

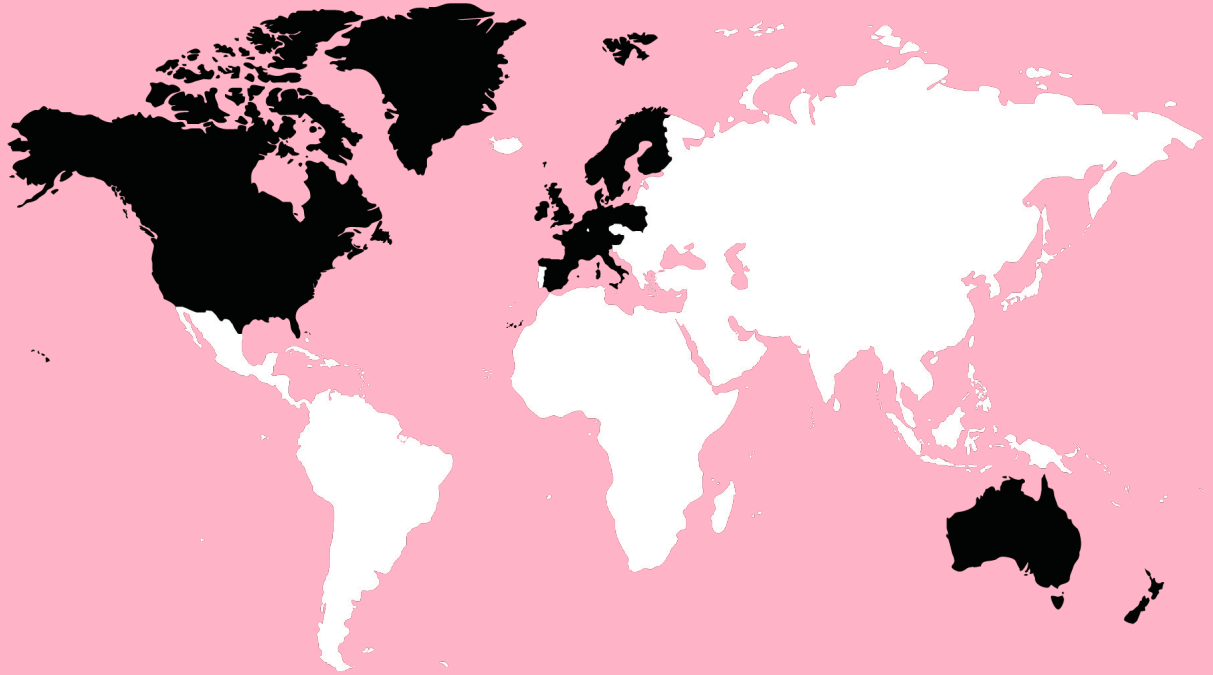
# Klarna Business Update.

January-June 2020



# This is Klarna.

- Founded 2005 in Stockholm.
- Now active in 17 core markets on three continents.
- Partners with +200,000 retailers globally.
- 85 million consumers globally have used our services.
- Europe's most highly valued privately held fintech company at a USD 5.5bn valuation (August 2019).
- +55% volume growth and +30% revenue growth (CAGR) during the last seven years.
- Top tier investor base including Sequoia Capital, Permira, Bestseller, CommBank, Dragoneer, Atomico, Ant Financial and H&M.



# Financial information.

**44%**

Gross merchandise volume -  
H1 2020 vs. H1 2019

**215bn** (148)

Gross merchandise volume -  
USD 22bn<sup>1</sup> (16)<sup>2</sup>

**37%**

Total net operating income -  
H1 2020 vs. H1 2019

**4,557m** (3,329)

Total net operating income -  
USD 470m<sup>1</sup> (358)<sup>2</sup>

**22.3%** (13.3)

CET1 ratio - June 2020

<sup>1</sup> Klarna Holding AB's results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.7 SEK for the first six months 2020.

<sup>2</sup> Klarna Holding AB's results are reported in SEK. To arrive at USD values, the average exchange rates YTD have been used; 1 USD equals approximately 9.3 SEK for the first six months 2019.



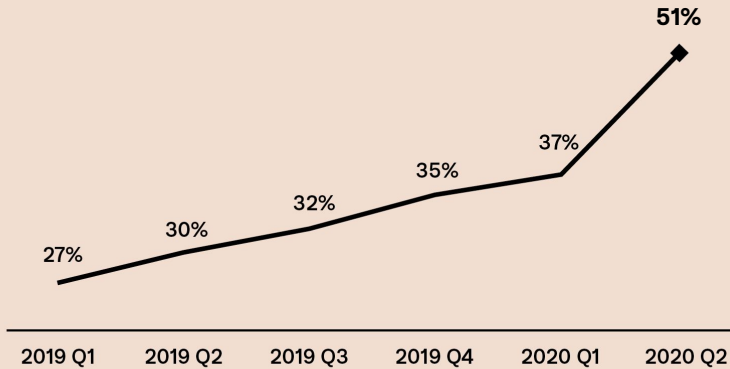
# Key highlights from the period.

- Strong growth in H1 with accelerating gross merchandise volume and net operating income growth in Q2 2020 (51% and 41% year-on-year respectively).
- 35,000 new retail partners, approximately 200 new per day.
- 14 million new consumers and 12 million monthly active Klarna app users at the end of the period.
- 45,000 app installs every day - 3x higher compared to same period last year.
- Since launch in summer 2019, Klarna has been outpacing our closest competitors with almost 1.5 million more app installs.
- Launch of Vibe - the first buy now, pay later loyalty program.
- Launched in Australia, Belgium and Spain.



# Robust performance to date with accelerating volume growth trend.

## Year-on-year growth (gross merchandise volume)

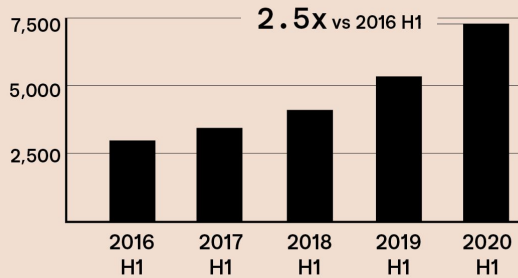


- Covid-19 has driven major shifts in the retail landscape, with accelerating online penetration in many of Klarna's key verticals (e.g. apparel, footwear, accessories, home & garden, beauty, etc.) while others (travel, ticketing) have been negatively affected.
- Many retailers have recently expedited the development of their online offering as this has become the key engagement channel, and we have seen a significant acceleration of global retail brands partnering with us year to date, and look forward to many going live very shortly for peak shopping season in the fall.
- Despite taking precautionary measures during the first half of 2020, including adjusting our credit policies globally, Klarna has seen accelerated growth and demand from retailers and consumers. Our balance sheet strength, current all time high consumer credit quality indicators in the US, and continued focus on further improving our elevated shopping experience, ensures that Klarna is well positioned to meet this growing demand.
- The result further solidifies the trend of accelerating growth seen during the last years.

# Positive long-term trends in consumer activity and experience.

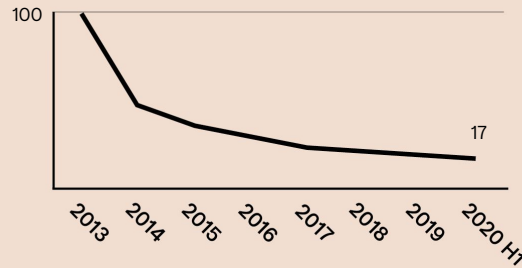
## Volume per consumer

Volume (SEK) per active consumer and period in Sweden.



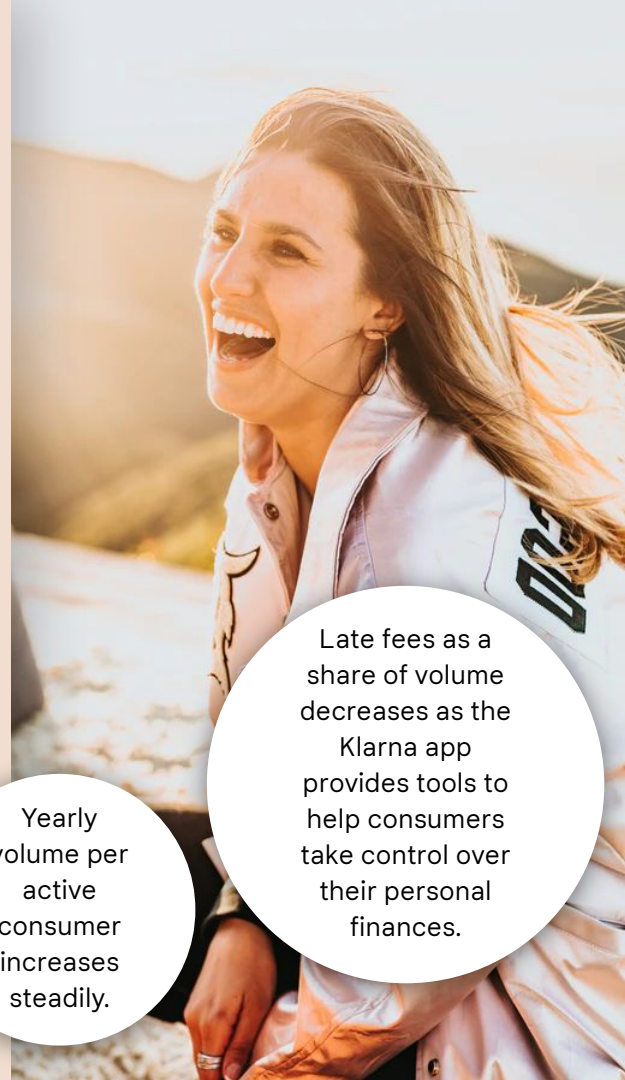
## Late fees

Indexed late fees as share of volume. Late fees are defined as fees that originate from consumers not paying on time.



Yearly volume per active consumer increases steadily.

Late fees as a share of volume decreases as the Klarna app provides tools to help consumers take control over their personal finances.

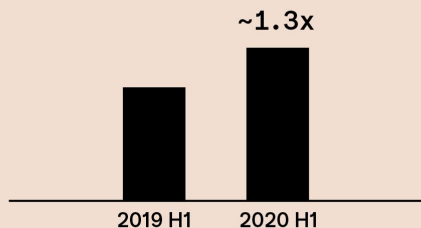


# A preferred growth partner for retailers.

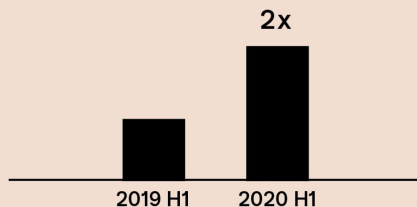
## Active retailers

Growth in number of retailers with transactions during the last twelve months.

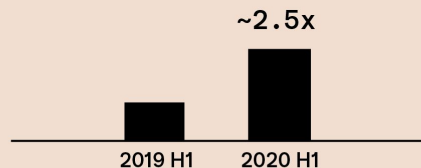
### Global



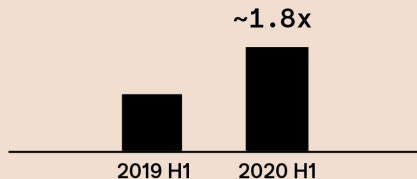
### In-store



### US



### UK



Main focus on growth in new markets, e.g. the US and the UK

Rapid growth of Klarna's in-store offering.



# Newly added retail partners.

SEPHORA



ANINE BING



Charlotte Tilbury



GROUPON®



SHEIN

TED BAKER  
LONDON



RALPH LAUREN

CLUB MONACO

*FINISH LINE*



AÉROPOSTALE

NAUTICA



# Strong base of more than 200,000 retail partners.

MVMTM

*ticketmaster*

AliExpress™

**D&G**  
DOUCE GABBANA

Acne Studios

**Dr. Martens**

**ASOS**

**H&M**

DANIEL  
WELLINGTON

**FARFETCH**

INDOCHINO

極度乾燥(しなさい)  
**Superdry.**

MARCHESA

**A.P.C.**

**MK**  
MICHAEL KORS

ALLSAINTS

**SONOS**

TOPSHOP  
TOPMAN



*Agent Provocateur*

*Lulus*

M. G E M I

**BOSE**

GOOD AMERICAN

*cult*  
**BEAUTY**

boohoo

Abercrombie  
& Fitch

**AIRFRANCE**

Timberland

Expedia™

L U N Y A

GYMSHARK

bebe

overstock.

PRETTYLITTLETHING

SAMSUNG

**Lenovo**

RIVER  
ISLAND

R I T  
U A L  
S ...

*NASTY GAL*

NINE WEST



**BEAUTY BAY**

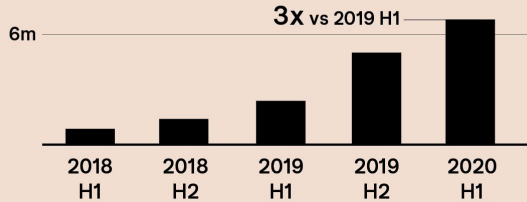
dyson

Planet blue

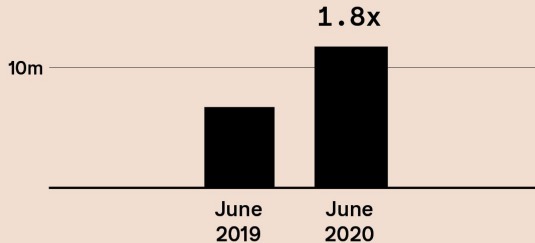
TOMS

# Klarna app continuing to show strong momentum.

## Global app installs

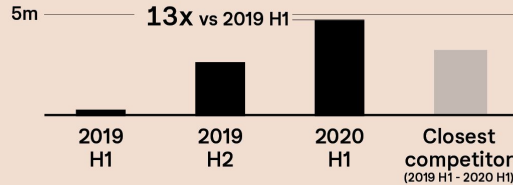


## Global monthly active app users

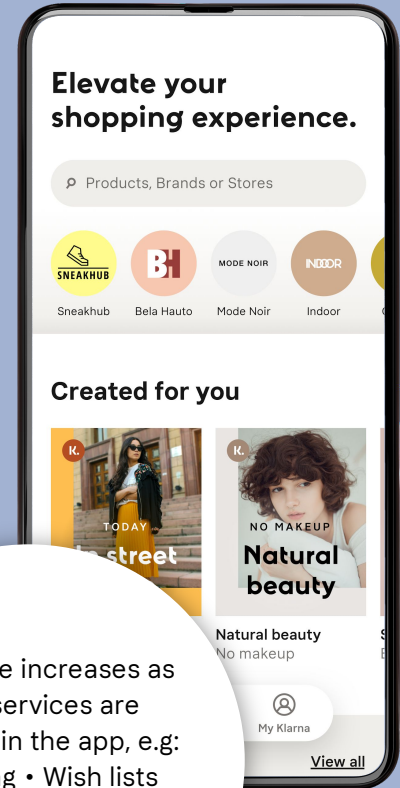
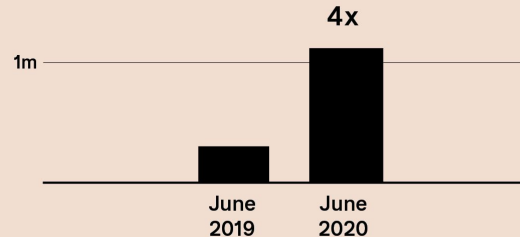


## US app installs

Cumulative since January 1st, 2019. Competitor data from App Annie.



## US monthly active users

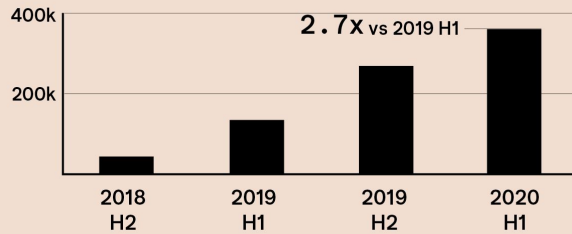


App usage increases as more services are launched in the app, e.g:

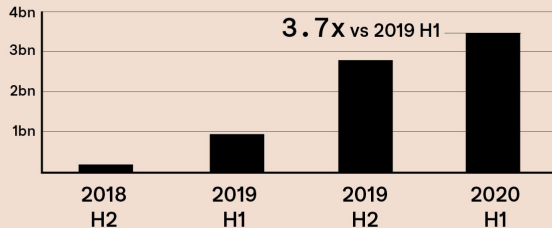
- Shopping • Wish lists
- Deliveries • Spending
- Price drop notifications

# Klarna Card has proven to be an attractive consumer proposition.

Issued cards to new users (accumulated)



Card volume (SEK)



Average volume per active card increases as card holders increase their usage of the card.

Klarna card now live in Sweden and Germany. More markets to follow.



# Financial overview.



# Income statement

Amounts in SEKm	Jan-Jun 2020	Jan-Jun 2019
<b>Total net operating income</b>	<b>4,557</b>	<b>3,329</b>
Total operating expenses before credit losses	-4,015	-2,776
<b>Operating profit before credit losses, net</b>	<b>542</b>	<b>554</b>
Credit losses, net	-1,194	-618
<i>Credit losses, net (excl. additional reserve)</i>	<i>-1,067</i>	<i>-618</i>
<b>Operating profit</b>	<b>-652</b>	<b>-65</b>
<b>Net profit for the period</b>	<b>-522</b>	<b>-73</b>

*Numbers may not sum due to rounding.*

- Total net operating income growth of 37% to SEK 4.6bn, driven primarily by growth in net interest income of 17% and growth in commission income of 43%.
- Growth in commission income driven by increased sales volumes and higher consumer activity across all markets but especially in the US and UK market.
- Total operating expenses before credit losses grew 45% to SEK 4bn, in line with plan as the commitment stands to further invest to deliver value in terms of brand awareness and a consumer-friendly product range.
- Credit quality remains steady and at low levels in core markets and is steadily improving in newer markets.

# Balance sheet

Amounts in SEKm	Jun 30 2020	Dec 31 2019	Jun 30 2019
<b>Assets</b>			
Cash and balances with central banks	1,922	107	1
Treasury bills chargeable at central banks, etc.	5,301	2,511	2,496
Loans to the public	32,975	29,655	22,639
Other current and non-current assets	8,516	7,617	5,336
<b>Total assets</b>	<b>48,714</b>	<b>39,889</b>	<b>30,472</b>
<b>Liabilities</b>			
Liabilities to credit institutions	2,541	4,940	466
Deposits from the public	23,687	12,288	15,218
Debt securities in issue	4,768	5,583	1,998
Other current and non-current liabilities	8,323	7,423	6,908
<b>Equity</b>			
Total equity	9,395	9,655	5,882
<b>Total liabilities and equity</b>	<b>48,714</b>	<b>39,889</b>	<b>30,472</b>

Numbers may not sum due to rounding.

- Loans to the public growth of 46% year-on-year, reflecting the overall volume growth.
- Materially increased cash and liquidity buffer, reflected by 189% growth in cash and treasury bills chargeable at central banks, etc.
- Loans to the public have been partly funded by the increase in Deposits from the public, which have increased by 56% year-on-year to SEK 24bn, primarily driven by EUR deposits.
- Klarna also issued debt and raised new equity during the last twelve months, as reflected by the increase in Debt securities in issue by 139% and Total equity by 60%.

# Cash flow statement

Amounts in SEKm	Jan-Jun 2020	Jan-Jun 2019
Cash flow from operating activities	2,476	-630
Cash flow from investing activities	-331	-1,107
Cash flow from financing activities	-659	1,012
Cash flow for the period	1,486	-724
Cash and cash equivalents at the beginning of the period	1,624	2,272
<b>Cash and cash equivalents at the end of the period</b>	<b>3,124</b>	<b>1,598</b>
<b>Cash and cash equivalents include the following items:</b>		
Cash and balances with central banks	1,922	1
Loans to credit institutions	1,202	1,598
<b>Cash and cash equivalents</b>	<b>3,124</b>	<b>1,598</b>

Numbers may not sum due to rounding.

- Positive cash flow from operating activities, as increased negative operating profit was offset by increased non-cash items (such as provision for credit losses) and positive change in the assets and liabilities of operating activities (such as increase in deposits from the public).
- Decreased negative cash flow from investing activities, as higher investments in intangible and tangible assets were offset by lower investments in business combinations (last year's period includes the acquisition of Close Brothers Retail Finance).
- Negative cash flow from financing activities, as a lower amount of capital was raised by issue of new shares compared to last year, and short-term debt securities in issue were reduced.

**Klarna.**