since the start, we have lent more than SEK 1.5 billion to small businesses. These resources have been disbursed to small businesses for critical investments and working capital, and with these financial injections and hard work, our clients have created thousands of jobs.

For me, this is evidence that our customers appreciate our offering and service. More and

more small business owners are aware of how Qred can help them, and that they now have an option besides going to their traditional bank. The simplicity and ease of our product is absolutely crucial.

Another important factor behind our progress is transparency. We are not just another anonymous bank, hidden in a tax shelter and shrouded behind complicated legal structures. We are a Swedish company owned and operated by entrepreneurs.

We have entered into a strategic and exclusive collaboration with Dinero, the largest player in Denmark within accounting software for small businesses. By analysing and modelling upon their accounting data, Qred can offer customers even better terms. Not only that, the process becomes faster and easier for the customer, as they can apply for corporate credits directly through Dinero's solution. Dinero is part of the Visma Group.

The struggle to challenge antiquated banks and help small businesses invest and create jobs continues. With commitment, digital technology and competent employees, I believe we are moving towards a bright future.

Emil Sunvisson
CEO

OTHER INFORMATION

Annual General Meeting 2019

The Annual General Meeting shall be held on the Company's premises at Tulegatan 15, 113 53 Stockholm, June 19 at 13. The notice will be published in full on the Company's website qred.com.

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2018 to common shares, and that dividends shall be paid according to the Articles of Association for preference shares. See also note 6.

Risks and uncertainties

For a description of risks and uncertainties, please refer to the annual report for 2018 which is available on the company's website qred.com.

Employees

The average number of employees in the Group during the first quarter was 38 (20), of which 24 (15) were men.

Board nomination committee

The members of the Nomination Committee before the Annual General Meeting 2018 are Mattias Carlsson (Chairman Qred AB), Jason Francis, Thomas Carlsson and Emil Sunvisson, also convening the Nomination Committee. The Nomination Committee together represents approximately 81 percent of the number of votes in Qred AB. The company's chairman has chosen to abstain from voting rights in the nomination committee.

Transactions with related parties

Information on transactions between the Group and related parties is described in Note 22 in the Annual Report for 2018.

Other

This report has not been subject to review by the company's auditors.

GROUP INCOME STATEMENT

SEK 000	Note	Q1 2019	Q1 2018	FY 2018
Interest income	3	46 825	26 600	136 041
Interest expense		-5 094	-2 170	-13 048
Other incomes		1 718	959	7 621
Total operating income		43 449	25 389	130 614
Operating expenses				
Net loan losses	4	-16 290	-10 998	-35 810
Personnel costs		-6 539	-3 678	-18 227
Other expenses		-12 562	-8 326	-45 648
Depreciation		-625	-	-
Total operating expenses		-36 016	-23 002	-99 685
EBIT (Earnings before interest and tax)		7 433	2 387	30 929
Other financial income		783	3 379	3 092
Other financial expenses		0	-	-230
Profit from financial items		783	3 379	2 862
EBT (Earnings before tax)		8 216	5 766	33 791
Income taxes		-1 765	-1 378	-7 612
Net income		6 451	4 388	26 179

GROUP RESULTS

SEK 000	Q1 2019	Q1 2018	FY 2018
Net income	6 451	4 388	26 179
Adjustments after re-calculating foreign operations	330	355	214
Tax on Adjustments after re-calculating foreign operations	-33	43	66
Total net income for the period	6 748	4 785	26 459

GROUP BALANCE SHEET

SEK 000	Note	31 Mar 2019	31 Dec 2018
ASSETS			
Fixed assets			
Assets with right of use		7 121	-
Deferred tax		7 249	5 116
Deposits deposited		-	-
Other long-term receivables		-	-
Total fixed assets		14 370	5 116
Current assets			
Loan receivables	5	420 577	333 456
Other receivables		5 097	16 106
Cash		40 524	43 600
Total current assets		466 198	393 162
SUMMA TILLGÅNGAR		480 567	398 278
EQUITY			
Equity attributable to the parent company			
Share capital		14 754	14 753
Other directly contributed capital		136 013	126 557
Reserves		1 648	1 322
Retained earnings including profit for the year		38 601	33 391
Total equity		191 016	176 023
LIABILITIES			
Long-term liabilities			
Shareholders and related companies		36 722	36 226
Liabilities to credit institutions		218 999	158 535
Other long-term liabilities		4 605	
Total liabilities		260 326	194 761
Short-term liabilities			
Shareholders and related companies		-	3 987
Accounts payable		1 623	1 752
Other debts		23 671	17 519
Accrued expenses and prepaid income		3 931	4 236
Total short-term liabilities		29 225	27 494
TOTAL LIABILITIES AND EQUITY		480 567	398 278

CHANGES IN GROUP EQUITY

SEK 000	Share capital	Other directly contributed capital	Reserves	Retained earnings including profit for the year	Total equity
Equity 1 Jan 2018	14 662	68 364	1 011	9 856	93 893
This year's result				26 179	26 179
Exchange rate differences			214		214
Tax on exchange rate differences			66		66
Total net income for the period			280	26 179	26 459
Paid previously allocated common shares	83	-83			0
Transaction costs for new share issue preferred shares		-66			-66
Tax effect transaction costs in connection with new issue preferred shares			14		14
New issue preferred shares	8	52 802			52 810
Registration of previously paid, not reg. preferred stock	0				0
Paid, but not yet registered preferred stock		5 540			5 540
Dividend on preferred shares				-2 644	-2 644
Share-based remuneration - value of employee service			17		17
Equity 31 Dec 2018	14 753	126 557	1 322	33 391	176 023

SEK 000	Aktiekapital	Övrigt tillskjutet kapital	Reserver	Balanserat resultat inklusive årets resultat	Summa eget kapital
Equity 1 Jan 2019	14 753	126 557	1 322	33 391	176 023
This year's result				6 451	26 179
Exchange rate differences			330		214
Tax on exchange rate differences			-33		66
Total net income for the period			298	6 451	6 748
Transaction costs for new share issue preferred shares		-13			-13
Tax effect transaction costs in connection with new issue preferred shares			2		2
New issue preferred shares	1	1 769			1 770
Registration of previously paid, not reg. preferred stock	0				0
Paid, but not yet registered preferred stock		7 700			7 700
Dividend on preferred shares				-1 242	-1 242
Share-based remuneration - value of employee service			27		27
Equity 31 Mar 2019	14 754	136 013	1 648	38 601	191 016

GROUP CASH FLOW ANALYSIS

SEK 000	Note	Q1 2019	FY 2018
Cash flow from operating activities			
Operating profit incl. operating expenses ¹		7 433	30 929
<i>Adjustments for items not included in cash flow</i>			
-Replacement of depreciation		626	-
-Capitalized interest		496	368
-Change in credit losses		9 897	11 402
-Other		810	3 311
Other interest paid		0	-7
Paid tax		-1 235	-939
Cash flow from operating activities before changes in working capital		18 027	45 064
Change in working capital			
Change in loan receivables		-94 618	-172 545
Change in other operating receivables		10 782	-15 218
Change in accounts payable		-130	396
Change other operating liabilities		-757	2 780
Change in working capital		-84 723	-184 587
Cash flow from operating activities		-66 696	-139 523
Cash flow from investment activities			
Investments in long-term receivables		-	-
Investments in subsidiaries		-	715
Reduction of other financial fixed assets		-	380
Cash flow from investment activities		-	1 095
Cash flow from financing activities			
New issues common shares		-	1 995
New issue preferred shares	6	9 838	58 284
Preferred shares dividend	6	-1 242	-2 644
New loans		59 486	152 165
Amortization of loans		-4 544	-37 963
Cash flow from financing activities		63 538	171 837
Cash flow for the period		-3 158	33 409
Cash and cash equivalents at the beginning of the period		43 600	9 989
Exchange rate differences in cash and cash equivalents		82	202
Cash and cash equivalents at the end of the period		40 524	43 600

INCOME STATEMENT, PARENT COMPANY SUMMARY

	Q1 2019	Q1 2018	FY 2018
Interest income and similar items	2 244	1 987	9 253
Interest expenses and similar items	-751	-1 072	-4 575
Total operating income	1493	915	4 678
Other external expenses	-181	-196	-1 642
EBIT	1 312	719	3 038
Other financial income	-	17	-
Other financial cost	-124	-	-167
EBT	1 188	736	2 869
Tax on profit	-254	-162	-631
Net income	934	574	2 238

BALANCE SHEET, PARENT COMPANY SUMMARY

	31 Mar 2019	31 Dec 2018
ASSETS		
Shares in Group companies	14 881	14 881
Receivables from Group companies	161 736	155 489
Cash and cash equivalents	14 519	14 519
TOTAL ASSETS	195 043	184 889
LIABILITIES AND EQUITY		
Equity	153 411	144 260
Long-term liabilities to Group companies	10 567	6 520
Loans	25 285	24 946
Short-term accounts payable	39	13
Current tax liabilities	862	653
Other debts	4 379	7 986
Accrued expenses and prepaid income	500	511
TOTAL LIABILITIES AND EQUITY	195 043	184 889

COMMENTS AND NOTES

Amounts in thousands of SEK

Note 1 – General information

Qred AB (publ), with corporate identity number 559031-0685, conducts business through its subsidiaries. The head office is located in Stockholm. The address of the head office is Tulegatan 15, 113 53 Stockholm. The business consists of financing services in the form of corporate loans, aimed at companies in Sweden, Finland, Denmark and the Netherlands.

Note 2 – Summary of important accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act. For further information on accounting principles, please refer to the Company's Annual Report.

The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

New standards

IFRS 16 Leases replaces IAS 17 Leases and related interpretations. The standard will be applied as of January 1, 2019 and is adopted by the EU. The new standard changes how Qred as a lessee reports lease agreements, since IFRS 16 entails a uniform model for how the leasing agreements are reported in the balance sheet, where a lease asset (the right to use an asset) and a financial liability are reported. In the income statement, the linear operating leasing cost is replaced by a cost for depreciation of the leased asset and an interest expense for the financial debt. Accounting for lessors does not change in principle.

The new standard introduces new estimates and assumptions that affect the valuation of leasing liabilities. Qred values the leasing debt at the start date and can be forced to re-evaluate it, for example, assessment of the probability that an option will be exercised. As this will increase the volatility of the financial reporting, it is continuously evaluated and monitored in the Group. The new

standard will not be applied in the legal entity of the parent company.

IFRS 16 Leasing primarily affects the accounts for lessees and will result in almost all leases being recognized in the balance sheet. For the lessee, the standard removes the distinction between operational and financial leasing in IAS 17 and requires that a right to use the leased asset is recognized as an asset in the balance sheet and that a financial liability corresponds to the leasing fees. A voluntary exception can be made for short-term contracts and low-value contracts. The income statement is also affected by the fact that the costs are higher at the beginning of the contract and lower at the end. Operating profit is affected by the fact that rental costs are replaced by interest expenses and depreciation. Cash flow from operating activities will be higher since payments of the principal amount in the leasing debt are reported as cash flow in the financing operations and only the part of the payment that relates to interest will be reported as cash flow from operating activities.

The table shows the transition effect for IFRS 16 with the closing balance for IAS 17 as of December 31, 2018 and the opening balance for IFRS 16 as of January 1, 2019

	Closing balance	Adjustment to	Opening balance
	2018-12-31	IFRS 16	2019-01-01
Assets with rights of use	-	7 747	7 747
Other receivables	16 106	-236	15 870
Total assets	16 106	7 511	23 617
Other long-term liabilities	-	5 007	5 007
Other current liabilities	16 964	2 504	19 468
Total liabilities	16 964	7 511	24 475

Note 3 – Income

Group revenue	Q1 2019	Q1 2018	FY 2018
Interest income for loan receivables	46 825	26 600	136 041
Interest expense	-5 094	-2 233	-13 048
Other income from loan receivables	1 118	894	5 531
Other services	600	66	1 866
Other interest income	-	62	224
Total group revenue	43 449	25 389	130 614

Note 4 – Net credit losses

Group	Q1 2019	Q1 2018	FY 2018
Realised credit losses	6 393	-52	24 408
Changes in reserves, net	9 897	11 050	11 402
Total	16 290	10 998	35 810

Note 5 – Loan receivables

Group	Q1 2019	FY 2018
Loan receivables, gross	454 554	357 362
Reservation for uncertain loan receivables	-33 977	-23 906
Net Loan receivables	420 577	333 456
Overdue loan receivables	21 453	16 739
Loan receivables maturing in 0 to 3 months	169 678	133 718
Loan receivables maturing in 3 to 12 months	244 412	199 619
Loan receivables maturing in more than 12 months	19 011	7 286
Summa	454 554	357 362
Reported amounts, per currency, for the Group's loan receivables	Q1 2019	FY 2018
SEK '000	207 715	169 799
EUR '000	19 934	15 453
DKK '000	28 408	21 148

The provision for loan losses amounted to SEK 16,290,000. Qred makes ongoing assessments of the loan receivables. The provisions are calculated on the expected cash flow with regard to an age analysis. No further impairment requirement is considered to exist at the end of the interim period. The provision for the doubtful loan receivables and the reversal is expensed under Credit losses, net in the consolidated income statement.

Note 6 – Dividend and new share issue**Information about the Company's shares**

The company's shares are issued in two series, ordinary shares and preference shares. Ordinary shares entail one vote per share. Preference shares carry one vote per share. The number of shares at 31 March 2018 was 10,098,571 ordinary shares and 8,225 preference shares. The nominal value per share is SEK 1.46. See the annual report for further information regarding the Company's shares.

Dividend and new share issue

During the interim period, no dividends have been paid to ordinary shares and SEK 1,424k to preference shares. During the interim period, a new issue of 947 preference shares took place. Of the preference shares issued during the interim period 177 are allocated and registered, and 770 are allocated but not yet registered.

Note 7 – Transactions with related parties

Group	Q1 2019	Q1 2018	FY 2018
<i>Income</i>			
Interest	-	62	224
Total	-	62	224
<i>Costs</i>			
Interest	865	1 337	5 608
Total	865	1 337	5 608
<i>Borrowing</i>			
Shareholders and related companies	36 772		40 213
Summa	36 772		40 213

The Group has borrowed from shareholders and companies affiliated to the shareholders, used to finance lending activities, and made on market terms. In 2018, Qred AB (publ) acquired all shares in Qred Fintech AB from companies owned by the Company.

Note 7 – Significant events after the end of the interim period

No significant events have occurred after the end of the interim period.

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