

– Q2 2019 –

qred

INTERIM REPORT

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JANUARY–JUNE 2019

First half year 2019

Continued strong growth has characterized the first half of the year. Qred is growing in both established markets such as Sweden and Finland, as well as in newer markets such as Denmark and the Netherlands. The group's costs are increasing slightly faster than the growth. Results for the same period in previous year are stated in brackets.

- The loan portfolio increased by 88% to SEK 472.9 m (251.3)
- Interest income increased by 72% to SEK 100.5 m (58.4)
- Operating income increased by 64% to SEK 91.4 m (55.7)
- Operating profit increased by 31% to SEK 17.4 m (13.2)
- Profit for the period increased by 7% to SEK 15.1 m (14.0)

Second quarter 2019

- Operating income increased by 58% to SEK 48.0 m (30.3)
- Operating profit decreased by 9% to SEK 9.9 m (10.9)
- Profit for the period decreased by 11% to SEK 8.6 m (9.6)

Significant events during the second quarter

- In June, the company issued a bond. The total bond framework is EUR 100m, of which EUR 40m has been utilized. The bond has a maturity of 3 years and has a coupon EURIBOR + 8.5% which is paid quarterly.
- The AGM has appointed Andrea Gisle Joosen as board member
- The company has issued 20,000 new ordinary shares to Andrea Gisle Joosen

KPIs

	Q2 2019	Q2 2018	Δ %	2019 H1	2018 H1	Δ %	2018
Interest income (SEK m)	53.6	31.8	68.5%	100.5	58.4	71.9%	136.0
Operating income (SEK m)	48.0	30.3	58.4%	91.4	55.7	64.2%	130.6
Operating margin	20.7%	35.9%	-15.2%	19.0%	23.8%	-4.8%	23.7%
Profit margin	17.9%	31.8%	-13.9%	16.5%	25.2%	-8.7%	20.0%
Interest coverage, x	2.3	4.5	-48%	2.4	3.5	-32%	3.4
FTEs	40	27	48%	38	24	58%	26

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

Profit margin: Profit for the period divided by operating income

Interest coverage: Operating profit plus interest expenses over interest expenses

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.

Other

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

CEO comments

The second quarter was characterized by continued strong demand for small business loans. Lending increased by 88% to SEK 472.9 m (251.3), resulting in revenue increasing by 64% to SEK 91.4 m (55.7).

In June, Qred issued a bond with a framework of EUR 100m, of which EUR 40m was paid out directly. The bond was subscribed by institutional investors such as pension funds, banks and insurance companies. The bond is Qred's first bond and access to institutional capital significantly improves the conditions for continued scalable growth.

It is satisfying to note that professional investors are starting to become aware of business loans as an attractive asset class, which both provide a good return while creating real value for thousands of small businesses. Over time, I believe that demand for this type of asset will increase and the risk premium will decrease as the market matures.

The company has invested heavily in product development, personnel and marketing. Costs have increased slightly faster than revenue. The operating margin fell to 20.7% (35.9%).

Qred is growing relatively quickly in the Netherlands. New markets and new customers entail increased credit risk, which

the company has mitigated through increased loan loss provisions.

Our loan portfolio is well diversified across industries. In Q2 the maximum loan amount was increased from SEK 500 k to SEK 1 m in Sweden, and correspondingly in other markets. This means that the average loan amount will increase over time, while both the return and the expected credit losses are expected to decrease.

Qred is right now the largest Nordic corporate lender within our segment, small business loans up to SEK 1 m. We have lent a total of over SEK two billion to SMEs. This money has gone to investments and working capital in the smallest of companies where the money is most needed. Through our loans, our customers have created thousands of jobs.

I see that as evidence that customers appreciate our products and services. More and more small businesses are becoming aware of Qred and understand that there today are good alternatives to the bigger banks. The simplicity of our product is essential.

Our mission to challenge the old banks and to help small businesses to invest and create jobs continues, and with commitment, digital technology and competent staff, I believe we are moving towards a bright future.

Emil Sunvisson
CEO

QRED IN BRIEF

This is what we do

Qred helps small businesses with temporary liquidity needs. Digitizing the whole process has achieved great benefits both for our customers and for us as lenders. The process becomes easier, faster and safer. This is why many customers have chosen Qred instead of traditional bank financing.

This is what we offer

Financing is a much sought after service among small businesses. Traditional bank loans are complicated to apply for, difficult to obtain, and take a long time to process. With Qred, small businesses get access to simple, fast and transparent financing.

These are our loans

Loan size varies from about SEK 10 k up to SEK 1 m and the maturities are normally 6–36 months. The loan has straight amortization. The loans have no set-up fee, instead using only a fixed monthly fee, have no hidden costs and no fixed term. As a customer, you only pay for the months you use the loan.

This is our team

Qred's employees are our single most important success factor. With strong growth, focus on Fintech, international growth and based in Stockholm, Qred is an attractive employer. As a result, Qred had the opportunity to attract and recruit many talented talents. At the end of H1 2019, the team consisted of more than 40 people working in our offices in Stockholm, Helsinki and Riga.

GROUP INCOME STATEMENT

SEK 000	Note	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Interest income	3	53 644	31 832	100 468	58 431	136 041
Interest expense		1 733	1 555	3 451	2 515	7 621
Other income		-7 398	-3 104	-12 492	-5 274	-13 048
Total operating income		47 979	30 283	91 427	55 672	130 614
Operating expense						
Net loan losses	4	-17 551	-6 200	-33 841	-17 198	-35 810
Personnel costs		-7 771	-4 192	-14 310	-7 870	-18 227
Other expenses		-12 104	-9 029	-24 666	-17 354	-45 648
Depreciation		-626	-	-1 251	-	-
Total operating expense		-38 052	-19 421	-74 068	-42 422	-99 685
Operating profit		9 927	10 862	17 359	13 250	30 929
Other financial income		1 050	1 492	1 834	4 870	3 092
Other financial expense		-16	-4	-16	-4	-230
Result from financial items		1 034	1 488	1 818	4 866	2 862
Earnings before tax		10 961	12 350	19 177	18 116	33 791
Income taxes		-2 353	-2 720	-4 119	-4 098	-7 612
Net income		8 608	9 630	15 058	14 018	26 179

GROUP RESULTS

SEK 000	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Net income	8 608	9 630	15 058	14 018	26 179
Adjustments after re-calculating foreign operations	483	251	814	606	214
Tax on Adjustments after re-calculating foreign operations	-60	-9	-92	33	66
Total net income for the period	9 031	9 872	15 780	14 657	26 459

GROUP BALANCE SHEET

SEK 000	Note	2019-06-30	2018-12-31
ASSETS			
Fixed assets			
Assets with right of use		6 495	-
Deferred tax		9 390	5 116
Total fixed assets		15 885	5 116
Current assets			
Loan receivables	5	472 922	333 456
Other receivables		15 496	16 106
Cash		417 677	43 600
Total current assets		906 095	393 162
TOTAL ASSETS		921 980	398 278
EQUITY			
Equity attributable to the parent company			
Share capital		14 754	14 753
Other directly contributed capital		147 313	126 557
Reserves		2 099	1 322
Retained earnings including profit for the year		45 794	33 391
Total equity		209 960	176 023
LIABILITIES			
Long-term liabilities			
Shareholders and related companies		-	36 226
Liabilities to credit institutions		225 192	158 535
Bond		422 532	-
Other long-term liabilities		3 987	-
Total liabilities		651 711	194 761
Short-term liabilities			
Shareholders and related companies			
Accounts payable		20 328	3 987
Other debts		4 012	1 752
Accrued expenses and prepaid income		29 550	17 519
Total short-term liabilities		6 419	4 236
TOTAL EQUITY AND LIABILITIES		921 980	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 2018-01-01	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 2018-12-31	14 753	126 557	1 322	33 391	176 023
SEK 000	Share capital	Other directly contributed capital	Reserves	Retained earnings including profit for the year	Total equity
Equity 2019-01-01	14 753	126 557	1 322	33 391	176 023
This year's result				15 058	15 058
Exchange rate differences			814		814
Tax on exchange rate differences			-92		-92
Total net income for the period			722	15 058	15 780
Paid previously allocated common shares		-13			-13
Transaction costs for new share issue preferred shares			2		2
Tax effect transaction costs in connection with new issue preferred shares	1	7 309			7 310
New issue preferred shares	0				0
Registration of previously paid, not reg. preferred stock		12 460			12 460
Paid, but not yet registered preferred stock		1 000			1 000
Dividend on preferred shares				-2 655	-2 655
Share-based remuneration - value of employee service			53		53
Equity 2019-06-30	14 754	147 313	2 099	45 794	209 960

GROUP CASH FLOW ANALYSIS

SEK 000	Note	H1 2019	FY 2018
Cash flow from operating activities			
Operating profit incl. operating expenses ¹		17 359	30 929
<i>Adjustments for items not included in cash flow</i>			
-Replacement of depreciation		1 251	-
-Capitalised interest		1 073	368
-Change in credit losses		19 844	11 402
-Other		2 746	3 311
Other interest paid		-	-7
Paid tax		-2 418	-939
Cash flow from operating activities before changes in working capital		39 838	45 064
Change in working capital			
Change in loan receivables		-153 455	-172 545
Change in other operating receivables		-85	-15 218
Change in accounts payable		2 262	396
Change other operating liabilities		1 928	2 780
Change in working capital		-149 350	-184 587
Cash flow from operating activities		-109 512	-139 523
Cash flow from investment activities			
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	6	1 000	1 995
New issue preferred shares	6	19 758	58 284
Preferred shares dividend	6	-2 655	-2 644
New loans		486 834	152 165
Amortisation of loans		-21 566	-37 963
Cash flow from financing activities		483 371	171 837
Cash flow for the period		373 860	33 409
Cash and cash equivalents at the beginning of the period		43 600	9 989
Exchange rate differences in cash and cash equivalents		217	202
Cash and cash equivalents at the end of the period		417 677	43 600

INCOME STATEMENT, PARENT COMPANY SUMMARY

	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Interest income and similar items	2 578	2 351	4 822	4 337	9 253
Interest expenses and similar items	-2 328	-1 227	-3 079	-2 298	-4 575
Total operating income	250	1 124	1 743	2 039	4 678
Other external expenses	-272	-299	-453	-496	-1 642
EBIT	-22	825	1 290	1 543	3 038
Other financial income	-	5	-	23	-
Other financial costs	-130	-	-254	-	-167
EBT	-152	830	1 035	1 566	2 869
Tax on profit	32	-183	-222	-344	-631
Net income	-120	647	814	1 222	2 238

BALANCE SHEET, PARENT COMPANY SUMMARY

	2019-06-30	2018-12-31
ASSETS		
Shares in Group companies	14 881	14 881
Receivables from Group companies	213 823	155 489
Prepayments and accrued income	10 226	-
Cash and cash equivalents	389 292	14 519
TOTAL ASSETS	628 222	188 419
LIABILITIES AND EQUITY		
Equity	163 179	144 260
Long-term liabilities to Group companies	10 685	6 520
Loans	422 532	24 946
Accounts payable	689	13
Current tax liabilities	820	653
Other debts	28 667	7 986
Accrued expenses and prepaid income	1 650	511
TOTAL EQUITY AND LIABILITIES	628 222	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 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	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Gross income from loan receivables	55 081	31 832	102 918	58 431	136 041
Other income from loan receivables	1 133	955	2 251	1 849	4 057
Other service income	600	600	1 200	666	3 340
Other interest income	-	62	-	125	224
Gross revenues	56 814	33 449	106 369	61 071	143 662
Interest expense	-7 398	-3 166	-12 492	-5 399	-13 048
Other direct costs	-1 437	-	- 2 450	-	-
Operating revenues	47 979	30 283	91 427	55 672	130 614

Note 4 – Net credit losses

Group	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Realised credit losses	7 604	17	13 997	-35	24 408
Change in reserves, net	9 947	6 183	19 844	17 233	11 402
Total	17 551	6 200	33 841	17 198	35 810

Note 5 – Loan receivables

Group	H1 2019	FY 2018
Loan receivables, gross	517 132	357 362
Reservation for uncertain loan receivables	-44 210	-23 906
Net Loan receivables	472 922	333 456
Overdue loan receivables	31 565	16 739
Loan receivables maturing in 0 to 3 months	188 623	133 718
Loan receivables maturing in 3 to 12 months	269 016	199 619
Loan receivables maturing in more than 12 months	27 928	7 286
Total	517 132	357 362
Reported amounts, per currency, for the Group's loan receivables	H1 2019	FY 2018
SEK '000	217 586	169 799
EUR '000	21 171	15 453
DKK '000	22 401	21 148

The provision for loan losses amounted to SEK 9 947 k. 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 the end of the period was 10 098 571 ordinary shares and 7 787 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 H1 2019, no dividends have been paid to ordinary shares and SEK 2 655 k to preferred shareholders. During H1 2019, a new issue of 1 977 preferred shares took place. Of these 1 977 preferred shares, 177 were newly issued, while 1 800 have been issued, but not yet registered. Also during Q2 2019 a new issue of 20 000 common stock shares was made, but not yet registered.

Note 7 – Transactions with related parties

Group	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
<i>Income</i>					
Interest	-	63	-	125	224
Total	-	63	-	125	224
<i>Costs</i>					
Interests	7 085	3 166	12 027	5 399	5 608
Total	7 085	3 166	12 027	5 399	5 608
Group	H1 2019			FY 2018	
<i>Borrowing</i>					
Shareholders and related companies	20 328			40 213	
Total	20 328			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 8 – Significant events after the end of the interim period

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

Contact

Qred AB (publ)
Tulegatan 15
113 53 Stockholm

finance@qred.com
<https://qred.com>
08-474 46 62