

Stockholm 2022

Interim report

First Quarter 2022 (1 January - 31 March 2022)

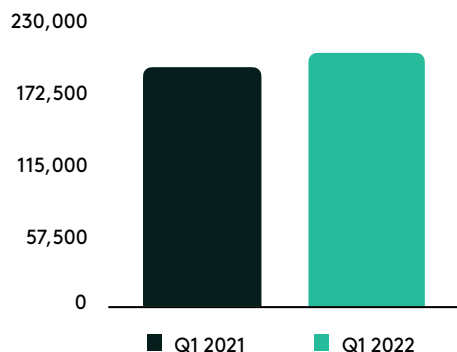


Continued high activity and focus on Crypto as a Service

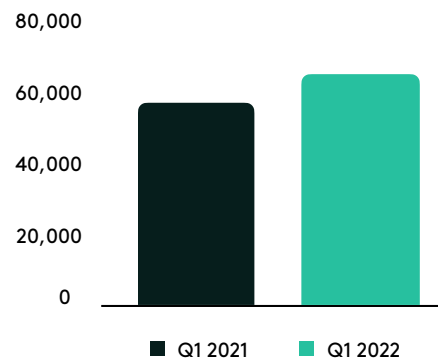
Summary of the first quarter (January-March 2022)

- Net turnover increased by +5% compared to the first quarter in prior year and amounted to SEK 205.2 million (194.7).
 - Gross profit decreased by -19% and amounted to SEK 8.5 million (10.5).
 - Operating profit before depreciation and amortization (EBITDA) amounted to SEK -3.1 million (1.3).
 - Operating profit amounted to SEK -4.0 million (0.8).
 - Net profit/loss in the period amounted to SEK -4.0 million (0.8).
 - The Group had a cash balance of SEK 28.2 million (15.0) at the end of the first quarter and an additional SEK 10.1 million (0.0) in liquid crypto assets.
- Investments in cryptocurrencies are booked and reported at acquisition value in the parent company's balance sheet.
- Earnings per share based on the average number of shares (20,449,600 shares) amounted to SEK -0.20.
 - Earnings per share based on the average number of shares after potential dilution (21,440,668 shares) amounted to SEK -0.19.
 - The number of executed orders increased by +13% to 64.841 (57.403).

Volume from crypto trading (KSEK)



Number of crypto orders





Significant events during the first quarter

On January 20, Safello mandated the company ABG Sundal Collier ASA ("ABGSC") as the liquidity guarantor of Safello's share, which is listed on the Nasdaq First North Growth Market.

As of February 14, Safello has introduced a new level-based fee structure where all purchases and sales are measured over an aggregate rolling 12-months period. The new fee structure provides additional transparency and simplifies the trading process for customers, where customers automatically receive a more favorable fee level depending on trading volume, compared with the previous structure where an application was needed to obtain a premium membership.

As of February 21, Safello has shut down Safello Widget and Partner Widget and replaced this with a new affiliate partner program, through the global partnership management platform [impact.com](https://www.impact.com).

Emelie Moritz took over as COO in March 2022, and Andreas Kennemar (former COO) is now positioned as Chief Business Development Officer.

On March 14, Safello announced that a letter of intent (LOI) has been entered with Avanza Bank (wholly owned subsidiary to Avanza Bank Holding AB) regarding a potential partnership relating to cryptocurrency services. The ambition with entering into the LOI is to evaluate a potential cooperation regarding distribution of Safello's cryptocurrency services via Avanza's platform.

Safello has also entered into a partnership with the tax service provider Divly, to offer its users a seamless process to calculate taxes and manage tax reports in relation to their cryptocurrency transactions. The integration with Divly simplifies the declaration process because users get access to tools that automatically calculate the outcome and create a K4 report.

Significant events after the end of the first quarter/reporting period

Safello held its Annual General Meeting in Stockholm on April 27, 2022. A summary of all decisions is available in a press release from April 27 on the company's website.

The Annual General Meeting resolved, among other things, on the re-election of Frank Schuil, Jacob Jacobsson, Sepehr Alavi, Knut Pedersen and Johan Lorenzen as Board of Directors and the re-election of Jacob Jacobsson as Chairman of the Board. Christina Ploom was not available for re-election and is therefore no longer a member of the Board of Directors.



Results Summary for the Group and the Parent company

Below are key ratios for the period and the same period last year and the most recent full year.

Results Summary

Group

	2022 Jan-Mar (3 months)	2021 Jan-Mar (3 months)	2021 Jan-Dec (12 months)
Net turnover (KSEK)	205,186	194,704	757,898
Gross Profit (KSEK)	8,509	10,485	36,905
EBITDA (KSEK)	-3,099	1,301	-11,230
Operating Profit/loss (KSEK)	-4,025	818	-14,675
Profit/loss after financial items (KSEK)	-4,025	818	-14,736
Balance sheet totals (KSEK)	57,403	37,574	62,863
Acid-test ratio (%)	593 %	292 %	542 %
Equity/Asset ratio (%)	90 %	81 %	89 %

Results Summary

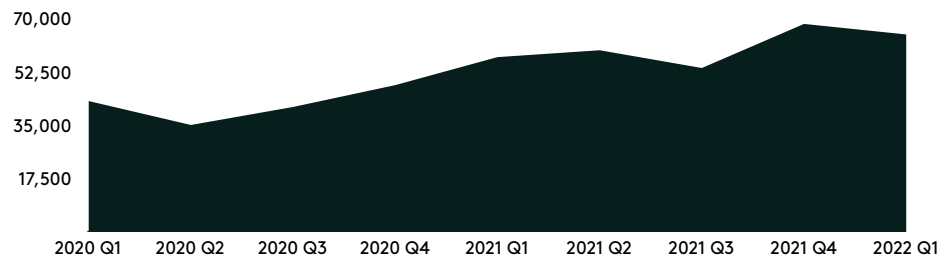
Parent Company

	2022 Jan-Mar (3 months)	2021 Jan-Mar (3 months)	2021 Jan-Dec (12 months)
Net turnover (KSEK)	1,254	5	4,384
Gross Profit (KSEK)	1,258	5	4,388
EBITDA (KSEK)	-2,636	-5,440	-18,008
Operating Profit/loss (KSEK)	-2,636	-5,440	-18,008
Profit/loss after financial items (KSEK)	-2,636	-5,441	-18,067
Balance sheet totals (KSEK)	67,123	41,958	70,538
Acid-test ratio (%)	1,685 %	369 %	1,278 %
Equity/Asset ratio (%)	98 %	92 %	97 %

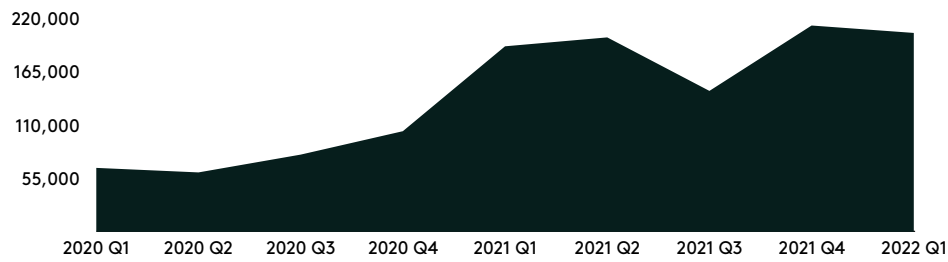


Key Metrics and Graphs

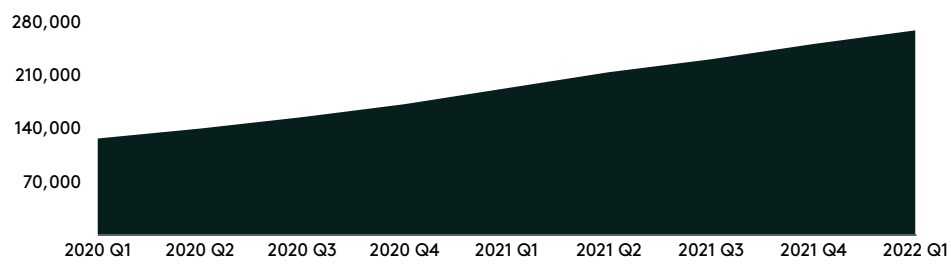
Number of Crypto orders per Quarter



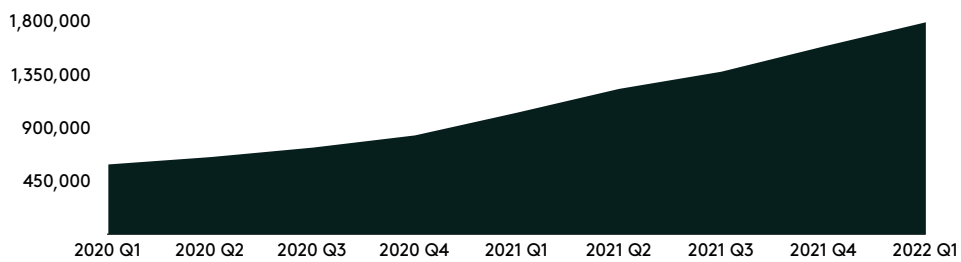
Volume per Quarter



Number of registrations cumulatively since start 2013



Cumulative volume since start 2013





CEO Letter



Dear shareholder,

This is shareholder update #50. A nice round number on our way to 100. Thank you all for following Safello's journey, especially those who made it through all 50 of them.

On February 24th the geopolitical landscape was reconfigured with the invasion of Ukraine. It impacted the global economy and, more importantly, displaced millions of people. Our team launched safello.com/donation to support the people of Ukraine and I am thankful for the contributions from all Safello stakeholders.

As for the impact on the market, we saw both Ukraine and Russia move ahead with crypto legislation, which as a result emerged as a neutral technology. The war accelerated efforts for regulation as exemplified by the Executive Order from the Biden Administration¹, the UK expressing its ambition to become a crypto hub² and MiCA entering into its trilogues phase³. Safello meanwhile increased its regulatory effort by chairing the Digital Asset Task Force committee to the Global Coalition to Fight Financial Crime⁴.

We are at a crucial point in time where the foundation is laid for wider adoption while roadblocks are put up to hinder this. The outcome will decide the level of financial freedom for future generations, much like access to information sparked by Internet adoption was implemented differently across the globe. As a company we invest in these efforts on a local and European level to prevent outcomes as the banning of proof-of-work⁵ and unhosted wallets. Meanwhile we aim to capitalize on these regulatory outcomes by serving a new target group, financial institutions.

Safello announced its Crypto-as-a-Service (CaaS) offering in conjunction with the LOI it signed with Avanza, the largest trading platform in Sweden with around 1.7 million customers. Our CaaS offering is an effort to help financial institutions to navigate the regulatory landscape and accelerate their entry into the crypto economy while minimizing the risk. We see a great need for this along e.g. the dimensions of risk management, custody, liquidity, governance, compliance, and onboarding. Safello is uniquely positioned to serve these clients and we are seeing growing demand.

To conclude, while Q1 numbers are reflecting the rather stable crypto market, our long term positioning in this regulatory environment has strengthened significantly. All the while, we maintained market leadership as a Swedish regulated crypto broker and continued to innovate.

Kind regards,

Frank Schuil
CEO & co-founder Safello

¹ <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>

² <https://www.gov.uk/government/news/government-sets-out-plan-to-make-uk-a-global-cryptoasset-technology-hub>

³ <https://www.coindesk.com/policy/2022/03/30/eus-mica-bill-to-enter-next-phase-of-negotiations-on-thursday/>

⁴ <https://news.cision.com/safello/r/the-global-coalition-to-fight-financial-crime-appoints-safello-s-cco-to-chair-a-new-expert-committee,c3546039>

⁵ <https://www.coindesk.com/policy/2022/03/23/mica-could-still-be-delayed-by-eu-parliamentarians-over-proof-of-work-provision/>



Business Overview

Safello offers a brokerage platform and enables individuals and companies to securely buy, store and sell cryptocurrencies such as Bitcoin (BTC), Ethereum (ETH), Chainlink (LINK), Polkadot (DOT) and Polygon (MATIC) with SEK and EUR. The name Safello comes from "Safe Fellow", as in a "safe person" to follow into the cryptocurrency economy. The company's philosophy is to be a reliable guide to new users to make them feel safe when they enter the market, while preserving their financial freedom. This basic principle governs the Company's decision-making today.

As of March 31, 2022, Safello had over 268,000 customers (250,000 customers per 31 of December 2021) and handled over 658,000 orders (593,000), which corresponds to a volume of over SEK 1,789 million (1,585)⁶.

In the first quarter, order volumes amounted to SEK 203.4 million, compared with SEK 191.4 million in the same period last year, which corresponds to an increase of +7%. The order volume was SEK 84.1 million (61.7) in January, SEK 60.5 million (62.4) in February and SEK 58.8 million (68.3) in March.



⁶ Based on Safellos internal data, since inception in 2013



Comments about the period

Results and development during the First Quarter 2022 (Group)

Net turnover

Net turnover for the first quarter amounted to SEK 205.2 million (SEK 194.7 million for the corresponding period prior year). Net turnover refers to Safello's sale of cryptocurrency in inventory, fees on completed transactions and some revenue from affiliates.

Gross profit and gross margin

Gross profit amounted to SEK 8.5 million (10.5) and the gross margin to 4.1% (5.4). The decrease in the gross margin is mainly due to a reduction in the maximum fee from 7% to 5% for cryptocurrency trading during the third quarter of 2021, but also due to the introduction of a new level-based fee structure in February 2022 where all purchases and sales are measured at an aggregate rolling 12-month period. The new fee structure provides additional transparency and simplifies the trading process for customers, where customers automatically receive a more favorable fee level depending on trading volume, compared with the previous structure where the application was needed to obtain a premium membership. Gross profit is also affected by changes in the value of cryptocurrency in stock. See also "Inventory" below for more information.

Operating expenses

Total operating expenses during the quarter amounted to SEK 11.6 million (9.2). Of these, personnel costs amounted to SEK 8.5 million (3.6), which corresponds to an increase of 136%. The increase is mainly a result of new hires and the introduction of occupational pensions for employees from 1 April 2021. The remaining part consists of other operating expenses amounting to SEK 3.1 million (5.5). The fact that operating expenses were higher in the corresponding period last year is due to costs for the IPO that was carried out in the spring of 2021.

Operating profit/loss

Operating profit for the first quarter amounted to SEK -4.0 million (0.8).

Profit/loss after tax

Profit/loss after tax for the first quarter amounted to SEK -4.0 million (0.8).

Financial standing and Cash Flow

Goodwill and intangible fixed assets

Goodwill amounted to SEK 6.5 million as of 31 March 2022 (SEK 6.9 million as of 31 December 2021) and represents the surplus value in connection with the acquisition of Rational Money AB minus depreciation. Goodwill amortization is made over 5 years.

Crypto assets held for investment are liquid bitcoin and ether holdings booked at acquisition value. Per 31 March 2022, the investments amounted to SEK 10.1 million (10.1).

Intangible fixed assets amounted to SEK 2.7 million (3.0) as of 31 March 2021. The balance sheet item refers to capitalized expenses for development work in Safello Technology Development AB. In the first quarter a capitalisation was made of SEK 0.3 million (0.0).



Inventory

Inventories refers to cryptocurrencies for sale in the business. As of 31 March 2022, inventories amounted to SEK 4.5 million (4.3). The stock of cryptocurrencies is traded with high frequency and Safello holds on average an inventory of bitcoin, ether, polkadot, polygon and chainlink. Inventory is valued at acquisition value and the change in the period affects the gross profit with SEK +0.2 million (+0.5).

Current Receivables

Short-term receivables arise when Safello keeps liquidity (in EUR or other fiat-currencies) with counterparties such as crypto liquidity providers. As of 31 March 2022, current receivables amounted to SEK 4.6 million (6.0).

Cash and bank balances

Cash as of 31 March 2022 amounted to SEK 28.2 million (31.9) and has decreased by SEK 3.7 million (-2.0) in the period. Cash and bank balances exclude crypto holdings and liquidity held at crypto liquidity providers, hence these are classified as current receivables.

Equity

As of 31 March 2022, equity amounted to SEK 51.9 million (55.9). The change of SEK -4.0 million since 31 December 2021 is related to the result in the period.

Current liabilities

Current liabilities consist of ongoing crypto transactions, accounts payable and other liabilities such as VAT, taxes and fees, holiday pay liabilities and VAT. As of March 31, 2022, current liabilities amounted to SEK 5.5 million (7.0).

Cash flow

Cash flow from operating activities amounted to SEK -3.4 million (SEK -0.3 million in the first quarter of 2021). Changes in working capital had an impact on cash flow by SEK -0.3 million (-1.7).

Cash flow from investing activities amounted to SEK -0.2 million (-1.7) and cash flow from financing activities amounted to SEK 0.0 million (0.0). Total cash flow for the first quarter amounted to SEK -3.7 million (-2.0)



Income statement in summary

The Group

Amount in
KSEK

	2022-01-01 -2022-03-31 (3 months)	2021-01-01 -2021-03-31 (3 months)	2021-01-01 -2021-12-31 (12 months)
Net sales	205,186	194,704	757,898
Activated work on own account	238	-	-
Other operating income	369	-	5
Cost of goods sold	-197,284	-184,219	-720,998
Gross profit	8,509	10,485	36,905
Operating expenses	-3,095	-5,543	-25,398
Personnel Expenses	-8,514	-3,641	-22,738
EBITDA	-3,099	1,301	-11,230
Depreciation of intangible and tangible fixed assets	-926	-483	-3,445
Operating profit/loss	-4,025	818	-14,675
Interest income and similar items	-	-	-
Interest expenses and similar items	-	-	-61
Profit/loss after financial items	-4,025	818	-14,736
Tax on profit/loss in the period	6	-	-57
Net profit/loss in the period	-4,019	818	-14,794
Attributable to:			
The parent company's shareholders	-4,019	818	-14,794
Minority interests	-	-	-



Balance sheet in summary

The Group

Amount in KSEK

	2022-03-31	2021-03-31	2021-12-31
Assets			
Goodwill	6,527	8,333	6,944
Cryptocurrency	10,137	-	10,135
Other intangible assets	2,746	4,399	2,981
Tangible fixed assets	318	114	284
Financial assets	333	69	401
Total fixed assets	20,060	12,915	20,745
Inventory	4,493	3,446	4,253
Current receivables	4,635	6,228	5,994
Short-term investments	-	32	-
Cash and cash equivalents	28,214	14,953	31,870
Total current assets	37,342	24,659	42,117
Total assets	57,403	37,574	62,863
Equity and liabilities			
Share capital	1,022	847	1,022
Other equity	50,841	29,463	54,860
Total equity	51,863	30,310	55,883
Current liabilities	5,540	7,264	6,980
Total current liabilities	5,540	7,264	6,980
Total equity and liabilities	57,403	37,574	62,863



Changes in equity

The Group

Amount in KSEK

	Share capital	Un-registered share capital	Other contributed capital	Other equity incl. the result for the period	Equity attrib. to parent company's shareholders	Total equity
Equity 2021-01-01	99	7	54,317	-31,681	22,742	22,742
Bonus issue	742			-742	-	-
Registered new issue	7	-7			-	-
Non-cash issue	25		6,725		6,750	6,750
New issue	150		40,350		40,500	40,500
Warrants issued				684	684	684
Result for the period					-15,612	-15,612
Equity 2021-12-31	1,022		101,392	-46,532	55,883	55,883
Result for the period				-4,019	-4,019	-4,019
Equity 2022-03-31	1,022		101,392	-50,551	51,863	51,863



Cash flow statement in summary

The Group

Amount in KSEK

	2022-01-01 -2022-03-31 (3 months)	2021-01-01 -2021-03-31 (3 months)	2021-01-01 -2021-12-31 (12 months)
Operations			
Operating profit/loss	-4,025	818	-14,675
Adjustment for items not included in cash flow			
Depreciation and write -downs	926	483	3,445
Realization results	-	19	-
Received interest	-	-	-
Paid interest	-	0	-61
Paid income tax	6	18	-172
Net change in working capital	-321	-1,666	-2,390
Cash flow from operations	-3,414	-328	-13,853
Cash flow from investment activities	-242	-1,696	-12,469
Cash flow from financing activities	-	2	41,184
Cash flow for the period/change in liquid funds	-3,656	-2,023	14,862
Cash and cash equivalents at the beginning of the period	31,870	17,008	17,008
Cash and cash equivalents at the end of the period	28,214	14,985	31,870



Income statement in summary

The parent company

Amount in KSEK

	2022-01-01 -2022-03-31 (3 months)	2021-01-01 -2021-03-31 (3 months)	2021-01-01 -2021-12-31 (12 months)
Net sales	1,254	-	4,384
Other operating income	4	5	4
Gross profit	1,258	5	4,388
Operating expenses	-1,309	-4,358	-15,443
Personnel Expenses	-2,584	-1,088	-6,953
EBITDA	-2,636	-5,440	-18,008
Depreciation of intangible and tangible fixed assets	-	-	-
Operating profit/loss	-2,636	-5,440	-18,008
Interest income and similar items	-	-	-
Interest expenses and similar items	-	-	-59
Profit/loss after financial items	-2,636	-5,441	-18,067
Appropriations	-	-	895
Tax on profit/loss in the period	-	-	-
Net profit/loss in the period	-2,636	-5,441	-17,172



Balance sheet in summary

The parent company

Amount in KSEK

	2022-03-31	2021-03-31	2021-12-31
Assets			
Cryptocurrency	10,123	-	10,123
Tangible fixed assets	-	-	-
Financial assets	29,934	29,934	29,934
Total fixed assets	40,056	29,934	40,056
Current receivables	14,779	2,138	6,786
Cash and cash equivalents	12,288	9,886	23,696
Total current receivables	27,067	12,024	30,482
Total assets	67,123	41,958	70,538
Equity and liabilities			
Share capital	1,022	847	1,022
Other equity	64,495	37,853	67,130
Total equity	65,517	38,700	68,153
Current liabilities	1,606	3,257	2,386
Total current liabilities	1,606	3,257	2,386
Total equity and liabilities	67,123	41,958	70,538



Changes in equity

The parent company

Amount in KSEK

	Share capital	Unregistered share capital	Share premium reserve	Non-restricted equity incl. the result for the period	Total equity
Equity 2021-01-01	99	7	54,317	-17,032	37,391
Bonus issue	742			-742	
Registered new issue	7	-7			
Non-cash issue	25		6,725		6,750
New issue	150		40,350		40,500
Warrants issued				684	684
Result for the period				-17,172	-17,172
Equity 2021-12-31	1,022	-	101,392	-34,262	68,153
Result for the period				-2,636	-2,636
Equity 2022-03-31	1,022	-	101,392	-36,897	65,517



Cash flow analysis in summary

The parent company

Amount in KSEK

	2022-01-01 -2022-03-31 (3 months)	2021-01-01 -2021-03-31 (3 months)	2021-01-01 -2021-12-31 (12 months)
Operations			
Operating profit	-2,636	-5,440	-18,008
Adjustment for items not included in cash flow			
Group contributions	-	-	895
Received interest	-	-	-
Paid interest	-	-	-59
Paid income tax	-	-	-
Net change in working capital	-8,772	6,187	667
Cash flow from operations	-11,408	746	-16,505
Cash flow from investment activities	-	-2,000	-12,123
Cash flow from financing activities	-	-	41,184
Cash flow for the period/change in liquid funds	-11,408	-1,254	12,556
Cash and cash equivalents at the beginning of the period	23,696	11,140	11,140
Cash and cash equivalents at the end of the period	23,696	9,886	23,696



Additional information

Transactions with related parties

No transactions with related parties have taken place.

Employees

The average number of employees in the Group, including consultants, during the first quarter was 33 (compared to 31 employees during the fourth quarter 2021). The average number of employees (full-time positions excluding consultants) during the first quarter was 31 (29). The number of employees at the end of the first quarter was 33 (32).

Off balance sheet items

Safello treats cryptocurrencies belonging to customers as accounting funds held on behalf of each customer, and with the exception of what is necessary to practically carry out transfers of cryptocurrencies for customers, cryptocurrencies belonging to customers are always stored in a separate wallet based on Fireblock's digital infrastructure. Balances regarding each customer are kept in an internal ledger, and the net of the customers' crypto assets is sent regularly to the separate wallet to ensure separation of client funds. As these funds do not belong to Safello and are stored separately, the company will not include these assets and liabilities on the balance sheet.

Shareholders and Share Capital

On 31 March 2021, Safello Group AB had 2,645 shareholder (compared with 2,534 shareholders at the end of previous quarter).

Safello's share capital on 31 March 2022 amounted to SEK 1,022,480 (compared to SEK 1,022,480 at the end of previous quarter). The number of shares was 20,449,600 (20,449,600) and the average number of shares in the quarter was 20,449,600 (20,449,600).

Forward-looking statements

This interim report may contain statements concerning, among other things, Safello's financial situation and profitability, as well as statements about growth and long-term market potential that may be forward-looking. Safello believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. However, forward-looking statements include risks and uncertainties, and the actual results or consequences may differ significantly from those made. In addition to what is required by applicable law, forward-looking statements apply only on the day they are made and Safello does not undertake to update any of them in the light of new information or future events.

Auditor

The company's auditor is WeAudit Sweden AB. This report has not been reviewed by the company's auditor.

Accounting Principles

Safello prepares its financial reports in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3) Annual Accounts and Consolidated Accounts. The same accounting principles and calculation methods have been used in the Interim Report as in the most recent Annual Report. The Interim Report has been prepared in accordance with ÅRL Chapter 9, Interim Report.



Goodwill

Goodwill constitutes the difference between the acquisition value and the Group's share of the fair value of an acquired subsidiary's identifiable assets and liabilities on the acquisition date. At the time of acquisition, goodwill is reported at acquisition value and after the first reporting occasion, it is valued at acquisition value after deductions for depreciation and any write-downs. Goodwill is amortized over the expected useful life, which amounts to 5 years.

At each balance sheet date, the company makes an assessment of whether there is any indication that the value of goodwill is lower than the carrying amount. If there is such an indication, the company calculates the recoverable amount of goodwill and prepares an impairment test.

When testing for impairment, goodwill is allocated to cash-generating units. If the recoverable amount of a cash-generating unit is determined to be lower than the carrying amount, the impairment amount is allocated, first the carrying amount of goodwill attributable to the cash-generating unit is reduced and then the carrying amount of other assets is reduced in proportion to the carrying amount of each asset in the unit.

A reported write-down of goodwill may not be reversed in a later period.

Intangible assets - Cryptocurrency

The company reports investments and investments in cryptocurrency as intangible fixed assets. No planned depreciation is applied to the assets that are cryptocurrencies, in order to give a true and fair view in accordance with the Swedish Annual Accounts Act.

Key Ratio Definitions and Concepts

Net sales

Operating revenue, invoiced costs, ancillary income and revenue corrections.

Volume

The company's net sales from completed crypto transactions, based on Safello's internal data.

Number of orders

Number of orders executed, based on Safello's internal data.

Adjusted equity

Equity with additions for untaxed reserves reduced by deferred tax.

Acid-test ratio (%)

Current assets excluding inventories and work in progress as a percentage of current liabilities.

Equity ratio (%)

Adjusted equity as a percentage of balance sheet total.

Earnings per share before dilution

Profit after tax for the period divided by the weighted average number of shares during the period.

Earnings per share after dilution

Profit after tax for the period divided by the weighted average number of shares during the period including potential dilution.



Financial Calendar

26 August 2022	Interim report for the second quarter
18 November 2022	Interim report for the third quarter
24 February 2023	Year-end report 2022

Certified Adviser

Safello Group AB's share (SFL) is listed on Nasdaq First North Growth Market, and Corpura Fondkommission AB is the Certified Adviser.

Corpura Fondkommission AB
Artillerigatan 42,
114 45 Stockholm
ca@corpura.se

Important information

This statement has been made in a Swedish and English version. In the event of any discrepancies between the Swedish and English version, the Swedish version shall prevail.

For further information, please contact:

Johan Edin, CFO
ir@safello.com

Contact information:

Safello Group AB
info@safello.com / safello.com / +46 10 344 00 50
c/o WeWork Malmskillnadsgatan 32, 111 51, Stockholm

