

Full-Year Report
January–December 2022

Q4

”Right positioned for
e-commerce – strong progress
in the transformation to a
rapidly growing category”

HAYPP GROUP

Fourth quarter

- Net sales increased with 19 per cent to SEK 700.5 m (590.5). In constant currency, Net sales increased by 15 per cent.
- 42 per cent volume growth in the Nicotine pouches category during the quarter.
- The gross margin increased with 3.1 percentage points to 13.9 per cent (10.8).
- Adjusted EBIT increased to SEK 16.0 m (11.8), corresponding to an adjusted EBIT margin of 2.3 per cent (2.0).
- Operating profit/loss totalled SEK 6.0 m (-10.4), including items affecting comparability of SEK 0.0 m (-12.3).
- Profit/loss for the quarter amounted to SEK 4.9 m (-12.7).
- Earnings per share before dilution amounted to SEK 0.17 (-0.45).
- Number of orders increased to 1,029 thousand (909) with an average order value of SEK 640 (621).
- Active customers increased with 17 per cent and amounted to 459 thousand (392) at the end of the quarter.

The full-year

- Net sales increased with 15 per cent to SEK 2,598.8 m (2,266.8). In constant currency, Net sales increased by 11 per cent.
- 46 per cent volume growth in the Nicotine pouches category during the period.
- The gross margin increased with 1.6 percentage points to 12.6 per cent (11.0).
- Adjusted EBIT amounted to SEK 58.5 m (41.5), corresponding to an adjusted EBIT margin of 2.2 per cent (1.8).
- Operating profit/loss totalled SEK 15.2 m (-22.6), including items affecting comparability of SEK -3.4 m (-35.2).
- Profit/loss for the period amounted to SEK 20.1 m (-27.6).
- Earnings per share before dilution amounted to SEK 0.69 (-1.19).
- Number of orders increased to 3,862 thousand (3,397) with an average order value of SEK 634 (625).
- Active customers increased with 17 per cent amounted to 796 thousand (682) at the end of the period.
- The Board of Directors proposes to the general meeting that no dividends will be paid for 2022.

Amounts in MSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Net sales	700.5	590.5	2,598.8	2,266.8
Net sales growth, %	18.6		14.6	
Gross margin, %	13.9	10.8	12.6	11.0
Adjusted EBIT	16.0	11.8	58.5	41.5
Adjusted EBIT margin, %	2.3	2.0	2.2	1.8
Items affecting comparability	0.0	-12.3	-3.4	-35.2
Operating profit/loss	6.0	-10.4	15.2	-22.6
Profit/loss for the period	4.9	-12.7	20.1	-27.6
Earnings per share before dilution (SEK)	0.17	-0.45	0.69	-1.19
Cash flow from operating activities			-32.4	-48.3
Number of orders (thousand)	1,029	909	3,862	3,397
Average order value (SEK)	640	621	634	625
Active customers (thousand)	459	392	796	682

Right positioned for e-commerce – strong progress in the transformation to a rapidly growing category

We are pleased to announce a strong fourth quarter across all of our markets, having successfully turned around our Norwegian market. We are particularly happy with our performance in the strategically important Nicotine Pouch category which grew by 42 per cent in the fourth quarter, and have grown with 574 per cent from fourth quarter 2019 to the fourth quarter 2022, reflecting the pre to post pandemic trend. Nicotine pouches now account for 44 per cent of our volume.

Net sales for the Group increased by 19 per cent, or 15 per cent in constant currency, during the fourth quarter to a full-year SEK 2,599 m. The gross margin increased by 3.1 percentage points to a higher than normal 13.9 per cent during the quarter and demonstrates a strengthened position in the value chain. The fourth quarter adjusted EBIT-margin amounted to 2.3 per cent which is a significant improvement against last year's corresponding numbers. Inflationary pressure has so far had limited impact on our overall performance, and minor product price increases from our suppliers are offset by the positive effects of an increasing demand from consumers seeking safer nicotine alternatives at attractive prices.

Right positioned in the fastest growing category

The Nicotine Pouches category, while still in its infancy, continues to be the fastest growing harm reduced category across both Europe and the US. Its growth is widely recognized as having substantial public health benefits by moving people away from cigarettes. In addition to the current consumer demand, the launch of further improved products is a key force in improving the consumer experience. During the fourth quarter, recently launched products accounted for 20 per cent of our total Nicotine Pouches sales. We continue to lead the industry regarding product standards and a recent spot check across our product range has determined near perfect compliance from our product supplying partners. This continued growth in the category and the suitability of online commerce, are the key drivers for why our performance has been an outlier relative to some other e-retailers.

Record high margin in Core markets

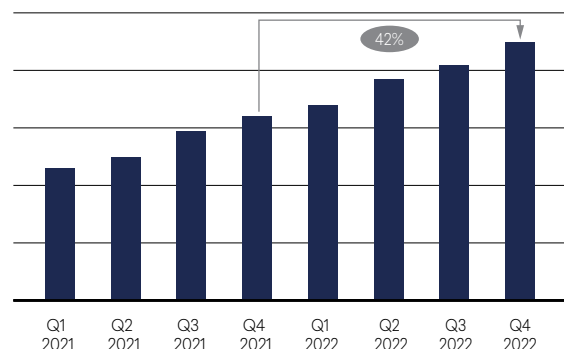
Continued solid performance in Sweden combined with positive development in Norway in recent quarters resulted in a continued market share growth and a Net Sales growth of 12 per cent for the fourth quarter. After declining by double-digits, on the back of the post Covid opening of the border, our Norwegian operation is now back in a growth mode showing solid sequential performance. EBITDA-margin reached a record high 8.4 per cent in a quarter, an increase of 1.2 percentage points against the same quarter last year which shows the scalability in our business and ability to reach our long-time financial targets.



”The Nicotine Pouches category, while still in its infancy, continues to be the fastest growing harm reduced category across both Europe and the US. It’s growth is widely recognized as having substantial public health benefits by moving people away from cigarettes”

The transformation towards nicotine pouches running according to plan

Volume nicotine pouches



Improved retention rates in Growth markets

Net sales increased by 56 per cent with a Nicotine pouch volume increase of 44 per cent driven by strong growth across both the US and Europe. Our investment in three local fulfillment centers in first half of 2022, in the US and the UK, have resulted in a material improvement in customer satisfaction and retention rates. While the relatively low volumes in these warehouses have meant lower margins, the increase in volume is rapidly releasing benefits of scale and will support our EBITDA over time. In addition to the current consumer demand, the launch of continuously evolving products is a key force in improving the consumer experience.

High cash flow generation

On the 1st of January there was a larger than usual excise increase, in Sweden, on snus. To benefit from this, Haypp Group loaded substantial amounts of stock prior to year-end. The vast majority of this stock has already been sold to consumers. When adjusting for this loading, the Group generated SEK 90 m in cash from operations during the year, of which SEK 50m was invested in Capex including maintenance of our infrastructure.

Important role for compliance

Haypp Group recently conducted its annual product quality review. The product tests were conducted in early January, by the independent laboratory Eurofins. In general, the product compliance of our portfolio is exceptionally high as all products are enrolled in our testing procedure. For the producers, the testing acts a quality label. If deficiencies are caught, we initiate a dialogue and work with the producer to further develop the products.

”All in all, Haypp Group is well positioned to take advantage of a rapidly growing international market over the coming years and deliver in line with our long-term financial targets”

Flexible in a turbulent environment

The growing consumer demand for less harmful nicotine products as well as favourable regulatory development will be two major drivers of Haypp Group’s future growth. A strong balance sheet, non-cyclical product characteristics, and a capital light business model enables us to remain flexible in the current economic environment and capture emerging opportunities to further improve on our position. All in all, Haypp Group is well positioned to take advantage of a rapidly growing international market over the coming years and deliver in line with our long-term financial targets.

Stockholm February 2023

Gavin O’Dowd
President and CEO

Financial overview

Net sales

Net sales for the fourth quarter increased with 19 per cent to SEK 700.5 m (590.5). In constant currency, Net sales increased by 15 per cent.

Net sales for the full year increased with 15 per cent to SEK 2.598.8 m (2.266.8). In constant currency, Net sales increased by 11 per cent.

Gross Profit

Gross Profit increased to SEK 97.1 m (63.5), corresponding to a gross margin of 13.9 per cent (10.8), driven by a strengthened position in the value chain both in the Core and Growth business unit as well as benefits of scale.

Gross Profit during the full year increased to SEK 328.5 m (248.7), corresponding to a gross margin of 12.6 per cent (11.0).

Adjusted EBIT

Adjusted EBIT for the fourth quarter increased to SEK 16.0 m (11.8). The adjusted EBIT margin increased to 2.3 per cent (2.0). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investments.

Adjusted EBIT for the period increased to SEK 58.5 m (41.5). The adjusted EBIT margin increased to 2.2 per cent (1.8).

Operating profit

Operating profit for the fourth quarter amounted to SEK 6.0 m (-10.4). Items affecting comparability amounted to SEK 0.0 m (-12.3). For more information on Items affecting comparability, refer to page 25. Operating margin was 0.9 per cent (-1.8).

Operating profit for the period amounted to SEK 15.2 m (-22.6). Items affecting comparability amounted to SEK -3.4 m (-35.2) and was related to the decision to adopt the operational structure to better fit with localized condition during the third quarter. For more information on Items affecting comparability, refer to page 25. Operating margin was 0.6 per cent (-1.0).

Financial items

Financial expenses (net) for the quarter amounted to SEK -7.5 m (-3.4) mainly related to interest costs, offset by positive impact from exchange translation.

Financial expenses (net) for the period amounted to a SEK 2.3 m (-8.9).

Tax

Income tax for the quarter was SEK 6.4 m (1.1).

Income tax for the period was SEK 2.6 m (3.9), positively impacted by tax loss to carry forward and tax effects from amortization of acquired intangible assets.

Net Profit

Profit for the quarter increased to SEK 4.9 m (-12.7). Earnings per share amounted to SEK 0.17 (-0.45) after dilution.

Profit for the period increased to SEK 20.1 m (-27.6). Earnings per share amounted to SEK 0.68 (-1.19) after dilution.

Investments

During the full year of 2022, Haypp Group invested SEK 49.3 m (245.9), whereof SEK 43.2 m (243.8) was invested in intangible assets.

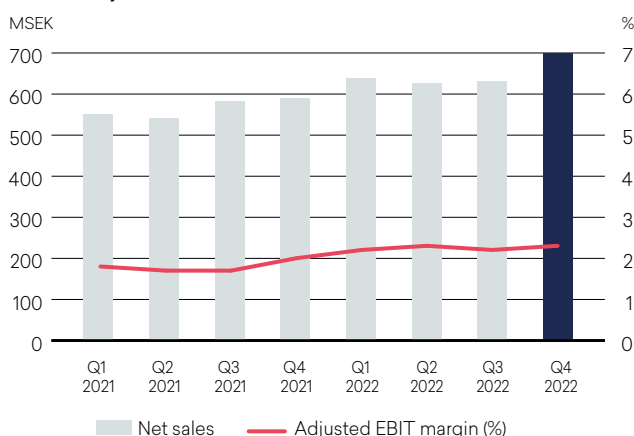
Cash flow

Cash flow for the period from operating activities increased to SEK -32.4 m (-48.3). Cash flow from changes in working capital was SEK -121.9 m (-65.8) due to increase inventories ahead of the new year according to plan.

Net debt and cash and cash equivalents

At the end of the period, the net debt amounted to SEK 185.1 m versus 46.0 per 31 December 2021. In total, cash and cash equivalents amounted to SEK 15.2 m, versus 49.1 at the end of last year. At the end of the period, unutilised credit facility amounted to SEK 23 m, versus SEK 38 m on 31 December 2021.

Quarterly overview

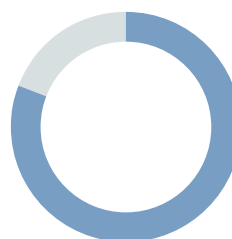


Review of reporting segments

Haypp Group operates two reporting segments, or business units. Core markets and Growth markets.

The Core markets consists of the Swedish and Norwegian markets, which are more mature. Growth markets consist of the US, UK, Germany, Austria and Switzerland, which are characterized more as emerging markets.

Net sales, Q4



■ Core markets ■ Growth markets

Segment breakdown

Amounts in KSEK	Net Sales				EBITDA			
	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Core markets	564,803	503,624	2,145,286	1,977,846	47,326	36,369	174,010	119,219
EBITDA margin, %					8.4 %	7.2 %	8.1 %	6.0 %
Growth markets	135,662	86,921	453,526	288,918	-18,216	-15,281	-71,723	-47,202
EBITDA margin, %					-13.4 %	-17.6 %	-15.8 %	-16.3 %
Parent company/other	0	0	0	0	-17	-12,292	-3,352	-35,239
Reconciliation items	0	0	0	0	194	-340	179	-1,010
GROUP TOTAL	700,465	590,545	2,598,813	2,266,764	29,287	8,457	99,113	35,767
EBITDA margin, %					4.2 %	1.4 %	3.8 %	1.6 %
Depreciation & Amortization					-23,321	-18,829	-83,891	-58,390
Financial items					-7,518	-3,383	2,287	-8,872
PROFIT BEFORE TAXES					-1,552	-13,756	17,509	-31,495

Core markets

Core markets

(Amounts in MSEK)	Q4 2022	Q4 2021	Change, %	Full-Year 2022	Full-Year 2021	Change, %
Net sales	564.8	503.6	12.1 %	2,145.3	1,977.8	8.5 %
EBITDA	47.3	36.4	30.1 %	174.0	119.2	46.0 %
EBITDA margin (%)	8.4 %	7.2 %	1.2 p.p.	8.1 %	6.0 %	2.1 p.p.
Active customers (thousand)	376	324	16.1 %	637	554	14.9 %

Net sales

Net sales for the fourth quarter increased with 12 per cent to SEK 564.8 m (503.6), and 11 per cent in constant currency. Nicotine Pouches grew by 41 per cent in volume during the quarter, driven by a strong performance in Sweden. Net sales in Norway were in line with the same quarter last year after a period with double digit growth decline due to challenging trading environment on the back of the reopened border and duty free. The number of active customers increased with 16 per cent to 376 thousand (324). Average order value decreased with 3 per cent.

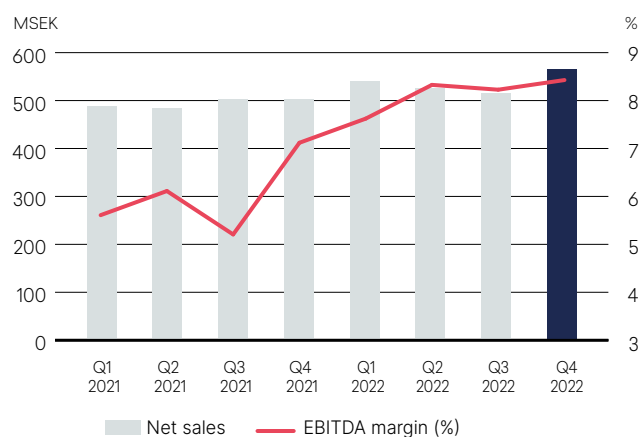
Net sales for the period increased with 8 per cent to SEK 2,145.3 m (1,977.8) and in constant currency, Net sales increased by 7 per cent.

EBITDA

EBITDA for the business unit increased with 30 per cent to SEK 47.3 m (36.4). The EBITDA margin increased with 1.2 percentage points and amounted to 8.4 per cent (7.2) mainly attributable to a higher gross margin and economies of scale, partially offset by further investments for future growth.

EBITDA for the period amounted SEK 174.0 m (119.2), corresponding to an EBITDA margin of 8.1 per cent (6.0).

Core markets



Growth markets

Growth markets

(Amounts in MSEK)	Q4 2022	Q4 2021	Change, %	Full-Year 2022	Full-Year 2021	Change, %
Net sales	135.7	86.9	56.1 %	453.5	288.9	57.0 %
EBITDA	-18.2	-15.3	neg	-71.7	-47.2	neg
EBITDA margin (%)	-13.4 %	-17.6 %	4.2 p.p.	-15.8 %	-16.3 %	0.5 p.p.
Active customers (thousand)	82	68	21.0 %	159	128	24.6 %

Net sales

Net sales for the fourth quarter increased with 56 per cent to SEK 135.7 m (86.9), mainly due to a strong performance in both the US, especially California, and Europe. The number of active customers increased with 21 per cent to 82 thousand (68), due to a positive momentum primarily in the nicotine pouches category. Nicotine Pouches grew by 44 per cent in volume during the quarter. The average order value increased with 33 per cent.

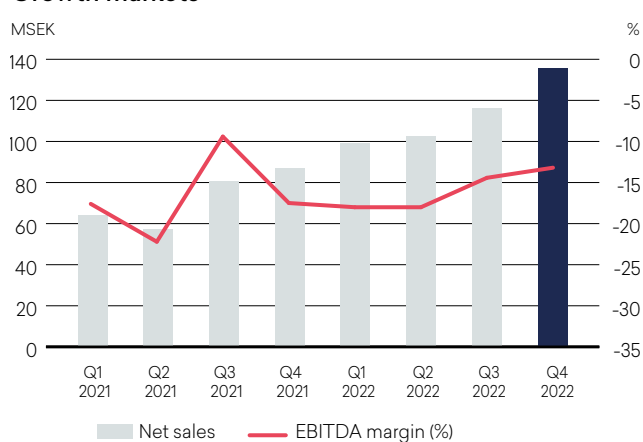
Net sales for the period increased with 57 per cent to SEK 453.3 m (288.9).

EBITDA

EBITDA for the business unit decreased to SEK -18.2 m (-15.3). The EBITDA margin amounted to -13.4 per cent (-17.6), due to continued commercial investments and a relatively high share of fixed costs compared with current volumes.

EBITDA for the period amounted SEK -71.7 m (-47.2), corresponding to an EBITDA margin of -15.8 per cent (-16.3).

Growth markets



Other information

Employees

The average number of full-time employees during Q4 2022 was 153, compared to 117 per Q4 2021. The increase was primarily attributable to expansion of the business.

Events after the end of the reporting period

No significant events after the reporting period.

AGM

Annual shareholders' meeting will be held in Stockholm 17 May 2023. The Board of Directors proposes to the general meeting that no dividends be paid for fiscal year 2022, this year's generated cash flows will be used for the Company's continued expansion.

Shareholders

The total number of shareholders amounted to approximately 3,600 at the end of December.

Largest shareholders per December 31, 2022.

	Numbers of shares	Share of capital and votes
GR8 Ventures AB	4,323,953	14.85
Patrik Rees	3,612,423	12.41
Fidelity Investments (FMR)	2,909,832	9.99
Northerner Holding AB	2,797,917	9.61
madHat AB	1,696,269	5.83
e-Business Partner Norden AB	1,216,130	4.18
Gavin O'Dowd	1,179,391	4.05
Ola Svensson	1,174,665	4.03
Pulsen Sb Investment AB	1,065,900	3.66
Erik Selin	1,000,000	3.43
Sum	20,976,480	72.04 %
Others	8,145,999	27.96 %
Total	29,122,479	100 %

Parent company

Haypp Group AB (Corp. Reg. No. 559075-6796), which is domiciled in Stockholm, Sweden, conducts holding operations. During the full-year 2022, other operating income amounted to SEK 5.8 m (2.3) and profit totalled SEK 20.9 m (-15.0). Total equity amounted to SEK 632.9 m (609.0) per end of 31 December 2021.

Seasonal effects

Haypp Group assesses that its revenues and EBIT to a limited degree are affected by seasonality. The two segments have varying but limited seasonality patterns. The strongest seasonality effect can normally be seen in the months of July and December respectively where holiday seasonality tends to have an adverse effect on Haypp Group's net sales.

During 2020, the normal seasonality patterns were distorted by Covid restrictions as customers in general travelled to a lesser extent than normal during the summer and winter holidays. In 2022, Haypp Group has seen a partial return of normal seasonality patterns on the back of Covid pandemic.

Risks and uncertainties

The Haypp Group's and the parent company's business risks and risk management, as well as the management of financial risks, are described in the Annual Report 2021 and the sustainability report. No events of material significance occurred in the period that materially affect or change these descriptions of the Group's and parent company's risks and their management.

Webcast conference call on 15 February

In connection with the interim report, Haypp Group will hold a webcast conference call in English at 09.00 am CET. Haypp Group will be represented by President and CEO Gavin O'Dowd and CFO Svante Andersson, who will present the interim report and answer questions. Information regarding telephone numbers and website is available at <https://www.hayppgroup.com>. The presentation will be available at www.hayppgroup.com/ir after publication of the interim report. The webcast will be available at the same address after the live broadcast.

This is information that Haypp Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact person below out above, at 07:45 CET on 15 February 2023.

For further information, please contact:

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Financial calendar

May 3, 2023

Interim report for January – March 2023

April 26, 2023

Annual Report 2022

May 17, 2023

Annual shareholders' meeting 2023

August 11, 2023

Interim report for January – June 2023

November 8, 2023

Interim report for January – September 2023

Haypp Group at glance

The Haypp Group is spearheading the global transformation from smoking to risk-reduced alternatives. With origins in Scandinavia, the company has leveraged its leading position, along with its category and e-commerce experience, to widen its positive impact to the US and a range of European markets. With ten e-commerce store brands, the Haypp Group is present in seven countries where we served 800,000 active consumers during 2022. Headquartered in Stockholm, Sweden, Haypp Group employs about 140 FTEs and have Net sales of over SEK 2.5 bn during 2022.

Vision

We put the consumer first. We engage with them every day to understand their needs and desires, and we know them like no other actor in the industry. Our vision to “Inspire healthier enjoyment for millions” will help consumers change harmful habits, whilst simultaneously increasing our global presence.

Business model

The consumer is always the focus of our business. Our model starts with managing the consumer experience. We reach out to a broad consumer base, effectively advocating the healthier non-smoking alternatives and assisting them to find the most appropriate solution. Our model enables us to gain a more comprehensive

understanding of the consumer in a revolutionary new way. We utilise this knowledge to constantly evolve and improve our customer’s journey. Our insights are the driving force for the whole industry to create great quality products; provide superb product offers and produce in a responsible and sustainable way.

Our business model is solid and scalable. It is a model with proven success, that has resulted in increased consumption across a broader range of consumer profiles. It has also resulted in increased sales of premium products and tobacco-free nicotine pouches, in comparison to the rest of the industry.

Values

Society is demanding a change in the tobacco and nicotine industry. We believe that “Inspiring healthier enjoyment for millions” is pivotal to drive the global change. As a result of our success in Scandinavia and our recent achievements when entering new markets, we are in a unique position to help drive that change in society.

Financial targets

Haypp Group’s Board of Directors has adopted the following financial targets:

Growth

Haypp Group targets to reach net sales of at least SEK 5 billion by 2025, predominantly through organic growth.

Profitability

Haypp Group will prioritise growth over profitability and targets to reach a high single digit adjusted EBIT margin in the medium to long term.

Dividend policy

In the upcoming years, the Board of Haypp Group will primarily use the generated cash flows for the company’s continued expansion.

Haypp Group and sustainability

Haypp Group has a sustainable business model built on five strategic areas for sustainability. The areas are aligned with our vision and higher purpose while incorporated into our operations. Our contribution to sustainability, health and society go hand-in-hand with our business success. The better business we do, the better for society as a whole.

Continuous pursuit of sustainability

Haypp Group's sustainable business model makes sure that the business and operations are clearly related to the five strategic areas of sustainability and vice versa, so that sustainability is incorporated into the business actions.

Haypp Group reports on each of the five areas and uses a scorecard to follow certain metrics. Below is a selection from the scorecard with one metric per area which will be reported on a quarterly basis. For the full report please be referred to our annual Sustainability Report.



Sustainability area	Target	Measure	Q3 2022	Q4 2022	Full-Year 2021
Health Contribution	Grow customers of harm reduced products	Number of purchasing customers	431,000	459,000	682,000
Insights for all	Enlightened people & public for awareness and understanding	Number of visits to editorial material, facts and reports	579,481	912,879	1,225,375
Sustainable innovation for growth and development	Quality assurance & Product development	Share of relevant portfolio tested & according to standard	82%	85%	87%
Best place to work	Great employer	Employee satisfaction in per cent	82%	80%	87%
Business Ethics	Delivering on the customer promise	Rate of customer satisfaction	4.2 / 5.0	4.0/5.0	4.4 / 5.0

Consolidated income statement

Amounts in KSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Net sales	700,465	590,545	2,598,813	2,266,765
Capitalised work on own account	3,676	3,719	16,683	10,339
Other operating income	1,022	7,548	10,013	9,857
Total	705,163	601,812	2,625,509	2,286,961
Goods for resale	-603,384	-527,007	-2,270,308	-2,018,045
Other external costs	-28,909	-29,975	-109,321	-115,152
Personnel expenses	-41,489	-34,531	-140,175	-114,428
Depreciation and amortization of tangible and intangible assets	-23,321	-18,829	-83,891	-58,390
Other operating expenses	-2,094	-1,843	-6,591	-3,567
Sum expenses	-699,197	-612,184	-2,610,287	-2,309,583
Operating profit/loss	5,966	-10,372	15,222	-22,622
Financial income/expense				
Financial income	14,421	1,498	14,428	1,499
Financial expenses	-21,939	-4,881	-12,140	-10,371
Financial net	-7,518	-3,383	2,287	-8,872
Earnings Before Tax	-1,552	-13,756	17,509	-31,495
Income tax	6,429	1,076	2,573	3,861
Profit/loss for the period	4,878	-12,680	20,082	-27,634
Profit/loss for the period attributable to:				
The parent company's shareholders	4,878	-12,680	20,082	-27,634
Earnings per share, calculated on the earnings				
attributable to the parent company's shareholders				
during the period:				
Earnings per share before dilution (SEK)	0.17	-0.45	0.69	-1.19
Earnings per share after dilution (SEK)	0.17	-0.45	0.68	-1.19

Consolidated statement of comprehensive income

Amounts in KSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Profit/loss for the period	4,878	-12,680	20,082	-27,634
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Foreign currency translation differences	-799	3,513	5,834	8,995
Total other comprehensive income	-799	3,513	5,834	8,995
Total Comprehensive income	4,078	-9,167	25,916	-18,638
Total comprehensive income for the year attributable to:				
Parent company shareholders	4,078	-9,167	25,916	-18,638
Average number of shares before dilution	29,116,889	28,308,622	29,108,184	23,152,447
Average number of shares after dilution	29,428,759	29,388,181	29,502,411	26,396,415

Consolidated balance sheet

Amounts in KSEK	2022-12-31	2021-12-31
ASSETS		
Fixed assets		
Intangible assets		
Goodwill	161,985	156,869
Customer relationships	107,697	120,468
Trademarks	139,345	157,006
Websites	24,573	30,185
Capitalized development costs	75,212	52,700
Total intangible assets	508,811	517,228
Tangible assets		
Leasehold improvements	833	600
Equipment	3,553	1,393
Total tangible assets	4,386	1,993
Financial assets		
Non-current receivables	7,451	29,748
Total financial assets	7,451	29,748
Right-of-use assets	88,944	50,206
Deferred tax assets	19,337	19,070
Total fixed assets	628,929	618,245
Current assets		
Inventories		
Goods for resale	222,773	141,997
Current receivables		
Accounts receivable	62,022	65,529
Current tax recoverable	2,124	0
Other receivables	41,792	13,395
Prepaid expenses and accrued income	48,444	37,773
Cash and cash equivalents	15,196	49,055
Total current receivables	169,578	165,751
Total current assets	392,351	307,748
TOTAL ASSETS	1,021,280	925,993

Consolidated balance sheet cont.

Amounts in KSEK	Notes	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,908	1,906
Other contributed capital		689,558	686,553
Translation differences		-579	-6,412
Retained earnings (including net profit/loss for the year)		-93,348	-113,430
Total equity		597,539	568,617
LIABILITIES			
Non-current liabilities			
Non-current lease liability		64,070	34,036
Deferred tax liabilities		21,725	25,326
Other liabilities		5,866	25,845
Total non-current liabilities		91,662	85,207
Current liabilities			
Bank overdraft		114,607	49,824
Current lease liability		21,616	11,243
Accounts payable		91,915	146,216
Current tax liabilities		1,798	108
Other liabilities		48,509	22,139
Accrued expenses and deferred income		53,633	42,639
Total current liabilities		332,078	272,169
Total liabilities		423,740	357,376
TOTAL EQUITY AND LIABILITIES		1,021,280	925,993

Consolidated statement of changes in equity

Amounts in KSEK	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Opening balance, 2021-01-01	1,336	308,696	-15,408	-85,797	208,828
Profit/loss for the year				-27,634	-27,634
Other comprehensive income for the year			8,995		8,995
Total comprehensive income	0	0	8,995	-27,634	-18,638
New share issue ¹	571	377,857			378,427
Total transactions with shareholders in their attribute as shareholders	571	377,857	0	0	378,427
Closing balance, 2021-12-31	1,906	686,553	-6,413	-113,430	568,617
Opening balance, 2022-01-01	1,906	686,553	-6,413	-113,430	568,617
Profit/loss for the year				20,082	20,082
Other comprehensive income for the year			5,834		5,834
Total comprehensive income	0	0	5,834	20,082	25,916
New share issue ¹	2	3,005			3,007
Total transactions with shareholders in their attribute as shareholders	2	3,005	0	0	3,007
Closing balance, 2022-12-31	1,908	689,558	-579	-93,348	597,539

¹ After deduction of issue costs

Consolidated statement of cash flow

Amounts in KSEK	Full-Year 2022	Full-Year 2021
Cash flow from operating activities		
Operating loss	15,222	-22,622
Adjustment for non-cash items:		
- Depreciation and amortization of tangible and intangible assets	83,891	58,390
- Other non-cash items	-1,526	-1,831
Interest received	19	0
Interest paid	-5,608	-9,134
Income tax paid	-2,451	-7,350
Cash flow from operating activities before change in working capital	89,548	17,452
Cash flow from change in working capital		
Increase/decrease in inventories	-74,026	-59,744
Increase/decrease in operating receivables	-11,114	-38,390
Increase/decrease in operating liabilities	-36,758	32,344
Total change in working capital	-121,898	-65,791
Cash flow from operating activities	-32,350	-48,339
Cash flow from investing activities		
Investment in intangible assets	-43,219	-243,818
Disposals of intangible assets	105	0
Investment in tangible assets	-3,694	-1,448
Disposal of tangible assets	38	52
Change in other financial assets	-2,504	-688
Cash flow from investing activities	-49,275	-245,901
Cash flow from financing activities		
New loans	-3,792	26,789
Change bank overdraft	64,784	-8,262
Repayment of loans	-1,928	-73,879
Repayment of leasing debt	-16,514	-13,822
New share issue ¹	3,007	378,427
Cash flow from financing activities	45,556	309,254
Decrease/increase in cash and cash equivalents		
Opening cash and cash equivalents	49,055	32,031
Cash flow for the period	-36,069	15,013
Exchange-rate differences in cash and cash equivalents	2,210	2,011
Closing cash and cash equivalents	15,196	49,055

¹ Cost after deduction of issue cost

Parent Company income statement

Amounts in KSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Other operating income	1,478	2,339	5,815	2,339
Total	1,478	2,339	5,815	2,339
Other external costs	-949	-4,806	-3,768	-21,293
Personnel expenses	-1,474	-2,006	-6,002	-3,726
Depreciation and amortization of tangible and intangible assets	-13	-13	-50	-50
Other operating expenses	1	-30	-1	-33
Sum expenses	-2,434	-6,853	-9,821	-25,103
Operating profit/loss	-956	-4,515	-4,007	-22,764
Financial income/expense				
Profit from shares in group companies	0	0	-2,000	-7,000
Interest income and other financial income	8,763	1,045	8,763	1,045
Interest and other financial expenses	-1,130	-437	-1,134	-3,299
Result from financial income/expenses	7,633	608	5,629	-9,254
Earnings Before Tax	6,676	-3,906	1,622	-32,018
Appropriations	21,000	15,000	21,000	15,000
Earnings before tax	27,676	11,094	22,622	-17,018
Income tax	-1,682	2,064	-1,682	2,064
Profit/loss for the period	25,994	13,157	20,940	-14,954

In the Parent Company, there are no items that are reported as other comprehensive income, hence the total comprehensive income corresponds to the profit for the year.

Parent Company balance sheet

Amounts in KSEK	2022-12-31	2021-12-31
ASSETS		
Fixed assets		
Intangible assets		
Capitalized development costs	87	137
Total intangible assets	87	137
Financial assets		
Shares in subsidiaries	321,592	321,592
Deferred tax assets	2,551	4,233
Non-current receivables	2,909	1,310
Non-current intercompany receivables	335,130	323,399
Total financial assets	662,182	650,534
Total fixed assets	662,269	650,671
Current assets		
Current receivables		
Receivables from group companies	66,046	1,431
Other receivables	1,355	2,459
Prepaid expenses and accrued income	551	931
Total current receivables	67,951	4,822
Cash and cash equivalents	1,650	1,798
Total current assets	69,601	6,620
TOTAL ASSETS	731,870	657,291

Parent Company balance sheet cont.

Amounts in KSEK	2022-12-31	2021-12-31
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	1,908	1,906
Non-restricted equity		
Other contributed capital	689,558	686,553
Retained earnings	-79,466	-64,511
Profit/loss for the period	20,940	-14,954
Total equity	632,941	608,994
LIABILITIES		
Non-current liabilities		
Non-current intercompany liabilities	39,313	43,182
Other liabilities	82	845
Total non-current liabilities	39,395	44,027
Current liabilities		
Bank overdraft	34,273	0
Current liabilities to group companies	23,616	264
Accounts payable	15	777
Other liabilities	167	161
Accrued expenses and deferred income	1,463	3,067
Total current liabilities	59,534	4,270
Total liabilities	98,929	48,297
TOTAL EQUITY AND LIABILITIES	731,870	657,291

Notes

General information

Haypp Group AB with Corporate Registration No. 559075-6796 is a limited liability company registered in Sweden, with its registered office in Stockholm. The address of the head office is Östgötagatan 12, SE-104 62, Stockholm, Sweden. The operations of the Parent Company and its subsidiaries comprise investing in e-commerce companies and conducting related activities.

Accounting principles

The most important accounting principles applied when this quarterly report has been prepared are set out below. These principles have been applied consistently for all years presented, unless otherwise stated.

The consolidated accounts for Haypp Group AB have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, as well as International Accounting Standards (IFRS) and interpretations from the International Accounting Interpretation Committee (IFRS IC) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company applies RFR 2 Accounting for Legal Entities and the Annual Accounts Act.

The accounting principles and calculation methods applied in this interim report are in accordance with the principles described in the Annual Report 2021. For further information regarding the Group's and the Parent Company's applied accounting principles, see the Group's Annual Report 2021.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's operations are divided into operating segments consisting of Core markets (Sweden and Norway) and Growth markets (US, Europe outside Sweden and Norway and Rest of World). The Chief operating decision maker is the function responsible for allocating resources and assessing the operating segments' results. In the Group, this function has been identified as the CEO, who makes strategic decisions.

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- Profit/loss for the year attributable to the parent company's shareholders,
- with a weighted average number of outstanding ordinary shares during the period, excluding repurchased shares held as treasury shares by the parent company

Earnings per share after dilution

For the calculation of earnings per share after dilution, the amounts used for the calculation of earnings per share before dilution are adjusted by taking into account:

- the weighted average of the additional ordinary shares that would have been outstanding in a conversion of all potential ordinary shares

Dilution effect of potential ordinary shares is reported only if a conversion to ordinary shares would lead to a reduction in earnings per share after dilution. As the Company reports losses for certain periods, no dilution effect for such periods is reported.

Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing conditions.

Significant estimates and assessments in the Group are attributable to goodwill and deferred tax. For further information, see the Group's Annual Report 2021.

Note 1 Financial instruments

The carrying amount of the Group's long-term financial instruments valued at amortized cost essentially corresponds to its fair value as the interest rate is in parity with current market interest rates.

The carrying amount of the Group's short-term financial instruments valued at accrued acquisition value essentially corresponds to its fair value as the discounting effect is not significant.

Note 2 Transactions with related parties

Transactions between Haypp Group and its subsidiaries have been eliminated in the consolidated financial statements. All transactions between related parties have been conducted on commercial terms, on an arm's length basis.

Notes

Note 3 Disclosure on new share and warrant issues

During 2022 warrants have been cancelled for employees who have left the company. These have been repurchased at acquisition cost which resulted in a decrease of other contributed capital by SEK 444,967.

At an Extra General Meeting in May 2022 it was decided to issue 1,618,276 new warrants to employees. This issue entails an increase in other contributed capital by SEK 2,686,338. The duration of these warrants is three years from 2022-05-31.

A decision was further made during the year to extend the duration of previous warrants resulting in an increase of other contributed capital with SEK 432,112.

Warrants were struck during 2022, resulting in 22,500 new shares. Share capital increased with SEK 1 474 and other contributed capital with SEK 331,639. The exercise price varied between SEK 14.25 and 15 per share.

Key ratios

Amounts in MSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Income statement				
Net sales growth, %	18.6		14.6	
Adjusted EBITDA	29.3	20.7	102.5	71.0
Adjusted EBITDA margin, %	4.2	3.5	3.9	3.1
Adjusted EBIT	16.0	11.8	58.5	41.5
Adjusted EBIT margin, %	2.3	2.0	2.2	1.8
Operating profit/loss	6.0	-10.4	15.2	-22.6
Balance sheet				
Net working capital	229.5	69.8	229.5	69.8
Net debt			185.1	46.0
Investments			-49.3	-245.9
Net debt/Adjusted EBITDA, times			1.8	0.7
Equity/Total assets ratio, %	58.5	61.4	58.5	61.4
Cash flow				
Cash flow from operating activities			-32.4	-48.3
Data per share				
Earnings per share after dilution (SEK)	0.17	-0.45	0.68	-1.19
Equity per share after dilution (SEK)	20.3	19.3	20.3	21.5
Cash flow from operating activities per share after dilution (SEK)			-1.1	-1.8
Average number of shares after dilution	29,428,759	29,388,181	29,502,411	26,396,415

Segment information by quarter

Amounts in MSEK	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net sales per business unit								
Core markets	488.5	484.4	501.3	503.6	540.8	525.3	514.4	564.8
Growth markets	64.0	57.4	80.6	86.9	99.3	102.3	116.3	135.7
EBITDA per business unit								
Core markets	27.1	29.7	26.0	36.4	40.9	43.5	42.3	47.3
Growth markets	-11.3	-12.7	-7.8	-15.3	-18.0	-18.5	-17.0	-18.2
EBITDA margin per business unit (%)								
Core markets	5.6 %	6.1 %	5.2 %	7.2 %	7.6 %	8.3 %	8.2 %	8.4 %
Growth markets	-17.7 %	-22.2 %	-9.7 %	-17.6 %	-18.1 %	-18.1 %	-14.6 %	-13.4 %
Active customers per business unit (thousand)								
Core markets	285	287	321	324	343	340	355	376
Growth markets	46	45	61	68	71	72	76	82

Reconciliation of alternative performance measures

Management uses performance measures to supplement measures defined by IFRS or directly in the income statement and balance sheet. These measures are known as alternative performance measures, APM.

Items affecting comparability

Consulting and advisory costs

External costs related to preparing the Group for a potential initial public offering, IPO. The costs mainly include fees to external financial and commercial advisors and other preparation costs.

Acquisition, integration and restructuring costs

Acquisition costs and integration mainly consist of external costs for acquisitions (mainly fees to external advisors) and costs relating to integrating acquired businesses or assets.

Restructuring costs mainly consists of severance pay for significant organizational changes.

Legal costs

Costs for external legal advisors in relation to legal disputes.

Amounts in MSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
EBIT margin				
EBIT	6.0	-10.4	15.2	-22.6
Net sales	700.5	590.5	2,598.8	2,266.8
EBIT margin, %	0.9	-1.8	0.6	-1.0
Adjusted EBIT				
EBIT	6.0	-10.4	15.2	-22.6
Amortisation of acquired intangible assets	10.1	9.9	39.9	28.9
Less items affecting comparability:				
Consulting and advisory costs	0.0	10.9	0.0	30.5
Acquisition, integration and restructuring costs	0.0	1.4	3.4	3.9
Legal costs	0.0	0.0	0.0	0.8
Adjusted EBIT	16.0	11.8	58.5	41.5
Adjusted EBIT margin, %	2.3	2.0	2.2	1.8
EBITDA				
EBIT	6.0	-10.4	15.2	-22.6
Depreciation/amortisation and impairment of assets	23.3	18.8	83.9	58.4
EBITDA	29.3	8.5	99.1	35.8
EBITDA margin				
EBITDA	29.3	8.5	99.1	35.8
Net sales	700.5	590.5	2,598.8	2,266.8
EBITDA margin, %	4.2	1.4	3.8	1.6
Adjusted EBITDA				
EBITDA	29.3	8.5	99.1	35.8
Less items affecting comparability:				
Consulting and advisory costs	0.0	10.9	0.0	30.5
Acquisition, integration and restructuring costs	0.0	1.4	3.4	3.9
Legal costs	0.0	0.0	0.0	0.8
Adjusted EBITDA	29.3	20.7	102.5	71.0
Adjusted EBITDA margin, %	4.2	3.5	3.9	3.1

Amounts in MSEK	Q4 2022	Q4 2021	Full-Year 2022	Full-Year 2021
Adjusted operating expenses				
Sum expenses	-699.2	-612.2	-2,610.3	-2,309.6
Other operating income	1.0	7.5	10.0	9.9
Capitalised work on own account	3.7	3.7	16.7	10.3
Cost of Goods sold (-)	603.4	527.0	2,270.3	2,018.0
Depreciation and amortization of tangible and intangible assets	23.3	18.8	83.9	58.4
Less items affecting comparability:				
Consulting and advisory costs	0.0	10.9	0.0	30.5
Acquisition, integration and restructuring costs	0.0	1.4	3.4	3.9
Legal costs	0.0	0.0	0.0	0.8
Adjusted operating expenses	-67.8	-42.8	-226.0	-177.7
Net debt				
Non-current lease liability			64.1	34.0
Bank overdraft			114.6	49.8
Current lease liability			21.6	11.2
Cash and cash equivalents			-15.2	-49.1
Net debt			185.1	46.0
Net debt / adjusted EBITDA				
Net debt			185.1	46.0
Adjusted EBITDA			102.5	71.0
Net debt/Adjusted EBITDA, times			1.8	0.7
Items affecting comparability				
Consulting and advisory costs	0.0	-10.9	0.0	-30.5
Acquisition, integration and restructuring costs	0.0	-1.4	-3.4	-3.9
Legal costs	0.0	0.0	0.0	-0.8
Items affecting comparability	0.0	-12.3	-3.4	-35.2
Equity per share after dilution				
Total equity	597.5	568.6	597.5	568.6
Average number of shares after dilution	29,428,759	29,388,181	29,502,411	26,396,415
Equity per share after dilution (SEK)	20.3	19.3	20.3	21.5
Cash flow from operating activities per share after dilution				
Cash flow from operating activities			-32.4	-48.3
Average number of shares after dilution	29,428,759	29,388,181	29,502,411	26,396,415
Cash flow from operating activities per share after dilution (SEK)			-1.1	-1.8

Net working capital

Amounts in MSEK	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020
Goods for resale	222.8	142.0	77.5
Accounts receivable	62.0	65.5	42.0
Other receivables	41.8	13.4	12.5
Prepaid expenses and accrued income	48.4	37.8	23.0
Accounts payable	-91.9	-146.2	-105.6
Accrued expenses and deferred income	-53.6	-42.6	-46.3
Net working capital	229.5	69.8	3.1

Definitions

	Definition	Reason for use
Net sales growth, %	Change in net sales growth for the period.	Shows whether the company's business is expanding or contracting.
Organic sales growth, %	Change in net sales excluding businesses which have been acquired, sold or exited.	Shows whether the company's business is expanding or contracting when excluding the effects from acquisitions, divestments or exits.
Gross profit growth, %	Change in net sales growth for the period minus cost of goods sold for the period.	Shows change in the profitability and the financial performance of the company's business.
EBIT margin, MSEK	EBIT as a percentage of net sales.	Shows operating profit in relation to net sales and is a measurement of the profitability in the company's operational business.
Adjusted EBIT, MSEK	EBIT excluding amortization and impairment losses on acquisition-related intangible assets and items affecting comparability.	Shows results of the company's operational business excluding amortization that arises as a result of accounting treatment of purchase price allocations in conjunction with acquisitions and items that affect comparison with other periods.
Adjusted EBIT margin, %	EBIT margin adjusted for amortization and impairment losses on acquisition-related intangible assets and items affecting comparability.	Shows EBIT margin excluding amortization that arises as a result of accounting treatment of purchase price allocations in conjunction with acquisitions and items that affect comparison with other periods.
EBITDA, MSEK	EBIT excluding depreciation/amortization and impairment of assets.	Shows the ability of the company's operations to generate resources for investment and payment to capital providers.
EBITDA margin, %	EBITDA as a percentage of net sales.	A profitability measurement that is used by investors, analysts and the company's management for evaluating the company's profitability.
Adjusted EBITDA, MSEK	EBITDA adjusted for items affecting comparability.	Shows EBITDA excluding items that affect comparison with other periods.
Adjusted EBITDA margin, %	EBITDA margin adjusted for items affecting comparability.	Shows EBITDA margin excluding items that affect comparison with other periods.
Net debt, MSEK	Non-current lease liability bank overdraft, current lease liability, liabilities to credit institutions and cash and cash equivalents.	Shows how much cash would remain if all debts were paid off.
Net debt / adjusted EBITDA, x	Net debt in relation to adjusted EBITDA.	Shows financial risk and is an indication of repayment capacity.
Items affecting comparability	Significant items affecting comparability, including significant consulting and advisory costs, acquisition, integration and restructuring costs, and significant legal costs.	Refers to items that are reported separately as they are of a significant nature and are relevant for understanding the financial performance when comparing the profit/loss for the current period with the previous periods.

