

Interim report

April–June 2020



Probi raises long-term financial targets

Significant events during the second quarter

- The Board has decided on new financial targets and dividend policy
- Net sales amounted to SEK 180 m (SEK 176 m adjusted for currency changes), on par with the previous year. The EBITDA margin was 32% (31%) and the overall effect of Covid-19 was neutral.
- Bengt Jeppsson received the NutraChampion award in the Nutra Ingredients Awards

Financial overview

SEK m	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net sales	180.0	180.3	337.8	318.5
Gross margin, %	45.0%	49.8%	42.2%	46.4%
EBITDA	58.1	56.5	87.9	84.7
EBITDA margin, %	32.3%	31.3%	26.0%	26.6%
Operating profit (EBIT)	38.9	39.1	49.8	50.4
Net income	27.0	29.8	37.7	38.4
Earnings per share before and after dilution, SEK	2.37	2.62	3.31	3.37
Share price on closing day, SEK	287.00	322.50	287.00	322.50
Market cap on closing day	3,270.1	3,674.6	3,270.1	3,674.6

See note 5 for definitions of ratios not defined according to IFRS

About Probi

Probi AB is a Swedish publicly traded bioengineering company. Probi's vision is to help people live healthier lives by delivering effective, well-documented probiotics, with proven health benefits based on scientific research.

Founded by scientists in Sweden in 1991, Probi is a multinational company, active in over 40 markets around the world and holding over 400 patents worldwide. In 2019, Probi had net sales of SEK 626 m. Probi's shares are traded on Nasdaq Stockholm, Mid Cap. Probi had around 4,000 shareholders on December 31, 2019. probi.com

Invitation to teleconference

Date: July 17, 2020

Time: 10:00 a.m. (CET)

Phone: +46 (0)8 50 55 83 59

Participants from Probi:

Tom Rönnlund, CEO

Henrik Lundkvist, CFO

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The presentation is available at www.probi.com and www.financialhearings.com

This information is information that Probi 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 set out above, on July 17, 2020 at 08:00 CET. This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

CEO's comments

Good business momentum in Q2

We continued to be strong during the second quarter and matched a strong comparative quarter last year when we also had a one-off income of SEK 4 m. Growth for the first half of the year was 6%. The EBITDA margin increased during the second quarter following a weaker start to the year and amounted to 32.3%.



The effects on Probi from Covid-19 have, overall, been limited in terms of both revenue and costs. The underlying demand for probiotics has increased in the US over the period, which can be partly explained by a greater interest in personal health in connection with Covid-19. We have seen an increase in demand from customers with a significant presence in the e-commerce sector, especially in the US. Thanks to our flexibility and experience, we have been able to quickly respond to this customer shift towards e-commerce. The product update carried out with one of our major customers in the US will have a positive contribution to our sales in the third quarter. At the same time, we expect this product line update to potentially cause some sales volatility in individual quarters to come.

In EMEA and APAC, which had relatively extensive restrictions as a result of Covid-19, sales have temporarily increased since customers ensured access to products, which has led to stock building up with some of our customers.

We are raising our ambitions

During the first half of 2020 the Board and management have completed a strategic review of the company's financial goals. We see clear trends driving the interest in, and use of, probiotics. A continued greater focus on personal health, increased life expectancy and new areas of application for probiotics are some examples. Probi is well-positioned to be a world leader in the probiotics market, especially in the premium segment where we have a solid research base. Probi's strong financial position gives us the opportunity to actively evaluate acquisitions that can strengthen and complement our existing product areas and geographical presence. We are raising our ambitions for growth, both organically and through acquisitions, but we will not lose focus on profitability and will also increase our EBITDA target. At the same time, the Board has decided on a new dividend policy.

It is with pride that I would also like to congratulate Bengt Jeppsson, one of Probi's founders, for the NutraChampion award in the Nutra Ingredients Awards. Bengt is a source of inspiration and very important in Probi's development into the top-quality probiotic company it is today.

The Covid-19 crisis is far from over, something also reflected in our different regions. At the same time, I can see that the interest in our products remains strong and that we do not currently see any indications that this will decline. I am therefore looking forward with confidence and humility to a continued good business momentum over the remainder of 2020.

Tom Rönnlund, CEO

Probi's customers

Probi offers probiotic expertise and partnership including research & development, manufacturing, product concepts and supply of finished products for customers within the consumer healthcare and food industry.

Probi's manufacturing is GMP-certified and produces proven and effective probiotics in custom-made formats with value-adding delivery technologies.

Key developments in the Group

New financial targets

The Board of Directors has decided on new financial targets that clearly reflect the company's ambition and confidence in strong growth and continued good profitability. Probi's target is to have doubled the company's annual sales within 5-7 years through a combination of organic growth and strategic acquisitions. The target for annual organic sales growth is to exceed 7% and the EBITDA margin to be at or above 29% on an annual basis.

Probi's solid financial position provides good conditions for the active investigation of strategic acquisitions that can strengthen Probi's existing business geographically or in complementary product areas.

Furthermore, the Board of Directors has decided on a dividend policy where dividends should amount to 10-30% of the net income for the year, provided that the company's financial situation permits it.

The market

Probi has signed a pan-European partner agreement with a major consumer healthcare company for the launch of a concept based on Probi's premium products in 15 countries in Europe, from 2021.

Award

Bengt Jeppsson, one of Probi's founders, was named the winner in the NutraChampion category in the Nutra Ingredients Awards in May. The award is given to prominent people who have worked for a long time to develop the probiotics industry.

Organization

It was previously announced that the appointment of Vice President Research & Development would take place in the summer of 2020. Due to personal reasons this will not happen and a new recruitment process has been initiated that is expected to be completed shortly.

Sales development

Second quarter

In the second quarter of 2020, Probi's net sales amounted to SEK 180.0 m (180.3), which was on a par with the corresponding period last year. Adjusted for exchange rate effects, net sales amounted to SEK 176.4 m, corresponding to a reduction of 2%.

Operating segments

SEK 000	Apr-Jun 2020				Apr-Jun 2019			
	Americas	EMEA	APAC	Total Group	Americas	EMEA	APAC	Total Group
Net Sales	128,776	32,796	18,411	179,983	135,789	29,802	14,705	180,296
Cost of goods sold	-75,610	-14,437	-8,964	-99,011	-73,317	-11,568	-5,624	-90,509
Gross profit	53,166	18,359	9,447	80,972	62,472	18,234	9,081	89,787

During the quarter, the Americas accounted for 72% of Probi's total net sales and the underlying demand was good. The reduction in net sales of SEK 7.0 m corresponding to 5% is explained by the product update carried out for a major customer. The comparative figure also included non-recurring royalty income of SEK 4.3 m. The gross profit decreased by SEK 9.3 m or 15%, which is attributable to lower net sales but also as a result of the comparative figure containing non-recurring royalty income. The gross margin decreased to 41% (46) and was affected by a changed product mix due to the product update, increased manufacturing costs, while the comparative figure included a non-recurring royalty income.

Sales in EMEA increased by SEK 3.0 m, corresponding to 10%. The growth is explained by an initial increase in demand in connection with Covid-19, where customers ensured access to products. At the same time, lockdowns and restrictions have affected sales to the end consumer, leading to higher customer inventory levels. The gross profit increased by SEK 0.1 m or 1% and the gross margin decreased to 56% (61). This is explained by around SEK 8 m in royalty income in EMEA, that has been reallocated to sales of goods at the same time as this customer made new sales in Americas.

APAC continued to be affected by the restrictions connected with Covid-19 during the quarter, which meant that new customer processing was lower at the same time as certain projects were postponed. Sales for the quarter increased by SEK 3.7 m, corresponding to 25%, and were positively affected by the stocking that took place at the customer level, where some orders were placed early to ensure access to products. The greater number of launches in more Asian markets has resulted in higher regulatory costs, which affected the gross profit, which increased by SEK 0.4 m or 4%. The gross margin was 51% (62).

Earnings

Operating profit (EBIT)

Operating expenses for Q2 amounted to SEK 141.1 m (141.2), a decrease of SEK 0.1 m. During the quarter, manufacturing costs were higher in connection with the upgrade carried out at the manufacturing unit in Redmond, at the same time as the product mix was unfavorable. Covid-19 has also caused a small cost increase in manufacturing. Overall, the gross margin was lower compared with Q2 last year and

amounted to 45% (50). In the comparative figure, there was a non-recurring income that had a positive effect on the gross margin of one percentage point.

Sales and marketing expenses decreased to SEK 21.5 m (31.3) as fewer customer activities were carried out as a result of the restrictions of Covid-19. Administrative expenses were on a par with Q2 last year and amounted to SEK 12.8 m (12.5). Research and development costs decreased compared to Q2 last year and amounted to SEK 8.0 m (8.7), which is mainly related to Covid-19.

The Group's operating profit for Q2 was SEK 38.9 m (39.1). Adjusted for currency effects, the operating profit was SEK 38.2 m.

Financial result

The Group's financial result for Q2 was SEK -3.3 m (-1.1). Net interest including IFRS 16 amounted to SEK -0.5 m (-0.5). Furthermore, bank charges amounted to SEK 0.0 m (-0.3). Exchange gains and losses on the translation of cash and cash equivalents in other currencies are reported in exchange rate earnings from financing operations. An exchange rate loss of SEK -2.7 m (-0.3) arose in Q2 as a result of a stronger Swedish krona.

Profit after tax

The profit after tax for Q2 was SEK 27.0 m (29.8). The tax cost amounted to SEK 8.6 m (8.1).

Earnings per share

Earnings per share in Q2 was SEK 2.37 (2.62).

Cash flow and financial position

Investments

During Q2, investments in intangible fixed assets amounted to SEK 3.2 m (2.6), of which SEK 1.1 m (0.9) was for patents and SEK 2.1 m (1.7) was for capitalized development expenses. Investments in property, plant and equipment increased to SEK 8.4 m (2.0), which is primarily related to investments in the manufacturing unit in Redmond.

Change in cash and cash equivalents

Cash and cash equivalents decreased by SEK 47.6 m (-24.1) during Q2 to SEK 187.5 m (144.7). Cash flow from operating activities decreased by SEK 37.9 m compared with the corresponding period last year as a result of the inventory build-up in connection with the launch of an updated product range for a major customer in the US. At the same time, invoicing was high at the end of the quarter, which increased accounts receivable. During the quarter, the dividend, which was decided at the Annual General Meeting on May 13, was paid amounting to SEK 11.4 m.

Employees

Probi had 169 employees (164) at the end of the period, of which 52% (50%) were women. The average number of employees during the year was 167 (165).

Transactions with related parties

During Q2, Probi's revenue from its largest owner, Symrise, amounted to SEK 1.0 m (SEK 0.0 m) and refers to sales of ingredients for a skin care product developed through a collaboration between Probi and Symrise. During the first half of the year, the amount was SEK 3.2 m (SEK 0.0 m). During the first half of the year, Probi's costs from Symrise amounted to SEK 0.0 m (0.0). No other transactions with related parties occurred during the reporting period.

Significant risks and uncertainties

In connection with Covid-19, the main current uncertainties are the risks of changing consumer trends and the company's supply of goods that are being updated. These risks, together with other risks and uncertainties to which Probi's operations are exposed, are described on pages 44-45 of the printed annual report for 2019.

Parent company

During Q2, the parent company's operating income decreased to SEK 76.2 m (114.5). The profit after tax was SEK 17.2 m (33.0). Investments in tangible and intangible fixed assets amounted to SEK 4.4 m (2.7). For the rest, please see information for the Group.

Financial calendar

Interim report Q3, 2020

October 21, 2020

Year-end report, 2020

February 9, 2021

Assurance by the Board of Directors

The Board of Directors and Chief Executive Officer declare that this interim report gives a true and fair view of the parent company and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the Group.

Lund, July 17, 2020

Jean-Yves Parisot
Chairman of the Board

Jörn Andreas
Board member

Charlotte Hansson
Board member

Irène Corthésy Malnoë
Board member

Malin Ruijsenaars
Board member

Tom Rönnlund
CEO



THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

PROBI Aktiebolag corporate identity number 556417-7540

Introduction

We have reviewed the condensed interim report for PROBI Aktiebolag as of June 30, 2020 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report 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 Financial Statements 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 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 in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö July 17, 2020

Ernst & Young AB

Peter Gunnarsson
Authorized Public Accountant

Consolidated statement of comprehensive income

SEK 000	Notes	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net sales	2	179,983	180,296	337,750	318,464
Cost of goods sold	3	-99,011	-90,509	-195,196	-170,605
Gross profit		80,972	89,787	142,554	147,859
Sales and marketing expenses		-21,549	-31,345	-47,089	-58,289
Research and development expenses		-7,958	-8,678	-17,282	-16,485
Administration expenses		-12,810	-12,503	-28,568	-24,675
Other operating income		210	1,825	210	1,981
Operating profit (EBIT)		38,865	39,086	49,825	50,391
Financial income		16	320	219	670
Financial expenses		-537	-1,085	-1,206	-2,312
Exchange result financing activities	4	-2,738	-338	334	166
Financial result		-3,259	-1,103	-653	-1,476
Earnings before income taxes		35,606	37,983	49,172	48,915
Income taxes		-8,586	-8,147	-11,484	-10,546
Net income		27,020	29,836	37,688	38,369
Other comprehensive income					
Components to be reclassified to net income					
Exchange rate differences resulting from the translation of foreign operations		-74,000	-998	2,946	31,105
Cash flow hedge (currency hedges)		1,012	220	-380	-911
Income taxes payable on these components		-217	-47	81	195
Sum of other comprehensive income		-73,205	-825	2,647	30,389
Total comprehensive income		-46,185	29,011	40,335	68,758
Number of outstanding shares at end of the reporting period		11,394,125	11,394,125	11,394,125	11,394,125
Average number of shares		11,394,125	11,394,125	11,394,125	11,394,125
Earnings per share before and after dilution		2.37	2.62	3.31	3.37

The profit for the period and comprehensive income are attributable in their entirety to the Parent Company's shareholders. The company has no outstanding convertible loans or warrants, so dilution does not occur.

In 2011, Probi bought back company shares and owned 250,000 treasury shares at the end of the reporting period, corresponding to 2.1% of the total number of shares. The quotient value per share is SEK 5.00.

Condensed consolidated statement of financial position

SEK 000	30 June 2020	31 December 2019
Capitalised Development Cost	40,960	42,775
Customer base	286,137	297,832
Technology and other intangible assets	134,469	141,139
Goodwill	317,278	316,202
Property, plant and equipment	55,195	46,785
Right-of-use assets	54,361	60,535
Deferred tax assets	3,563	6,008
Non-current assets	891,963	911,276
Inventories	106,808	79,497
Trade receivables	115,260	83,341
Other assets and receivables	9,265	8,534
Cash and cash equivalents	187,450	206,960
Current assets	418,783	378,332
Total assets	1,310,746	1,289,608
Total equity	1,181,067	1,152,126
Lease liabilities non-current	40,779	46,612
Other non-current liabilities	4,908	4,952
Non-current liabilities	45,687	51,564
Trade payables	46,070	37,631
Lease liabilities current	14,846	14,556
Other current liabilities	23,076	33,731
Current liabilities	83,992	85,918
Total liabilities	129,679	137,482
Liabilities and equity	1,310,746	1,289,608

Consolidated changes in equity

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Opening balance, 1 January 2019	58,221	600,205	23,930	139	347,627	1,030,122
Net income	–	–	–	–	38,369	38,369
Other comprehensive income	–	–	31,105	-716	–	30,389
Total Comprehensive Income	–	–	31,105	-716	38,369	68,758
Dividends	–	–	–	–	–	–
Total transactions with shareholders	–	–	–	–	–	–
Closing balance, 30 June 2019	58,221	600,205	55,035	-577	385,996	1,098,880
SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Opening balance, 1 January 2020	58,221	600,205	59,969	217	433,514	1,152,126
Net income	–	–	–	–	37,688	37,688
Other comprehensive income	–	–	2,946	-299	–	2,647
Total Comprehensive Income	–	–	2,946	-299	37,688	40,335
Dividends	–	–	–	–	-11,394	-11,394
Closing balance, 31 June 2020	58,221	600,205	62,915	-82	459,808	1,181,067

Consolidated cash flow statement

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net income	27,020	29,836	37,688	38,369
Adjustments to reconcile net income to cash from operating activities				
Income taxes	8,586	8,147	11,484	10,546
Interest result	493	616	813	1,400
Amortisation, depreciation and impairment of non-current assets	19,203	17,396	38,109	34,308
Other non-cash expenses and income	1,700	339	2,599	568
Cash flow before working capital changes	57,002	56,334	90,693	85,191
Change in trade receivables and other current assets	-38,102	-25,386	-33,438	-21,549
Change in inventories	-36,227	455	-27,983	1,840
Change in trade payables and other current liabilities	8,177	-3,721	10,113	1,026
Income taxes paid	-5,338	-4,310	-22,360	-7,803
Cash flow from operating activities	-14,488	23,372	17,025	58,705
Payments for investing in intangible assets	-3,209	-2,566	-5,229	-4,714
Payments for investing in property, plant and equipment	-8,415	-1,992	-13,464	-4,497
Divestments of tangible assets	—	21	—	21
Cash flow from investing activities	-11,624	-4,537	-18,693	-9,190
Interest paid	-329	-793	-827	-1,793
Interest received	0	320	96	670
Redemption of bank borrowings	—	-39,000	—	-99,000
Repayments for lease obligations	-3,509	-3,108	-6,840	-6,109
Dividends paid	-11,394	—	-11,394	—
Cash flow from financing activities	-15,232	-42,581	-18,965	-106,232
Net change in cash and cash equivalents	-41,344	-23,746	-20,633	-56,717
Effects of changes in exchange rates	-6,235	-329	1,123	2,144
Total changes	-47,579	-24,075	-19,510	-54,573
Cash and cash equivalents at opening balance	235,029	168,801	206,960	199,299
Cash and cash equivalents at closing balance	187,450	144,726	187,450	144,726

Parent company's condensed financial statements

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Operating revenue	76,159	114,522	156,133	189,942
Operating costs	-25,499	-35,456	-54,506	-59,411
Gross profit	50,660	79,066	101,627	130,531
Operating profit (EBIT)	24,050	42,969	39,498	62,906
Result from financial income and expenses	-2,084	-847	949	-995
Income before tax	21,966	42,122	40,447	61,911
Net income	17,194	33,020	31,607	48,292

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net income	17,194	33,020	31,607	48,292
Cash flow hedge (currency hedges)	1,011	220	-381	-911
Income taxes payable on these components	-216	-47	82	195
Sum of other comprehensive income	795	173	-299	-716
Total comprehensive income	17,989	33,193	31,308	47,576

SEK 000	30 June 2020	31 December 2019
Fixed assets	975,329	976,497
Current assets	188,529	186,145
Total assets	1,163,858	1,162,642
Equity	1,127,848	1,107,933
Total long-term liabilities	4,035	4,035
Current liabilities	31,975	50,674
Total equity and liabilities	1,163,858	1,162,642

Notes

1. Accounting and measurement policies

Group

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The condensed financial statements in the interim report encompass pages 9-16. Disclosures according to IAS 34 Interim Financial Reporting are provided both here and elsewhere in the interim report. ESMA's guidelines apply to alternative performance measures.

The accounting policies applied in the preparation of these consolidated financial statements have been applied consistently for all presented periods, unless otherwise stated. The complete accounting policies can be found on pages 60-63 of the printed 2019 Annual Report.

The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency for both the parent company and the Group. All amounts stated have been rounded to the nearest thousand kronor, unless otherwise stated.

Amounts and figures in parentheses pertain to comparative figures for the year-earlier period. Amounts are stated in Swedish kronor (SEK), thousands of Swedish kronor (SEK 000) or millions of Swedish kronor (SEK m) according to the unit stated.

Parent company

The parent company applies the same accounting policies as the Group, with the exception of IFRS 16 Leases and the exemptions and supplements stipulated in RFR 2, Accounting for Legal Entities. The interim report complies with the Swedish Annual Accounts Act.

2. Revenue from contracts from customers

A breakdown of the Group's net sales from contracts with customers is presented below:

SEK 000	Apr-Jun 2020				Apr-Jun 2019			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Revenue distribution, category								
Goods	127,284	32,032	18,411	177,727	130,921	20,704	14,705	166,330
Royalty	1,492	764	–	2,256	4,868	9,098	–	13,966
Total net sales from contracts with customers	128,776	32,796	18,411	179,983	135,789	29,802	14,705	180,296

SEK 000	Jan-Jun 2020				Jan-Jun 2019			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Revenue distribution, category								
Goods	240,417	61,363	31,500	333,280	222,426	46,511	25,317	294,254
Royalty	3,283	1,169	18	4,470	7,159	17,051	–	24,210
Total net sales from contracts with customers	243,700	62,532	31,518	337,750	229,585	63,562	25,317	318,464

3. Currency translation from operating activities

The following table shows the exchange gains and losses from operating activities that are recognized under cost of goods sold:

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Exchange gains operating activities	296	1,183	4,577	3,293
Exchange losses operating activities	-1,467	-1,525	-4,167	-2,293
Exchange result operating activities	-1,171	-342	410	1,000

4. Currency translation from financing activities

The following table shows the exchange gains and losses from financing activities that are recognized in the financial results:

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Exchange gains financing activities	0	402	3,215	1,013
Exchange losses financing activities	-2,738	-740	-2,881	-847
Exchange result financing activities	-2,738	-338	334	166

5. Definition of the alternative performance measures not defined in IFRS

The company presents some financial measures in the interim report that are not defined in IFRS. The company believes that these measures provide valuable supplementary information to investors and company management. Since not all companies calculate alternative performance measures in the same way, they are not always comparable with the measures used by other companies. However, these non-IFRS measures should not be considered substitutes for financial reporting measures prepared in accordance with IFRS.

The following alternative performance measures are presented in the interim report:

Operating profit (EBIT)

The operating profit (EBIT) is defined as net income before financial income and expenses and tax for the period and is used as a measure of the company's profitability.

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Net income	27,020	29,836	37,688	38,369
Income taxes	8,586	8,147	11,484	10,546
Financial result	3,259	1,103	653	1,476
Operating profit (EBIT)	38,865	39,086	49,825	50,391

EBITDA

EBITDA is defined as the operating profit (EBIT) before depreciation/amortization and impairment and is used as a measure of the company's profitability.

SEK 000	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Operating profit (EBIT)	38,865	39,086	49,825	50,391
Depreciation and amortisation	19,203	17,396	38,109	34,308
EBITDA	58,068	56,482	87,934	84,699

Other alternative performance measures:	Definition/Bases of calculation	Purpose
Gross margin	Defined as gross profit divided by net sales	Used to measure product profitability
Market capitalization on the closing date	Defined as the share price at the end of the period multiplied by the number of shares outstanding	Used to measure the company's market capitalization at the end of the period
EBITDA margin	Defined as EBITDA divided by net sales	Used to measure the company's profitability before depreciation/amortization and impairment of tangible and intangible assets
Net sales growth adjusted for currency effects	Defined as net sales for the year translated at the preceding year's exchange rates divided by the preceding year's net sales	Used to measure underlying net sales growth
Operating expenses	Defined as the sum of cost of goods sold, sales and marketing costs, research and development costs, administration expenses, other operating income and other operating expenses	Used to measure the sum of the company's total expenses before financial result and tax
Operating margin	Defined as operating profit divided by net sales	Used to measure the company's profitability