

Interim Report
January–September 2022

Q3

”Strong performance in a
challenging environment –
continued margin uplift in Core
markets and strong momentum
in our Growth markets”



HAYPP GROUP

Third quarter

- Net sales increased with 8 per cent to SEK 630.7 m (581.9). In constant currency, Net sales increased by 4 per cent.
- 40 per cent volume growth in the Nicotine pouches category during the quarter.
- The gross margin increased to 12.4 per cent (11.0).
- Adjusted EBIT increased to SEK 13.7 m (10.1), corresponding to an adjusted EBIT margin of 2.2 per cent (1.7).
- Operating profit/loss totalled SEK 3.6 m (-8.7), including items affecting comparability of SEK 0.0 m (-9.0).
- Profit/loss for the quarter amounted to SEK 6.6 m (-6.2).
- Earnings per share before dilution amounted to SEK 0.23 (-0.27).
- Number of orders increased to 946 thousand (887) with an average order value of SEK 625 (624).
- Active customers increased with 13 per cent and amounted to 431 thousand (382) at the end of the quarter.

First nine months

- Net sales increased with 13 per cent to SEK 1,898.3m (1,676.2). In constant currency, Net sales increased by 10 per cent.
- 48 per cent volume growth in the Nicotine pouches category during the period.
- The gross margin amounted to 12.2 per cent (11.0).
- Adjusted EBIT amounted to SEK 42.4 m (29.7), corresponding to an adjusted EBIT margin of 2.2 per cent (1.8).
- Operating profit/loss totalled SEK 9.3 m (-12.2), including items affecting comparability of SEK -3.3 m (-22.9).
- Profit/loss for the period amounted to SEK 15.2 m (-15.0).
- Earnings per share before dilution amounted to SEK 0.52 (-0.70).
- Number of orders increased to 2,833 thousand (2,488) with an average order value of SEK 632 (626).
- Active customers increased with 16 per cent amounted to 677 thousand (583) at the end of the period.

Amounts in MSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Net sales	630.7	581.9	1,898.3	1,676.2	2,488.9	2,266.8
Net sales growth, %	8.4		13.3			31.1
Gross margin, %	12.4	11.0	12.2	11.0	11.9	11.0
Adjusted EBIT	13.7	10.1	42.4	29.7	54.2	41.5
Adjusted EBIT margin, %	2.2	1.7	2.2	1.8	2.2	1.8
Items affecting comparability	0.0	-9.0	-3.3	-22.9	-15.6	-35.2
Operating profit/loss	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Profit/loss for the period	6.6	-6.2	15.2	-15.0	2.5	-27.6
Earnings per share before dilution (SEK)	0.23	-0.27	0.52	-0.70	0.08	-1.19
Cash flow from operating activities			55.3	-8.3		-48.3
Number of orders (thousand)	946	887	2,833	2,488	3,742	3,397
Average order value (SEK)	625	624	632	626	630	625
Active customers (thousand)	431	382	677	583	765	682

Strong margin uplift in the Core markets segment shows potential for future earnings

Driven by solid performance in both Sweden, US and Europe, the volume of nicotine pouches grew 48 per cent during the third quarter when excluding Norway. For our Growth markets segment the increase was even higher. We continue to make strong progress in the transformation to this rapidly growing product category, which now accounts for 43 per cent of the total volume. Net sales for the group increased by 8 per cent, 4 per cent in constant currency, during the third quarter to SEK 2,489 m on an LTM-basis. We continued to experience strong underlying growth across all segments except for Norway, which due to its relative size, to some extent hampers overall growth. Norway is, however, beginning to stabilize with a more or less flat nicotine pouch development versus last year after seeing consistent improvements on a monthly basis throughout the third quarter. The gross margin increased 1.4 percentage points to 12.4 per cent during the quarter, thereby remaining in line with our second quarter as we continue to leverage our position in the value chain. Inflationary pressure has so far had limited impact on our overall performance, and so far, minor price increases from our suppliers are offset by the positive effects of an increasing demand from consumers seeking safer nicotine alternatives at attractive prices.

Benefits of scale

The third quarter adjusted EBIT-margin amounted to 2.2 per cent which is a significant improvement against last year's corresponding numbers. Despite increased investments in the organization and our platform to support future growth are we able to continuously release benefits of scale that drives our margin performance over time.

Continued margin uplift in Core markets and strong momentum in our Growth markets

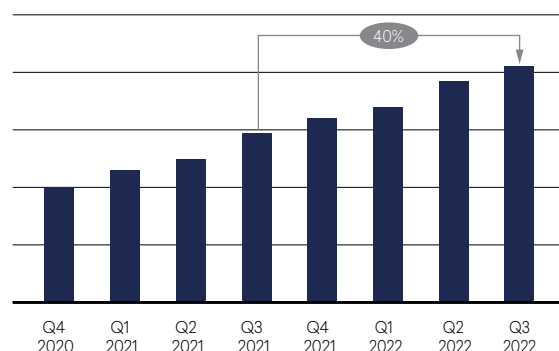
Core markets Net sales were hampered predominantly by declining Snus volumes in Norway and the expected normalization of seasonality patterns post Covid. On the other hand, the EBITDA-margin reached 8.2 per cent, an increase of 3 percentage points against the same quarter last year which shows the scalability in our business and ability to reach our long-time financial targets. Growth markets Net sales increased by 44 per cent with a Nicotine pouch volume increase of 55 per cent driven by strong growth across both the US and Europe. Continued commercial investments to build our market positions drives the negative EBITDA of SEK 17 m in the quarter.



“We are seeing an increasing number of governmental agencies across our markets in Europe advocating for regulations of new nicotine products from a harm-reduction perspective”

The transformation towards nicotine pouches running according to plan

Volume nicotine pouches



Growing governmental interest for harm reduction in Europe

We remain positive that the EU will introduce positive regulation for nicotine pouches. Since the European Parliament released its “Beating Cancer” report, we are seeing an increasing number of governmental agencies across our markets in Europe advocating for regulations of new nicotine products from a harm-reduction perspective. In September, the German Federal Institute for Risk Assessment, BfR, released a health assessment on nicotine pouches concluding that switching from cigarettes to nicotine pouches can reduce the health risks for smokers. Also in September, another harm-reduction study, partly commissioned by the UK Department of Health and Social Care, encouraged the use of vaping products to quit smoking since vaping was deemed effective for quitting and that it only poses a small fraction of the risks of smoking in the short and medium term. Furthermore, the study also called on the review of other non-tobacco nicotine products, such as nicotine pouches.

California flavour ban

On November 8, California imposed a ban on flavoured nicotine products sold in retail locations, thus prohibiting brick-and-mortar retailers and vending machines from selling certain flavoured tobacco products and tobacco flavour enhancers. It is Haypp Group’s opinion that the law to some extent is a step back in terms of harm-reduction as it does not distinguish between harm-reduced and harmful nicotine products. Moreover, we do not expect this change to have any material impact on the overall category growth as we have seen numerous other examples of flavour bans, none of which has had any material impact on consumption. Neither do we expect this type of regulation to spread to other states. We, however, note that online retailers are omitted, meaning the ban could benefit Haypp Group and other online-based nicotine retailers in the upcoming quarters.

”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”

Relative advantages

Despite a market environment signified by a strong focus on cost inflation in supply chains, lower consumer spending, as well as a struggling e-commerce industry, Haypp Group has a favourable position. Nicotine products, historically, have remained resilient in times of contracting consumer spending. In previous contractions, customers have often moved to alternative nicotine products which had a lower price. Given that nicotine pouches sell at a fraction of the price of cigarettes, the category is well positioned across many markets. The large majority of products categories within the e-commerce industry have experienced a difficult 2022 with decreasing year-on-year sales. Meanwhile, we see that the online nicotine category is not only growing but doing so at a significant rate. We also expect to benefit from the price advantages of e-commerce versus traditional offline stores. Finally, regarding inflation in the supply chain, we have so far not seen any material increases from our product suppliers. While we do expect a degree of cost pressure on the fulfilment side, our fulfilment costs accounts for less than 10 per cent of our Net sales.

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 November 2022

Gavin O’Dowd
President and CEO

Financial overview

Net sales

Net sales for the third quarter increased with 8 per cent to SEK 630.7 m (581.9). In constant currency, Net sales increased by 4 per cent.

Net sales for the first nine months increased with 13 per cent to SEK 1,898.3m (1,676.2). In constant currency, Net sales increased by 10 per cent.

Gross Profit

Gross Profit increased to SEK 78.2 m (64.0), corresponding to a gross margin of 12.4 per cent (11.0), driven by a strengthened position in the value chain and benefits of scale.

Gross Profit during the first nine months increased to SEK 231.4 m (185.2), corresponding to a gross margin of 12.2 per cent (11.0).

Adjusted EBIT

Adjusted EBIT for the third quarter increased to SEK 13.7 m (10.1). The adjusted EBIT margin increased to 2.2 per cent (1.7). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investment in the organization.

Adjusted EBIT for the period increased to SEK 42.4 m (29.7). The adjusted EBIT margin increased to 2.2 per cent (1.8).

Operating profit

Operating profit for the third quarter amounted to SEK 3.6 m (-8.7). Items affecting comparability amounted to SEK 0.0 m (-9.0). For more information on Items affecting comparability, refer to page 26. Operating margin was 0.6 per cent (-1.5).

Operating profit for the period amounted to SEK 9.3 m (-12.2). Items affecting comparability amounted to SEK -3.3 m (-22.9) and was related to the decision to adopt the operational structure to better fit with localized condition. For more information on Items affecting comparability, refer to page 26. Operating margin was 0.5 per cent (-0.7).

Financial items

Financial expenses (net) for the quarter amounted to SEK 4.5 m (-0.6) mainly related to positive impact from exchange translation.

Financial expenses (net) for the period amounted to a SEK 9.8 m (-5.5).

Tax

The tax expense for the quarter was SEK -1.5 m (3.1).

The tax expense for the period amounted to SEK -3.9 m (2.8).

Net Profit

Profit for the quarter increased to SEK 6.6 m (-6.2). Earnings per share amounted to SEK 0.22 (-0.27) after dilution.

Profit for the period increased to SEK 15.2 m (-15.0). Earnings per share amounted to SEK 0.51 (-0.70) after dilution.

Investments

During the first nine months of 2022, Haypp Group invested SEK 33.3 m (233.0), whereof SEK 27.4 m (231.8) was invested in intangible assets.

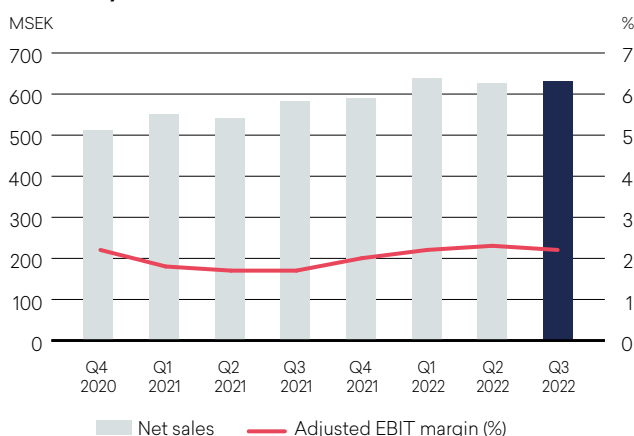
Cash flow

Cash flow for the period from operating activities increased to SEK 55.3 m (-8.3), mainly due to increased earnings and timing of working capital needs. Cash flow from changes in working capital was SEK -6.0 m (-31.9).

Net debt and cash and cash equivalents

At the end of the period, the net debt amounted to SEK 75.2 m (184.3) versus 46.0 per 31 December 2021. In total, cash and cash equivalents amounted to SEK 71.9 m, versus 49.1 at the end of last year. At the end of the period, unutilised credit facility amounted to SEK 54 m, versus SEK 38 m on 31 December 2021.

Quarterly overview

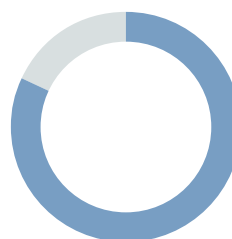


Review of reporting segments

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, Q3



■ Core markets ■ Growth markets

Segment breakdown

Amounts in KSEK	Net Sales					EBITDA				
	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	LTM	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	LTM
Core markets	514,418	501,337	1,580,483	1,474,231	2,084,107	42,262	26,033	126,709	82,849	163,079
EBITDA margin, %						8.2 %	5.2 %	8.0 %	5.6 %	7.8 %
Growth markets	116,305	80,578	317,864	201,988	404,785	-17,030	-7,823	-53,507	-31,922	-68,788
EBITDA margin, %						-14.6 %	-9.7 %	-16.8 %	-15.8 %	-17.0 %
Parent company/other	0	0	0	0	0	-53	-9,000	-3,360	-22,947	-15,652
Reconciliation items		0	0	0	0	41	-401	-15	-670	-354
GROUP TOTAL	630,723	581,915	1,898,347	1,676,219	2,488,893	25,220	8,809	69,827	27,310	78,284
EBITDA margin, %						4.0 %	1.5 %	3.7 %	1.6 %	3.1 %
Depreciation & Amortization						-21,599	-17,542	-60,570	-39,561	-79,400
Financial items						4,471	-583	9,805	-5,489	6,422
PROFIT BEFORE TAXES						8,092	-9,316	19,062	-17,740	5,306

Core markets

Core markets

(Amounts in MSEK)	Q3 2022	Q3 2021	Change, %	YTD Q3 2022	YTD Q3 2021	Change, %	LTM	2021
Net sales	514.4	501.3	2.6 %	1,580.5	1,474.2	7.2 %	2,084.1	1,977.9
EBITDA	42.3	26.0	62.3 %	126.7	82.8	52.9 %	163.1	119.6
EBITDA margin (%)	8.2 %	5.2 %	3.0 p.p.	8.0 %	5.6 %	2.4 p.p.	7.8 %	6.0 %
Active customers (thousand)	355	321	10.6%	547	480	14.0 %	611	554

Net sales

Net sales for the third quarter increased with 3 per cent to SEK 514.4 m (501.3), and 0 per cent in constant currency. Nicotine Pouches grew by 33 per cent in volume during the quarter, driven by a strong performance in Sweden. Net sales in Norway declined by 20 per cent during the quarter due to a continued challenging trading environment on the back of the reopened border and duty free. The number of active customers increased with 10 per cent to 355 thousand (321). Average order value decreased 4 per cent.

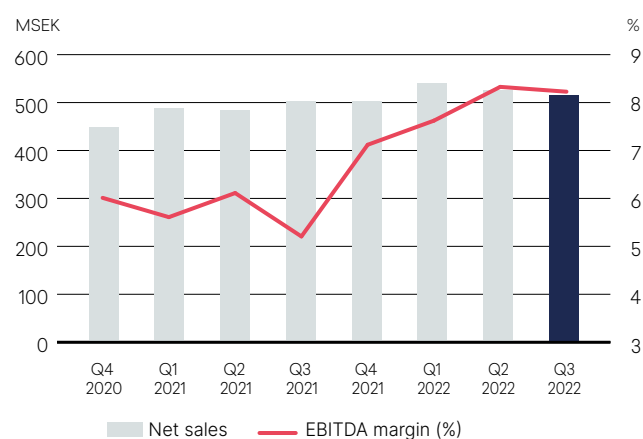
Net sales for the period increased with 7 per cent to SEK 1,580.5 m (1,474.2) and in constant currency, Net sales increased by 5 per cent.

EBITDA

EBITDA for the business unit increased with 62 per cent to SEK 42.3 m (26.0). The EBITDA margin increased with 3 percentage points and amounted to 8.2 per cent (5.2) mainly attributable to a higher gross margin and economies of scale, partially offset by further investment in the organisation for future growth.

EBITDA for the period amounted SEK 126.7 m (82.8), corresponding to an EBITDA margin of 8.0 per cent (5.6).

Core markets



Growth markets

Growth markets

(Amounts in MSEK)	Q3 2022	Q3 2021	Change, %	YTD Q3 2022	YTD Q3 2021	Change, %	LTM	2021
Net sales	116.3	80.6	44.3 %	317.9	202.0	57.4 %	404.8	288.9
EBITDA	-17.0	-7.8	117.7 %	-53.5	-31.9	67.6 %	-68.8	-47.2
EBITDA margin (%)	-14.6 %	-9.7 %	-4.9 p.p.	-16.8 %	-15.8 %	-1.0 p.p.	-17.0 %	-16.3 %
Active customers (thousand)	76	61	24.6 %	131	103	27.2 %	154	128

Net sales

Net sales for the third quarter increased with 44 per cent to SEK 116.3 m (80.6), mainly due to a strong performance in both the US and Europe. The number of active customers increased with 25 per cent to 76 thousand (61), due to a positive momentum primarily in the nicotine pouches category. Nicotine Pouches grew by 55 per cent in volume during the quarter. The average order value increased with 23 per cent.

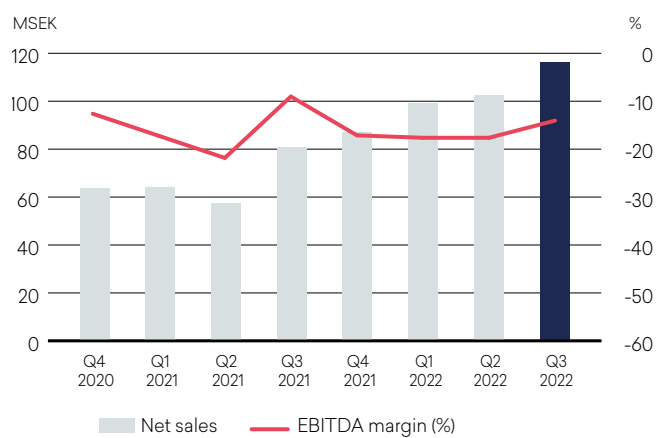
Net sales for the period increased with 57 per cent to SEK 317.9 m (202.0).

EBITDA

EBITDA for the business unit decreased to SEK -17.0 m (-7.8). The EBITDA margin amounted to -14.6 per cent (-9.7), due to continued commercial investments for growth mainly impacting the gross margin negatively.

EBITDA for the period amounted SEK -53.5 m (-31.9), corresponding to an EBITDA margin of -16.8 per cent (-15.8).

Growth markets



Other information

Employees

The average number of full-time employees during the period was 131, compared to 115 the same period last year. The increase was primarily attributable to expansion of the business.

Events after the end of the reporting period

Lotta Emtefall assumes the role of General Counsel and as a member of Haypp Group's management team.

Jenny Mitts took office as the new Chief Logistics Officer and as a member of Haypp Group's management team.

Owner structure

Largest shareholders per September 30, 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)	2,909,815	10.0
Northerner Holding AB	2,797,917	9.61
Rutger Arnhult	1,694,126	5.82
Gavin O'Dowd	1,179,391	4.05
Ola Svensson	1,174,665	4.03
e-Business Partner Norden AB	1,146,049	3.94
Pulsen Sb Investment AB	1,065,900	3.66
Erik Selin	1,000,000	3.43
Sum	20,904,239	71.80 %
Others	8,212,390	28.20 %
Total	29,116,629	100 %

The total number of shareholders amounted to approximately 3,400 at the end of September.

Parent company

Haypp Group AB (Corp. Reg. No. 559075-6796), which is domiciled in Stockholm, Sweden, conducts holding operations. During the first nine months of 2022, other operating income amounted to SEK 4.3 m (0) and profit totalled SEK -5.1 m (-28.1). Total equity amounted to SEK 606.6 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 2021, Haypp Group has seen a partial return of normal seasonality patterns on the back of eased Covid restrictions across its markets.

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 11 November

In connection with the interim report, Haypp Group will hold a webcast conference call in English at 08.30 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 11 November 2022.

For further information, please contact:

Gavin O'Dowd, CEO

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Svante Andersson, CFO

svante.andersson@hayppgroup.com. +46 706 868 012

Financial calendar

February 15, 2023

Fiscal-Year report 2022

May 3, 2023

Interim report for January – March 2023

May 17, 2023

Annual shareholders' meeting 2023

August 11, 2023

Interim report for January – June 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 more than 680,000 active consumers during 2021. Headquartered in Stockholm, Sweden, Haypp Group employs about 130 FTEs and have net sales of close to SEK 2.5 bn in the last twelve months to September 30, 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	Full Year 2021	Q3 2022
Health Contribution	Grow customers of harm reduced products	Number of purchasing customers	682,000	431,000
Insights for all	Enlightened people & public for awareness and understanding	Number of visits to editorial material, facts and reports	1,225,375	579,481
Sustainable innovation for growth and development	Quality assurance & Product development	Share of relevant portfolio tested & according to standard	87%	82%
Best place to work	Great employer	Employee satisfaction in per cent	87%	82%
Business Ethics	Delivering on the customer promise	Rate of customer satisfaction	4.4 / 5.0	4.2 / 5.0

Auditor's limited review report

To the board of Haypp Group AB (publ). reg. no. 559075-6796

Introduction

We have reviewed the condensed interim financial information (interim report) of Haypp Group AB (publ) as of 30 September 2022 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 11 November 2022

PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Consolidated income statement

Amounts in KSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Net sales	630,723	581,916	1,898,348	1,676,220	2,488,893	2,266,765
Capitalised work on own account	5,134	2,466	13,007	6,620	16,726	10,339
Other operating income	1,258	700	8,991	2,309	16,539	9,857
Total	637,116	585,082	1,920,345	1,685,149	2,522,157	2,286,961
Goods for resale	-552,505	-517,926	-1,666,924	-1,491,038	-2,193,931	-2,018,045
Other external costs	-27,659	-31,329	-80,411	-85,178	-110,386	-115,152
Personnel expenses	-30,559	-26,343	-98,686	-79,897	-133,217	-114,428
Depreciation and amortization of tangible and intangible assets	-21,599	-17,542	-60,570	-39,561	-79,400	-58,390
Other operating expenses	-1,173	-673	-4,498	-1,724	-6,340	-3,567
Sum expenses	-633,495	-593,814	-1,911,089	-1,697,398	-2,523,274	-2,309,583
Operating profit/loss	3,621	-8,732	9,256	-12,250	-1,116	-22,622
Financial income/expense						
Financial income	1	0	7	1	1,505	1,499
Financial expenses	4,470	-583	9,798	-5,491	4,917	-10,371
Financial net	4,471	-583	9,805	-5,489	6,422	-8,872
Earnings Before Tax	8,092	-9,315	19,061	-17,739	5,306	-31,495
Income tax	-1,538	3,076	-3,857	2,785	-2,781	3,861
Profit/loss for the period	6,554	-6,239	15,205	-14,954	2,525	-27,634
Profit/loss for the period attributable to:						
The parent company's shareholders	6,554	-6,239	15,205	-14,954	2,525	-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)	0.23	-0.27	0.52	-0.70	0.08	-1.19
Earnings per share after dilution (SEK)	0.22	-0.27	0.51	-0.70	0.08	-1.19

Consolidated statement of comprehensive income

Amounts in KSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Profit/loss for the period	6,554	-6,239	15,205	-14,954	2,525	-27,634
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Foreign currency translation differences	3,876	995	6,633	5,482	10,146	8,995
Total other comprehensive income	3,876	995	6,633	5,482	10,146	8,995
Total Comprehensive income	10,430	-5,244	21,838	-9,471	12,671	-18,638
Total comprehensive income for the year attributable to:						
Parent company shareholders	10,430	-5,244	21,838	-9,471	12,671	-18,638
Average number of shares before dilution	29,115,889	23,164,800	29,105,282	21,433,723	28,906,118	23,152,447
Average number of shares after dilution	29,377,936	27,005,627	29,526,527	25,431,556	29,495,258	26,396,415

Consolidated balance sheet

Amounts in KSEK	2022-09-30	2021-12-31
ASSETS		
Fixed assets		
Intangible assets		
Goodwill	161,930	156,869
Customer relationships	112,517	120,468
Trademarks	144,462	157,006
Websites	25,987	30,185
Capitalized development costs	67,407	52,700
Total intangible assets	512,303	517,228
Tangible assets		
Leasehold improvements	897	600
Equipment	3,033	1,393
Total tangible assets	3,930	1,993
Financial assets		
Non-current receivables	8,229	29,748
Total financial assets	8,229	29,748
Right-of-use assets	93,155	50,206
Deferred tax assets	19,948	19,070
Total fixed assets	637,565	618,245
Current assets		
Inventories		
Goods for resale	160,945	141,997
Current receivables		
Accounts receivable	42,345	65,529
Other receivables	32,806	13,395
Prepaid expenses and accrued income	39,705	37,773
Cash and cash equivalents	71,910	49,055
Total current receivables	186,767	165,751
Total current assets	347,712	307,748
TOTAL ASSETS	985,277	925,993

Consolidated balance sheet cont.

Amounts in KSEK	Notes	2022-09-30	2021-12-31
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,907	1,906
Other contributed capital		689,175	686,553
Translation differences		221	-6,412
Retained earnings (including net profit/loss for the year)		-98,226	-113,430
Total equity		593,078	568,617
LIABILITIES			
Non-current liabilities			
Non-current lease liability		67,472	34,036
Deferred tax liabilities		23,253	25,326
Other liabilities		37	25,845
Total non-current liabilities		90,762	85,207
Current liabilities			
Bank overdraft		59,075	49,824
Current lease liability		20,594	11,243
Accounts payable		108,600	146,216
Current tax liabilities		5,767	108
Other liabilities		53,668	22,139
Accrued expenses and deferred income		53,733	42,639
Total current liabilities		301,437	272,169
Total liabilities		392,199	357,376
TOTAL EQUITY AND LIABILITIES		985,277	925,993

Consolidated statement of changes in equity

Amounts in KSEK	Share capital	New share issue in progress	Other contribu- ted capital	Translation differences	Retained earnings	Total equity
Opening balance, 2021-01-01	1,336	0	308,696	-15,408	-85,797	208,828
Profit/loss for the year					-14,954	-14,954
Other comprehensive income for the year				5,482		5,482
Total comprehensive income	0	0	0	5,482	-14,954	-9,471
New share issue	182	0	184,136			184,318
Total transactions with shareholders in their attribute as shareholders	182	0	184,136	0	0	184,318
Closing balance, 2021-09-30	1,517	0	492,832	-9,926	-100,750	383,674
Opening balance, 2022-01-01	1,906	0	686,553	-6,413	-113,430	568,617
Profit/loss for the year					15,205	15,205
Other comprehensive income for the year				6,633		6,633
Total comprehensive income	0	0	0	6,633	15,205	21,838
New share issue ¹	1	0	2,622			2,623
Total transactions with shareholders in their attribute as shareholders	1	0	2,622	0	0	2,623
Closing balance, 2022-09-30	1,907	0	689,175	221	-98,226	593,078

¹ After deduction of issue costs

Consolidated statement of cash flow

Amounts in KSEK	YTD Q3 2022	YTD Q3 2021
Cash flow from operating activities		
Operating loss	9,256	-12,250
Adjustment for non-cash items:		
- Depreciation and amortization of tangible and intangible assets	60,570	39,561
- Other non-cash items	-1,627	3,652
Interest paid	-4,728	-5,144
Income tax paid	-2,132	-2,199
Cash flow from operating activities before change in working capital	61,339	23,620
Cash flow from change in working capital		
Increase/decrease in inventories	-8,860	-13,389
Increase/decrease in operating receivables	26,364	-31,475
Increase/decrease in operating liabilities	-23,515	12,915
Total change in working capital	-6,011	-31,949
Cash flow from operating activities	55,328	-8,329
Cash flow from investing activities		
Investment in intangible assets	-27,426	-231,826
Investment in tangible assets	-2,610	-555
Disposal of tangible assets	0	52
Change in other financial assets	-3,279	-688
Cash flow from investing activities	-33,315	-233,016
Cash flow from financing activities		
New loans	-1,399	31,219
Change bank overdraft	9,251	22,177
Repayment of loans	0	-1,875
Repayment of leasing debt	-12,797	-10,198
New share issue ¹	2,932	184,318
Cash flow from financing activities	-2,013	225,641
Decrease/increase in cash and cash equivalents		
Opening cash and cash equivalents	49,055	32,031
Cash flow for the period	20,000	-15,704
Exchange-rate differences in cash and cash equivalents	2,856	1,059
Closing cash and cash equivalents	71,910	17,386

¹ Net after issue cost

Parent Company income statement

Amounts in KSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Other operating income	2,172	0	4,337	0	6,676	2,339
Total	2,172	0	4,337	0	6,676	2,339
Other external costs	-1,766	-4,015	-2,818	-16,488	-7,624	-21,293
Personnel expenses	-1,502	-939	-4,528	-1,721	-6,534	-3,726
Depreciation and amortization of tangible and intangible assets	-12	-12	-37	-38	-50	-50
Other operating expenses	-1	-3	-2	-3	-32	-33
Sum expenses	-3,281	-4,969	-7,387	-18,249	-14,240	-25,103
Operating profit/loss	-1,110	-4,969	-3,050	-18,249	-7,565	-22,764
Financial income/expense						
Profit from shares in group companies	-2,000	0	-2,000	-7,000	-2,000	-7,000
Interest income and other financial income	0	0	0	0	1,045	1,045
Interest and other financial expenses	0	-893	-4	-2,863	-441	-3,299
Result from financial income/expenses	-2,000	-893	-2,004	-9,863	-1,396	-9,254
Earnings Before Tax	-3,110	-5,862	-5,054	-28,112	-8,960	-32,018
Appropriations	0	0	0	0	15,000	15,000
Earnings before tax	-3,110	-5,862	-5,054	-28,112	6,040	-17,018
Income tax	0	0	0	0	2,064	2,064
Profit/loss for the period	-3,110	-5,862	-5,054	-28,112	8,103	-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	2022-09-30	2021-12-31
ASSETS		
Fixed assets		
Intangible assets		
Capitalized development costs	100	137
Total intangible assets	100	137
Financial assets		
Shares in subsidiaries	321,592	321,592
Deferred tax assets	4,233	4,233
Non-current receivables	3,634	1,310
Non-current intercompany receivables	322,105	323,399
Total financial assets	651,563	650,534
Total fixed assets	651,663	650,671
Current assets		
Current receivables		
Receivables from group companies	41,035	1,431
Other receivables	640	2,459
Prepaid expenses and accrued income	752	931
Total current receivables	42,427	4,822
Cash and cash equivalents	51,877	1,798
Total current assets	94,304	6,620
TOTAL ASSETS	745,967	657,291

Parent Company balance sheet cont.

Amounts in KSEK	2022-09-30	2021-12-31
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	1,907	1,906
Non-restricted equity		
Other contributed capital	689,175	686,553
Retained earnings	-79,466	-64,511
Profit/loss for the period	-5,054	-14,954
Total equity	606,563	608,994
LIABILITIES		
Non-current liabilities		
Non-current intercompany liabilities	45,444	43,182
Other liabilities	37	845
Total non-current liabilities	45,482	44,027
Current liabilities		
Credit facility	59,075	0
Current liabilities to group companies	32,671	264
Accounts payable	790	777
Other liabilities	130	161
Accrued expenses and deferred income	1,256	3,067
Total current liabilities	93,922	4,270
Total liabilities	139,404	48,297
TOTAL EQUITY AND LIABILITIES	745,967	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 2020. For further information regarding the Group's and the Parent Company's applied accounting principles, see the Group's Annual Report 2020.

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 2020.

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 the first quarter 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 351,440 during Q1 2022.

The Annual General meeting was held on the 18th of May 2022. During the AGM, the company decided to issue new long term incentive program to employees and cancelled previously issued warrants. The company issued 1,644,152 new warrants with a premium of 2,729,292 SEK which means that the share capital can increase by a maximum of 107,705 SEK. The duration of the warrants is three years, starting from May 2022 up until April 2025.

These warrants were split between the CEO, nine members of the leadership team and thirty key employees.

During Q2, 16,650 options were redeemed increasing the total number of shares by 16,650 to 29,116,629.

In addition, a total of 1,210,904 warrants were cancelled during the Q2 and 4,950 options were repurchased.

During Q3 2022, a total of 25,876 warrants were cancelled for employees who have left the business.

Key ratios

Amounts in MSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Income statement						
Net sales growth, %	8.4		13.3			31.1
Adjusted EBITDA	25.2	17.8	73.2	50.3	93.9	71.0
Adjusted EBITDA margin, %	4.0	3.1	3.9	3.0	3.8	3.1
Adjusted EBIT	13.7	10.1	42.4	29.7	54.2	41.5
Adjusted EBIT margin, %	2.2	1.7	2.2	1.8	2.2	1.8
Operating profit/loss	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Balance sheet						
Net working capital	113.5	32.9	113.5	32.9	113.5	69.8
Net debt			75.2	184.3	75.2	46.0
Investments			-33.3	-233.0		-245.9
Net debt/Adjusted EBITDA, times					0.8	0.7
Equity/Total assets ratio, %	60.2	45.9	60.2	45.9		61.4
Cash flow						
Cash flow from operating activities			55.3	-8.3		-48.3
Data per share						
Earnings per share after dilution (SEK)	0.22	-0.27	0.51	-0.70	0.08	-1.19
Equity per share after dilution (SEK)	20.2	14.2	20.1	15.1	20.1	21.5
Cash flow from operating activities per share after dilution (SEK)			1.9	-0.3		-1.8
Average number of shares after dilution	29,377,936	27,005,627	29,526,527	25,431,556	29,495,258	26,396,415

Segment information by quarter

Amounts in MSEK	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Net sales per business unit								
Core markets	449.2	488.5	484.4	501.3	503.6	540.8	525.3	514.4
Growth markets	63.8	64.0	57.4	80.6	86.9	99.3	102.3	116.3
EBITDA per business unit								
Core markets	26.9	27.1	29.7	26.0	36.4	40.9	43.5	42.3
Growth markets	-8.4	-11.3	-12.7	-7.8	-15.3	-18.0	-18.5	-17.0
EBITDA margin per business unit (%)								
Core markets	6.0 %	5.6 %	6.1 %	5.2 %	7.2 %	7.6 %	8.3 %	8.2 %
Growth markets	-13.2 %	-17.7 %	-22.2 %	-9.7 %	-17.6 %	-18.1 %	-18.1 %	-14.6 %
Active customers per business unit (thousand)								
Core markets	257	285	287	321	324	343	340	355
Growth markets	46	46	45	61	68	71	72	76

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	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
EBIT margin						
EBIT	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Net sales	630.7	581.9	1,898.3	1,676.2	2,488.9	2,266.8
EBIT margin, %	0.6	-1.5	0.5	-0.7	0.0	-1.0
Adjusted EBIT						
EBIT	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Amortisation of acquired intangible assets	10.0	9.9	29.8	19.0	39.7	28.9
Less items affecting comparability:						
Consulting and advisory costs	0.0	6.2	0.0	19.7	10.9	30.5
Acquisition, integration and restructuring costs	0.0	2.8	3.3	2.4	4.7	3.9
Legal costs	0.0	0.0	0.0	0.8	0.0	0.8
Adjusted EBIT	13.7	10.1	42.4	29.7	54.2	41.5
Adjusted EBIT margin, %	2.2	1.7	2.2	1.8	2.2	1.8
EBITDA						
EBIT	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Depreciation/amortisation and impairment of assets	21.6	17.5	60.6	39.6	79.4	58.4
EBITDA	25.2	8.8	69.8	27.3	78.3	35.8
EBITDA margin						
EBITDA	25.2	8.8	69.8	27.3	78.3	35.8
Net sales	630.7	581.9	1,898.3	1,676.2	2,488.9	2,266.8
EBITDA margin, %	4.0	1.5	3.7	1.6	3.1	1.6
Adjusted EBITDA						
EBITDA	25.2	8.8	69.8	27.3	78.3	35.8
Less items affecting comparability:						
Consulting and advisory costs	0.0	6.2	0.0	19.7	10.9	30.5
Acquisition, integration and restructuring costs	0.0	2.8	3.3	2.4	4.7	3.9
Legal costs	0.0	0.0	0.0	0.8	0.0	0.8
Adjusted EBITDA	25.2	17.8	73.2	50.3	93.9	71.0
Adjusted EBITDA margin, %	4.0	3.1	3.9	3.0	3.8	3.1

Amounts in MSEK	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	Last 12 months	Full Year 2021
Adjusted operating expenses						
Sum expenses	-633.5	-593.8	-1,911.1	-1,697.4	-2,523.3	-2,309.6
Other operating income	1.3	0.7	9.0	2.3	16.5	9.9
Capitalised work on own account	5.1	2.5	13.0	6.6	16.7	10.3
Cost of Goods sold (-)	552.5	517.9	1,666.9	1,491.0	2,193.9	2,018.0
Depreciation and amortization of tangible and intangible assets	21.6	17.5	60.6	39.6	79.4	58.4
Less items affecting comparability:						
Consulting and advisory costs	0.0	6.2	0.0	19.7	10.9	30.5
Acquisition, integration and restructuring costs	0.0	2.8	3.3	2.4	4.7	3.9
Legal costs	0.0	0.0	0.0	0.8	0.0	0.8
Adjusted operating expenses	-53.0	-46.2	-158.3	-134.9	-201.1	-177.7
Net debt						
Non-current lease liability					67.5	34.0
Bank overdraft					59.1	49.8
Current lease liability					20.6	11.2
Cash and cash equivalents					-71.9	-49.1
Net debt					75.2	46.0
Net debt / adjusted EBITDA						
Net debt					75.2	46.0
Adjusted EBITDA					93.9	71.0
Net debt/Adjusted EBITDA, times					0.8	0.6
Items affecting comparability						
Consulting and advisory costs	0.0	-6.2	0.0	-19.7	-10.9	-30.5
Acquisition, integration and restructuring costs	0.0	-2.8	-3.3	-2.4	-4.7	-3.9
Legal costs	0.0	0.0	0.0	-0.8	0.0	-0.8
Items affecting comparability	0.0	-9.0	-3.3	-22.9	-15.6	-35.2
Equity per share after dilution						
Total equity	593.1	383.7	593.1	383.7		568.6
Average number of shares after dilution	29,377,936	27,005,627	29,526,527	25,431,556	29,495,258	26,396,415
Equity per share after dilution (SEK)	20.2	14.2	20.1	15.1		21.5
Cash flow from operating activities per share after dilution						
Cash flow from operating activities			55.3	-8.3		-48.3
Average number of shares after dilution	29,377,936	27,005,627	29,526,527	25,431,556	29,495,258	26,396,415
Cash flow from operating activities per share after dilution (SEK)			1.9	-0.3		-1.8

Net working capital

Amounts in MSEK	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Goods for resale	160.9	93.5	142.0
Accounts receivable	42.3	51.2	65.5
Other receivables	32.8	23.4	13.4
Prepaid expenses and accrued income	39.7	34.1	37.8
Accounts payable	-108.6	-109.6	-146.2
Accrued expenses and deferred income	-53.7	-59.7	-42.6
Net working capital	113.5	32.9	69.8

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, other non-current liabilities, 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.

