

# First Quarter Results 2024

**SEK 247 bn**

GMV<sup>1</sup> | 17% Q124 YoY

**SEK 6.4 bn**

Revenue | 29% Q124 YoY

**SEK 3.0 bn**

Gross profit | 22% Q124 YoY

**SEK 229 m**

Adj. operating income<sup>2</sup> Q124

The information is presented for Klarna Holding AB (publ), if not otherwise stated.

/// Klarna continues its acceleration with 29% revenue growth year on year. Coupled with the power of AI to lower operating expenses, we have once again delivered a profitable quarter with a substantial SEK 727m improvement in adjusted operating income. With several new products set to launch in the coming months, we're preparing for a truly exciting year ahead. ///

Sebastian Siemiatkowski, CEO and Co-Founder of Klarna

<sup>1</sup> Total monetary value of payment products and services sold through the Klarna network over a given period of time.

<sup>2</sup> Adjusted operating income (loss) is defined as IFRS operating result excluding restructuring costs, share-based payments and related payroll taxes, depreciation and amortization of intangible and tangible assets, and other income (expense). A reconciliation of adjusted operating income (loss) to operating result can be found on p6 of this report.

## Financial summary (Klarna Holding AB)

Q1 2024

Amounts in SEKm	Q1 2023	Q1 2024	YoY
<b>Gross merchandise volume</b>	210,696	247,176	17%
Transaction and service revenue	4,079	5,373	32%
Interest income from operating activities	871	992	14%
<b>Total revenue</b>	<b>4,949</b>	<b>6,364</b>	<b>29%</b>
Processing and servicing	(1,339)	(1,394)	4%
Consumer credit losses	(748)	(1,191)	59%
Funding costs	(429)	(817)	90%
<b>Transaction costs</b>	<b>(2,516)</b>	<b>(3,401)</b>	<b>35%</b>
<b>Gross profit</b>	<b>2,433</b>	<b>2,963</b>	<b>22%</b>
Technology and product development	(734)	(835)	14%
Sales and marketing	(694)	(615)	(11%)
Customer service and operations	(658)	(594)	(10%)
General and administrative (G&A)	(948)	(805)	(15%)
Depreciation, amortization and impairments	(581)	(376)	(35%)
<b>Operating expenses</b>	<b>(3,615)</b>	<b>(3,225)</b>	<b>(11%)</b>
<b>Operating income (loss)</b>	<b>(1,182)</b>	<b>(263)</b>	<b>(78%)</b>
- Depreciation and amortization	414	376	(9%)
- Share based payments	104	63	39%
- Restructuring and other	166	52	69%
<b>Adjusted operating income (loss)</b>	<b>(498)</b>	<b>229</b>	<b>n.m</b>
Other income (expense)	30	19	(36%)
Income tax	(98)	(80)	(18%)
<b>Net income (loss)</b>	<b>(1,250)</b>	<b>(323)</b>	<b>74%</b>
<b>Key ratios</b>			
Revenue take rate	2.35%	2.57%	23 bps
Consumer credit loss rate	0.36%	0.48%	13 bps
Gross margin	49%	47%	-2.6p.p

# Accelerated Sustainable Revenue & Profit Growth

We're excited to report a 29% increase in total revenue, a substantial acceleration from the 13% growth in the same quarter the previous year. This surge is driven by our expanding presence in the US, where we continue to onboard major retailers. As the preferred choice for consumers' everyday spending, commerce thrives on the Klarna network.

In the US, Klarna's biggest market by revenue, Q124 revenues increased by 38% YoY, while gross profit saw an impressive rise of 97% over the same period. This continued performance has contributed to a 22% improvement in gross profit at a group level.

## AI's positive impact on the bottom line

While revenues grew, we drove an 11% reduction in our operating expenses. Klarna is leaning into the AI revolution. Efficiencies are visible across Klarna, with 90% of employees now leveraging AI for their daily work. This internal AI revolution is further propelled by Kiki, Klarna's bespoke internal AI assistant, which has adeptly responded to over 250,000 inquiries.

Klarna achieved an adjusted operating income of SEK 229m, compared to a loss of SEK -498m in Q123, an improvement of SEK 727m as we continue to focus on operating leverage improvements for long-term sustainable profitability.



# Klarna enters partnerships with even more of the world's biggest brands

Q124 saw a continued expansion of our vertical footprint, allowing our consumers to use our platform for more of their everyday spending needs.

Key partnerships include our collaboration with Uber and Uber Eats in the US, Germany, and Sweden, which has enhanced customer convenience and engagement significantly. In the US, 12% of

customers are new to Klarna, and we're seeing customers using our services to purchase both Rides and Eats, demonstrating the successful integration and appeal of our payment solutions. Similarly, our partnership with Expedia.com and Hotels.com have expanded our footprint in the travel sector, introducing flexible payment options to a broader audience.

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## Q124 product innovations that develop Klarna as an everyday spending partner

Our product innovation efforts continue to enhance the Klarna user experience and operational efficiency

**AI marketing:** Klarna cut its Q124 sales and marketing spend by 11%, while increasing marketing activity. AI accounted for 37% of the savings, about USD 10m annually.

[Press release](#)

**Klarna Card in the US:** Offering flexible payments, cashback rewards, and no hidden fees.

[Press release](#)

**AI Assistant:** Engaging with 4 million consumers, reducing repeat inquiries by 25%, and delivering annualized savings of USD 40m.

[Press release](#)

**Sign in with Klarna:** Simplifies online shopping by allowing consumers to quickly log in and choose the personal data they share.

[Press release](#)

**Klarna Plus:** A subscription service that has attracted 70,000 sign-ups, offering waived fees, double rewards, and exclusive deals.

[Press release](#)

# Sustainability Commitments

Our environmental initiatives have been recognized with the 'most Disruptive Global Climate Action Initiative' award at the CSR Excellence Awards 2023. We also announced the expansion of the Climate Transformation Fund to USD 7m, in collaboration with Milkywire supporting over 45 organizations by 2024. Furthermore, we doubled our internal carbon tax to USD 200 per ton for direct emissions, enabling further investment in innovative carbon removal projects and sustainable practices without relying on traditional carbon offsets.



## Significant events after this period

On 19 April 2024, Klarna Holding AB issued USD 100m of Tier 2 notes in a private placement.

# Presentation of the income statement

As a Swedish banking group, Klarna presents our financial statements<sup>3</sup> in line with Swedish Financial Supervisory Authority regulations (FFFS 2008:25)<sup>4</sup> and the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL, 1995:1559), which prescribes a specific format for income statement presentation for credit institutions and securities companies.

In our financial summary, Klarna presents an income statement view designed to enhance understanding of Klarna's underlying business performance. Unlike traditional banks, the majority of our revenue is derived from transaction and service revenue linked to the volume of transactions or advertising services we facilitate, rather than from interest on balances.

Therefore, Klarna uses several specific measures of financial performance that we believe are important as they reflect underlying business activity. This includes revenue, gross profit and adjusted operating income (loss).

The information in the reconciliation presented below is for Klarna Holding AB (publ).

## Reconciliation of Revenue to Total net operating income

Amounts in SEKm	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Revenue</b>	<b>4,949</b>	<b>5,509</b>	<b>5,993</b>	<b>7,053</b>	<b>6,364</b>
Commission expenses	(222)	(226)	(253)	(302)	(308)
Net result from financial transactions	(112)	(144)	99	6	(62)
Interest expenses	(481)	(577)	(768)	(1,034)	(1,024)
Interest income from liquidity assets	225	234	306	374	361
<b>Total net operating income</b>	<b>4,359</b>	<b>4,796</b>	<b>5,377</b>	<b>6,097</b>	<b>5,331</b>

Revenue is defined as Total net operating income in accordance with IFRS excluding; commission expense, interest expense, net result from financial transactions and interest on liquidity assets not related directly to the core business. Interest on liquidity assets that are not directly related to the core business stems from loans to credit institutions and other interest income. Klarna believes Revenue is the best indicator of how much value we are sustainably generating from our business and that this approach is in-line with our peers.

## Reconciliation of Total net operating income to Gross profit

Amounts in SEKm	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Total net operating income</b>	<b>4,359</b>	<b>4,796</b>	<b>5,377</b>	<b>6,097</b>	<b>5,331</b>
<b>Including</b>					
Processing and servicing	(1,339)	(1,374)	(1,423)	(1,565)	(1,394)
Consumer credit losses	(748)	(929)	(780)	(1,308)	(1,191)
<b>Excluding</b>					
Interest expenses*	(12)	(12)	(11)	(10)	(8)
Commission expenses*	(180)	(162)	(191)	(239)	(231)
Net result from financial transactions*	32	(44)	202	105	22
<b>Gross profit</b>	<b>2,433</b>	<b>2,709</b>	<b>3,174</b>	<b>3,367</b>	<b>2,963</b>

\* of which are not directly related to revenue-generating activities.

Gross profit is defined as Total net operating income in accordance with IFRS, including costs related to processing and servicing, within general administrative expenses<sup>5</sup>, and consumer credit losses within credit losses, net<sup>5</sup>. Excluding interest expenses, commission expenses, currency gains and losses, and fair revaluation of securities, of which are not directly related to revenue-generating activities. Klarna believes gross profit is the best indicator of the core profitability of the company's business activities before the deduction of operating expenses.

<sup>3</sup> Found on page 8 of this report

<sup>4</sup> In addition to International Financial Reporting Standards (IFRS)

<sup>5</sup> In accordance with IFRS and as included on Klarna Holding AB's income statement

## Reconciliation of Gross profit to Operating result

Amounts in SEKm	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Gross profit</b>	<b>2,433</b>	<b>2,709</b>	<b>3,174</b>	<b>3,367</b>	<b>2,963</b>
Operating expenses	(3,615)	(3,438)	(3,244)	(4,879)	(3,225)
Other income (expense)	30	(45)	201	105	19
<b>Operating result</b>	<b>(1,152)</b>	<b>(775)</b>	<b>130</b>	<b>(1,408)</b>	<b>(243)</b>

Operating result, in accordance with IFRS, is calculated from gross profit after deducting operating expenses and other income (loss).

## Reconciliation of Operating result to Adjusted operating income (loss)

Amounts in SEKm	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
<b>Operating result</b>	<b>(1,152)</b>	<b>(775)</b>	<b>130</b>	<b>(1,408)</b>	<b>(243)</b>
Restructuring and other	(166)	(213)	197	(482)	(52)
Share-based payments	(104)	(135)	(102)	(121)	(63)
Depreciation and amortization*	(414)	(436)	(443)	(405)	(376)
Other income (expense)	30	(45)	201	105	19
<b>Adjusted operating income (loss)</b>	<b>(498)</b>	<b>55</b>	<b>277</b>	<b>503</b>	<b>229</b>

\* Certain costs associated with depreciation, amortization, and impairment of intangible and tangible assets in the income statement are categorized under restructuring costs in the table above, reflecting their associated nature.

Adjusted operating income (loss) excludes items that are generally not a function of the company's underlying operating performance and therefore we view it as an important metric to understand core profitability.

Adjusted operating income (loss) now replaces the previous term, adjusted operating result. Adjusted operating income (loss) is defined as operating result, in accordance with IFRS, before restructuring costs, share based payments and related payroll taxes, depreciation and amortization, and other income (expense). Other income (expense) was previously included within Operating income (loss) and Adjusted operating income (loss). Other income (loss) is now excluded from Operating income (loss) and Adjusted operating income (loss), better reflecting income and expenses unrelated to Klarna's core operations.

## Income Statement, Klarna Bank AB Group

The following financial statements presented are for the Klarna Bank AB Group.

Amounts in SEKm	Jan - Mar 2024	Jan - Mar 2023	Jan - Dec 2023
Interest income	1,354	1,095	4,845
Interest expenses	(1,150)	(556)	(3,140)
<b>Net interest income</b>	<b>204</b>	<b>539</b>	<b>1,705</b>
Commission income	4,870	3,617	17,826
Commission expenses	(308)	(222)	(1,003)
Net result from financial transactions	(59)	(111)	(151)
Other operating income	502	462	1,984
<b>Total net operating income</b>	<b>5,209</b>	<b>4,285</b>	<b>20,361</b>
General administrative expenses	(3,971)	(4,114)	(17,301)
Depreciation, amortization and impairment of intangible and tangible assets	(376)	(581)	(2,291)
<b>Total operating expenses before credit losses</b>	<b>(4,347)</b>	<b>(4,695)</b>	<b>(19,592)</b>
<b>Operating result before credit losses, net</b>	<b>862</b>	<b>(410)</b>	<b>769</b>
Credit losses, net	(1,209)	(775)	(4,032)
<b>Operating result</b>	<b>(347)</b>	<b>(1,185)</b>	<b>(3,263)</b>
Income tax	(61)	(86)	657
<b>Net result for the period</b>	<b>(408)</b>	<b>(1,271)</b>	<b>(2,606)</b>

Unlike the balance sheet, which shows a snapshot of assets and liabilities as at each period end, the credit losses in the income statement reflect provisions for future losses and realized losses associated with all lending activities during the period.



## Balance Sheet, Klarna Bank AB Group

Amounts in SEKm	31 Mar 2024	31 Dec 2023	31 Mar 2023
<b>Assets</b>			
Cash and balances with central banks	32,190	22,028	13,049
Treasury bills chargeable at central banks, etc.	13,089	7,267	18,538
Loans to credit institutions	5,749	4,500	2,363
<b>Loans to the public</b>	<b>85,149</b>	<b>86,108</b>	<b>66,721</b>
Bonds and other interest-bearing securities	303	506	861
Other shares and participations	460	345	344
Intangible assets	11,070	11,063	11,680
Tangible assets	1,189	1,228	1,898
Deferred tax assets	301	282	384
Other assets	2,215	2,798	2,577
Prepaid expenses and accrued income	961	858	873
<b>Total assets</b>	<b>152,676</b>	<b>136,983</b>	<b>119,288</b>
<b>Liabilities</b>			
Liabilities to credit institutions	1,758	1,636	1,082
Deposits from the public	108,173	97,096	79,333
Debt securities issued	936	651	1,642
Deferred tax liabilities	18	5	889
Other liabilities	23,392	19,173	20,424
Accrued expenses and prepaid income	3,519	3,586	2,656
Provisions	102	128	95
Subordinated liabilities	-	-	303
<b>Total liabilities</b>	<b>137,898</b>	<b>122,275</b>	<b>106,424</b>
<b>Equity</b>			
Share capital	78	78	74
Other capital contributed	35,240	35,240	31,980
Reserves	739	284	466
Additional Tier 1 instruments	276	276	276
Retained earnings	(21,147)	(18,564)	(18,658)
Net result for the period	(408)	(2,606)	(1,274)
<b>Total equity</b>	<b>14,778</b>	<b>14,708</b>	<b>12,864</b>
<b>Total liabilities and equity</b>	<b>152,676</b>	<b>136,983</b>	<b>119,288</b>

Loans to the public represents only the amount of outstanding loans receivable, as at each period end, and is net of allowance for future credit losses. This balance is only partially comparable to credit losses on the income statement as the income statement reports all activity during the period, while the balance sheet is a snapshot of lending outstanding as at the period end date.

## Cash Flow Statement, condensed, Klarna Bank AB Group

Amounts in SEKm	Jan - Mar 2024	Jan - Mar 2023	Jan - Dec 2023
Cash flow from operating activities <sup>1</sup>	13,470	5,124	6,221
Cash flow from investing activities	(110)	(263)	(874)
Cash flow from financing activities	191	(173)	1,691
<b>Cash flow for the period</b>	<b>13,551</b>	<b>4,688</b>	<b>7,038</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>24,167</b>	<b>17,724</b>	<b>17,724</b>
Cash flow for the period	13,551	4,688	7,038
Exchange rate diff. in cash and cash equivalents	1,069	23	(595)
<b>Cash and cash equivalents at the end of the period</b>	<b>38,787</b>	<b>22,435</b>	<b>24,167</b>
<b>Cash and cash equivalents include the following items</b>			
Cash held with central banks	31,745	12,903	21,784
Loans to credit institutions <sup>2</sup>	4,043	1,293	2,383
Treasury bills chargeable at central banks, etc.	2,999	8,239	-
<b>Cash and cash equivalents</b>	<b>38,787</b>	<b>22,435</b>	<b>24,167</b>
Additional liquidity portfolio	10,393	11,160	7,774
<b>Total cash and liquidity</b>	<b>49,180</b>	<b>33,595</b>	<b>31,941</b>

<sup>1</sup> Cash flow from operating activities includes interest payments received and interest expenses paid.

<sup>2</sup> SEK 4bn of Loans to credit institutions are classified as Cash and cash equivalents as at March 31, 2024.

As a bank, cash flows from operating activities primarily represent the net flows of money coming in and going out from the bank's consumer lending and retail deposit activities. It's not a reflection of the bank's net operating result for the period. In addition to the SEK 38.8bn in cash and cash equivalents held at year-end, Klarna also maintains an additional liquidity portfolio of SEK 10.4bn.