

INTERIM REPORT

January – June 2018

Legres AB (publ)

Published August 29, 2018

INTERIM REPORT JANUARY – JUNE 2018

SUMMARY: APRIL – JUNE 2018

- Net Sales amounted to SEK 199.5 million
- Operating Result amounted to SEK 58.9 million
- Net Result amounted to SEK 33.0 million
- Cash Flow from operating activities amounted to SEK -3.4 million

SUMMARY: JANUARY – JUNE 2018

- Net Sales amounted to SEK 392.2 million
- Operating Result amounted to SEK 74.6 million
- Net Result amounted to SEK 33.4 million
- Cash Flow from operating activities amounted to SEK 40.4 million

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- Per 1 May, Sergel Kreditjänster AB ended the possibility to accrue future pensions in the corporate pension plan. This resulted in a non-recurring income effect of 23.1 million according to IAS 19.
- Tiina Salum-Dömstedt has been appointed new CFO and succeeds acting CFO Per Örtlund. Tiina will start her employment in September.

KEY FIGURES (SEK million)	APRIL - JUNE 2018	JANUARY – MARCH 2018	JANUARY - JUNE 2018
Net Sales	199,5	192.7	392,2
EBITDA	70,8	27.3	98,1
Adjusted EBITDA	47,7	27.3	75,0
Operating Result	58,9	15.7	74,6
Net Result	33,0	0.4	33,4
Interest Coverage Ratio	3,5x	3.5x	
Net Interest Bearing Debt to EBITDA	2.2x	2.3x	
Cash and Cash Equivalents	336.3	335.3	336,3

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- Sergel Kreditjänster AB has carried out partial redemption of the corporate pension liability with Alecta in July and August. The redemption amount totaled 116.8 million and causes a substantial decrease of the pension liability during the third quarter of 2018.
- Isak Åsbrink has been appointed new CEO and succeeds acting CEO Charlotte Strandberg. Isak will start his employment by February 2019.

About Legres AB (Publ)

Legres AB (Publ) is the parent company of the Sergel companies in the Nordic region. These were acquired in June 2017 from Telia Company. The Sergel companies have almost 350 employees and consist of Sergel Kreditjänster AB in Sweden, Sergel Oy in Finland, Sergel Norge AS in Norway and Sergel A/S in Denmark. The Sergel companies market credit management services, debt collections and clearing house services.

COMMENTS FROM THE CEO

The Sergel companies meet expectations and show strong performance during the second quarter. The operating result for the quarter increased to 58.9 million, compared to 15.7 for the previous quarter. The operating result adjusted for non-recurring items consisting of income of 23.1 million still underlines this excellent development. Net sales for the quarter exceeded expectations and amounted to 199.5 million. Net sales for the first six months of the year amounted to 392.2 million, which is an increase by 8 % compared to the second half of 2017.

The Norwegian subsidiary delivered a major improvement in performance, mainly due to successful recruitment of new customers. The Finnish operations show signs of recovery, mainly thanks to new customer agreements from the beginning of the year which are now contributing to the results.

The separation from Telia Company was completed during the quarter. This means that we have now assumed control of all central functions such as finance, IT and telephony. We are now completely independent and have no operating reliance on Telia. We are therefore free to focus on our target to become one of the three largest credit management companies in the Nordic region.

Every day, we manage and deal with the digital shift of paradigm that changes industry sectors and business models. We are embarking on a powerful strategic transformation we call “Sergel House”, meaning that we will gradually renew and modernize our entire IT platform based on the needs of customers, debtors and employees. This will affect user interfaces, core systems, and other support infrastructure. In the long run, this will vastly increase efficiency and business development, thereby creating value for our customers and our business model. Sergel House is a very important part of our efforts to constantly improve our services and strengthen our competitiveness in the market. During the second quarter, user interfaces were improved by simplifying access and increasing information quality for both customers and debtors. Furthermore, we improved the payment possibilities and digitalized parts of debtor communications.

By digitalizing the Sergel companies, we create internal efficiencies and improve possibilities for successful cooperation between all the Sergel companies in the Nordic region.

The finalization of the separation with Telia and the ongoing digitalization of our business has created needs for new competencies in the organization. During the second quarter, a number of key employees were recruited within business intelligence, HR, credit decisions, business development, sales and finance.

The efforts to build a stronger and more modern Sergel will continue and will make us more attractive as a Nordic cooperating partner each quarter.

Isak Åsbrink has been appointed new CEO and will therefore succeed me. Isak will start his employment by February 2019.

Charlotte Strandberg
CEO
Legres AB (publ)

GROUP FINANCIALS

GROUP FINANCIALS (SEK million)	APRIL - JUNE	JANUARY – MARCH	JANUARY - JUNE
	2018	2018	2018
Net Sales	199,5	192.7	392,2
EBITDA	70,8	27.3	98,1
Adjusted EBITDA	47,7	27.3	75,0
Operating Result	58,9	15.7	74,6
Financial Net	-16,5	-15.0	-31,5
Tax	-9,4	-0.3	-9,7
Net Result	33,0	0.4	33,4
Average number of employees	346	350	348,5

INCOME AND EARNINGS

The Group's net sales in the second quarter amounted to SEK 199.5 million, which is an improvement by 4 % compared to the previous quarter. The operating result for the second quarter was SEK 58.9 million, which is 43.2 million higher than the first quarter. Excluding non-recurring income from recalculation of the pensions liability, the improvement was 20.1 million. The operating result adjusted for depreciations was SEK 47.7 million.

FINANCIAL NET

The Group's financial net in the second quarter amounted to SEK -16.5 million whereof financial costs for Bonds amounted to -10.0 million and financial costs for Shareholder Loan amounted to -4.2 million.

The interest on the Bonds is set to a floating rate of three-month STIBOR with floor at 0.00 per cent plus a margin of 7.25 per cent per annum and will be paid on quarterly basis. Bonds matures December 29, 2020. The interest on the Shareholder Loan is set to 8.00 per cent per annum. The interest on the Shareholder Loan should be paid on the date following the full redemption of the Bonds.

TAX

The Group's tax expense for the second quarter amounted to SEK -9.4 million. The Group's earnings was charged with an effective tax rate of 22.2%.

CASH FLOW

CASH FLOW (SEK million)	APRIL – JUNE	JANUARY – MARCH	JANUARY – JUNE
	2018	2018	2018
Cash and cash equivalents at the start of period	335.3	297.8	297.8
Cash flow from operating activities	-3.4	43.8	40.4
Cash flow from investing activities*	-	-	-
Cash flow from financing activities	-	-	-
Cash flow for the period	-3.4	43.8	40.4
Exchange rate difference	4.4	-6.3	-1.9
Cash and cash equivalents at the end of period	336.3	335.3	336.3

*Including liquid assets in acquired subsidiaries

PENSION LIABILITY

The pension liability in Sergel Kredittjänster AB relates to the ITP2 pension plan, which is secured through a pension foundation (Sw. pensionsstiftelse), and credit insurance with PRI Pensionsgaranti. Furthermore, Sergel Kredittjänster AB shares in Telia's pension foundation. The net pension liability amounts to SEK 154.0 million including special salary tax. The liability has decreased during the quarter due to the cancellation of the possibility to accrue further pensions, which caused a non-recurring income of 23.1 million. Due to adjustments of the actuarial assumptions, there was also an actuarial loss of 14.9 million.

PARENT COMPANY

Legres AB (publ) is a Swedish public limited liability company operating under the laws of Sweden with corporate ID no. 559085-4773. The registered office of the company is Box 26134. 100 41 Stockholm and the company's headquarters is located at Adolf Fredriks Kyrkogata 8, 111 37 Stockholm with telephone number 010-495 10 00.

In accordance with the articles of association of the company, adopted on April 27, 2017, the objective of the company is to serve as parent company for a group of companies conducting invoice services, credit decisions, debt collection, legal business and other activities related thereto, in Sweden as-well as abroad. On June 30 2017, the Company acquired Sergel Kredittjänster AB, Sergel Oy, Sergel Norge AS and Sergel A/S from Telia Company AB.

The Parent Company had no operations before the acquisition of Sergel Companies.

TRANSACTIONS WITH RELATED PARTIES

Legres AB (publ) has received Shareholder Loan from Legres Holding AB with nominal amount of SEK 200.0 million in connection with the acquisition of Sergel Companies. The interest on the subordinated loan is capitalized until full redemption of the Bonds.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting for the Group and in accordance with Chapter 9 of the Annual Accounts Act for the Parent Company. The Group applies IFRS as adopted by the EU. The parent company applies RFR 2 Accounting for legal entities.

IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 Financial Instruments came into force January 1 2018. The transition to IFRS 9 did not have any material impact on the Group's financial reports.

IFRS 15 Revenue from customer agreement came into force January 1 2018. The services that the Group provide to its customers constitute a performance commitment and the effect from the transition to IFRS 15 did not materially change the identification of performance commitments or distribution of the transaction price on performance commitments, nor the date of recognition of revenue when performance commitments has been met. This means that the income statement according to IFRS 15 have not materially changed compared to previous standards.

RISK FACTORS

As a consequence of the Bond financing and acquisition of Sergel Companies, the Group's risks has been analyzed and presented in the Prospectus (page 4 – 15) prepared for the application for the listing of the Bonds at Nasdaq Stockholm. This document can be accessed from the Group's website:

http://sergel.com/wp-content/uploads/com/2017/08/Legres-AB-publ-Prospectus-24-August-20177621065_1.pdf

The risk factors contains various forward-looking statements, including statements regarding the intent, opinion, belief or current expectations of the Group or its management with respect to, among other things, (i) the Group's target market, (ii) evaluation of the Group's markets, competition and competitive position, (iii) trends which may be expressed or implied by financial or other information or statements contained herein. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and outcomes to be materially different from any future results, performance or outcomes expressed or implied by such forward-looking statements.

The group annual report describes the risks per 31 December 2017 and contains sensitivity analyses.

PUBLICATION OF FINANCIAL INFORMATION

Interim reports and other financial information are available at Legres AB (publ) website at www.legres.se.

The interim report for the third quarter, 2018 will be published November 29, 2018

The interim report for the fourth quarter, 2018 will be published February 28, 2018.

The Board of Directors provide their assurance that this interim report provides an accurate overview of the operations of the Parent Company and the Group, and that it also describes the principal risks faced by the Parent Company and the Group.

Stockholm, August 29, 2018

Ewa Glennow
Chairman of the Board

Charlotte Strandberg
Board Member, CEO

Per Örtlund
Board Member

The interim report has not been audited by the Group's auditors.

CONTACT DETAILS

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GROUP FINANCIAL STATEMENTS**GROUP INCOME STATEMENT IN SUMMARY**

INCOME STATEMENT (SEK million)	APRIL – JUNE	JANUARY – MARCH	JANUARY - JUNE
	2018	2018	2018
Net Sales	199.5	192.7	392.2
Production Cost	-103.4	-143.2	-246.6
Gross Result	96.1	49.4	145.6
Administrative expenses	-37.2	-33.8	-71.0
Other operating income	-	-	-
Other operating costs	-	-	-
Operating Result	58.9	15.7	74.6
Financial Net	-16.5	-15.0	-31.5
- whereof contemplated Bonds	-10.0	-10.0	-20.0
- whereof shareholder loans	-4.2	-4.2	-8.5
Result before tax	42.4	0.6	43.1
Tax	-9.4	-0.3	-9.7
Net Result	33.0	0.4	33.4

GROUP STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

COMPREHENSIVE INCOME (SEK million)	APRIL – JUNE	JANUARY – MARCH	JANUARY - JUNE
	2018	2018	2018
Net Result	33.0	0.4	33.4
Items that can be reclassified into profit and loss			
Currency translation difference	5.5	10.0	15.5
Re-evaluation of pensions liability	-14.9	-	-14.9
Tax effect re-evaluation of pensions liability	3.3	-	3.3
Total other comprehensive income	-6.1	10.0	3.9
Comprehensive income for the period	26.9	10.4	37.3

GROUP BALANCE SHEET IN SUMMARY

BALANCE SHEET (SEK million)	30 jun 2018	31 mar 2018	31 Dec 2017
Assets			
<i>Non-current assets</i>			
Intangible assets	344.3	351.8	355.2
Goodwill	302.4	302.4	302.4
Property plant and equipment	3.5	3.4	3.7
Other long-term receivables	6.1	6.1	5.8
Deferred tax assets	31.3	30.6	27.7
Sum of Non-current assets	687.6	694.3	694.9
<i>Current assets</i>			
Prepaid expenses & accrued revenues	39.2	38.3	43.5
Other receivables	178.3	183.2	179.7
Cash & bank	336.3	335.3	297.8
Sum of Current assets	553.8	556.8	521.0
Sum of Total Assets	1 241.4	1 251.1	1 215.8
Equity	40.0	13.1	2.7
Liabilities			
<i>Non-current liabilities</i>			
Provisions for pensions	154.0	163.4	166.4
Long interest-bearing liabilities	477.2	476.0	476.8
Subordinated liabilities	216.8	212.5	208.3
Deferred tax liabilities	75.6	76.3	75.2
Sum of Non-current liabilities	923.6	928.2	926.8
<i>Current liabilities</i>			
Current tax liabilities	48.2	50.5	48.6
Deferred revenues & accrued expenses	70.6	132.2	89.3
Other liabilities	159.0	127.2	148.4
Sum of Current liabilities	277.8	309.9	286.3
Total liabilities	1 201.4	1 238.1	1 213.1
Sum of Total Liabilities & Equity	1 241.4	1 251.1	1 215.8

GROUP STATEMENT OF CHANGES IN EQUITY IN SUMMARY

CHANGES IN EQUITY (SEK million)	30 jun 2018	31 mar 2018	31 Dec 2017
Equity at the beginning of the period	2.7	2.7	0.5
Net Result for the period	37.3	10.4	2.2
Equity at the end of the period	40.0	13.1	2.7

GROUP CASH FLOW STATEMENT IN SUMMARY

CASH FLOW (SEK million)	APRIL – JUNE 2018	JANUARY – MARCH 2018	JANUARY- JUNE 2018
<i>Operating Activities</i>			
Result before Tax	42.4	0.6	43.1
Adjustments - items not included in the cash flow	-12.7	19.8	7.0
-whereof depreciation and impairment of assets	11.9	11.6	23.5
-capitalised and accrued interest	4.2	4.2	8.4
-other	-28.8	4.0	-24.9
<i>Cash Flow From Operating Activities before change in working capital</i>	29.7	20.4	50.1
Other operating assets (incr - / decr+)	4.1	1.7	5.8
Other operating liabilities (incr+ / decr-)	-37.2	21.7	-15.5
<i>Cash Flow from Operating Activities</i>	-3.4	43.8	40.4
<i>Investing Activities</i>			
Acquisitions/divestments of subsidiaries. net of cash acquired	-	-	-
<i>Cash Flow from Investing Activities</i>	-	-	-
<i>Financing Activities</i>			
Received Bond funding	-	-	-
Received shareholder loan	-	-	-
Paid Bond transaction fees	-	-	-
<i>Cash Flow from Financing Activities</i>	-	-	-
Cash Flow from the period	-3.4	43.8	40.4
Cash and cash equivalents at the beginning of the period	335.3	297.8	297.8
Exchange rate difference in cash and cash equivalents	4.4	-6.2	-1.9
Cash and cash equivalents	336.3	335.4	336.3

GROUP SEGMENT INFORMATION IN SUMMARY

NET SALES FROM EXTERNAL CLIENTS BY REGION (SEK million)	APRIL – JUNE	JANUARY – MARCH	JANUARY - JUNE
	2018	2018	2018
Sweden	106.1	113.9	220.0
Norway	46.9	37.8	84.7
Finland	30.5	26.3	56.8
Denmark	16.0	14.6	30.7
Total Net Sales from external clients by region	199.5	192.7	392.2

OPERATING RESULT BY REGION (SEK million)	APRIL – JUNE	JANUARY - MARCH	JANUARY - JUNE
	2018	2018	2018
Sweden	30.6	14.1	31.5
Norway	21.4	3.6	33.0
Finland	6.2	-0.4	9.1
Denmark	0.7	-1.6	1.0
Operating Result by region	58.9	15.7	74.6
Financial Net	-16.5	-15.0	-31.5
Tax	-9.4	-0.3	-9.7
Net Result	33.0	0.4	33.4

The group provides currently services only within credit management segment.

OTHER FINANCIAL INDICATORS *(not defined by IFRS)*

Interest Coverage Ratio is included in the maintenance test that, according to the Bonds terms and conditions, shall be reported on quarterly basis.

INTEREST COVERAGE RATIO (SEK million)	
Adjusted EBITDA on rolling twelve months	141.7
Adjusted Net Finance Charges on rolling twelve months	-40.4
Interest Coverage Ratio	3.5x

Net Interest Bearing Debt to EBITDA is included in the maintenance test that, according to the Bonds terms and conditions, shall be reported on quarterly basis.

NET INTEREST BEARING DEBT to EBITDA (SEK million)	
Net Interest Bearing Debt	307.7
Adjusted EBITDA on rolling twelve months	141.7
NET INTEREST BEARING DEBT to EBITDA	2.2x

Cash and Cash Equivalents is included in the maintenance test that, according to the Bonds terms and conditions, shall be reported on quarterly basis. Total cash and cash equivalents in the group is SEK 336.3 million.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT IN SUMMARY

INCOME STATEMENT (SEK million)	APRIL – JUNE	JANUARY - MARCH	JANUARY - JUNE
	2018	2018	2018
Net Sales	8.7	8.4	17.1
Production Cost	-	-	-
Gross Result	8.7	8.4	17.1
Other administrative expenses	-9.4	-8.6	-18.0
Operating Result	-0.7	-0.2	-0.9
Financial Net	6.3	-14.2	-7.9
- whereof contemplated Bonds	-10.0	-10.0	-20.0
- whereof shareholder loans	-4.3	-4.2	-8.5
- whereof dividends	20.6	-	20.6
Result before tax	5.6	-14.4	-8.8
Tax	3.2	3.2	6.5
Net Result	8.8	-11.2	-2.3

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

COMPREHENSIVE INCOME (SEK million)	APRIL – JUNE	JANUARY - MARCH	JANUARY - JUNE
	2018	2018	2018
Net Result	8.8	-11.2	-2.3
Comprehensive income for the period	8.8	-11.2	-2.3

PARENT COMPANY BALANCE SHEET IN SUMMARY

BALANCE SHEET (SEK million)	30 jun 2018	31 Mar 2018	31 Dec 2017
Assets			
<i>Non-current assets</i>			
Shares in subsidiaries	684.1	684.1	684.1
Deferred tax assets	12.9	9.6	6.5
Sum of Non-current assets	697.0	693.8	690.6
<i>Current assets</i>			
Prepaid expenses & accrued revenues	0.2	-	-
Other receivables	23.2	5.3	10.3
Cash & bank	10.9	19.0	33.0
Sum of Current assets	34.3	24.4	43.3
Sum of Total Assets	731.3	718.2	733.9
Equity	26.8	17.9	29.2
Liabilities			
<i>Non-current liabilities</i>			
Long interest-bearing liabilities	477.1	476.0	476.8
Subordinated liabilities	216.8	212.5	208.3
Sum of Non-current liabilities	693.9	688.5	685.1
<i>Current liabilities</i>			
Deferred revenues & accrued expenses	-	0.2	0.4
Other liabilities	10.6	11.5	19.2
Sum of Current liabilities	10.6	11.7	19.6
Total liabilities	704.5	700.2	704.7
Sum of Total Liabilities & Equity	731.3	718.2	733.9

OWNERSHIP STRUCTURE

Legres AB (publ) is a wholly owned subsidiary of Legres Holding AB, corporate ID no. 559093-6596, with its registered office in Stockholm. Legres Holding AB is a wholly owned subsidiary of Marginalen Group AB, corporate ID no. 556587-0242, based in Stockholm.

DEFINITIONS

"**Adjusted EBITDA**" means EBITDA excluding Non-recurring items.

"**Cash Equivalents**" means, in respect of the Group, and at any time. (i) immediately available funds to which a Group Company is alone (or together with other Group Companies) beneficially entitled at bank or postal accounts and (ii) marketable debt securities held for cash management purposes that can be realised promptly and which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited.

"**EBITDA**" means operating earnings before depreciation and amortisation.

"**Interest Coverage Ratio**" means the ratio of adjusted EBITDA on rolling twelve months to Net Finance Charges on rolling twelve months.

"**Net Finance Charges**" means financial charges related to the Bond and Transaction Cost.

"**Net Interest Bearing Debt**" means the aggregate interest bearing debt and pension provision less Cash and Cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time.

"**Net Interest Bearing Debt to EBITDA**" means the ratio of Net Interest Bearing Debt to adjusted EBITDA.

"**Non-recurring items**" means significant events that are not included in the Group's normal recurring operations and that are not expected to return on a regular basis. Non-recurring items include separation and integration costs, extraordinary projects, acquisition and divestment expenses and costs for relocation to new office space.

"**Pro Forma adjusted EBITDA**" means EBITDA adjusted as if the acquisition of Sergel Companies was done twelve months prior the last day of current interim report.

"**Pro Forma adjusted Net Sales**" means Net Sales adjusted as if the acquisition of Sergel Companies was done twelve months prior the last day of current interim report.

"**Pro Forma adjusted Net Finance Charges**" means Net Finance Charges adjusted as if the acquisition of Sergel Companies was done twelve months prior the last day of current interim report.

"**Transaction Costs**" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Legres AB (publ) or any other member of the Group in connection with (i) the Bond Issue. (ii) the listing of the Bonds, and (iii) the acquisition of the Sergel Companies.