

Interim report

January-March 2018



Challenging start to 2018 and a focus on accelerated commercial execution

Highlights and significant events in the first quarter

- Ole Søgård Andersen appointed interim CEO
- Probi's major customer in North America, which introduced a destocking program in the second half of 2017, has now resumed purchasing
- Long-term development agreement signed with Cilag, a member of the Johnson & Johnson Family of Companies, regarding an OTC probiotic product
- Major success in a positive clinical trial for a new probiotic concept in bone health and osteoporosis

Financial overview

MSEK	Q1 2018	Q1 2017	Full-year 2017
Net sales	119.2	187.4	612.2
Net sales growth, constant currency, %	-33.7%	111.1%	38.2%
Gross margin, %	42.0%	50.9%	45.4%
EBITDA	17.2	62.4	157.3
EBITDA margin, %	14.4%	33.3%	25.7%
Operating profit (EBIT)	4.4	48.7	104.1
Net income	3.3	43.1	69.1
Earnings per share before and after dilution, SEK	0.29	3.79	6.06
Share price on closing day, SEK	438.40	419.00	340.00
Market cap on closing day	4,995.2	4,774.1	3,874.0

See note 5 for definitions of ratios not defined according to IFRS and note 4 for adjustments made to Q1 2017

About Probi

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

Founded by scientists in Sweden in 1991, Probi is a multinational company with four sites, active in more than 40 markets around the world and holding over 400 patents worldwide. In 2017, Probi had net sales of MSEK 612. The Probi share is listed on Nasdaq Stockholm, Mid Cap. Probi has about 5,000 shareholders.

probi.com

Invitation to Teleconference

Date: 2 May 2018

Time: 10:00 a.m.

Phone: +46 8 50 55 64 53

Participants from Probi:

Jörn Andreas, 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, at 8:00 a.m. CET on 2 May 2018. This a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.



Probi's customers

Probi offers probiotic expertise and partnership all the way from R&D to finished products for companies within the consumer healthcare and food industry. Probi manufacturing is GMP-certified and produces proven and effective probiotics in custom made formats with value-adding delivery technologies.

CEO Comments

It is my privilege to be leading Probi. After almost two months as interim CEO, it is clear to me that Probi has great potential in a growing global market, and that we can take decisive steps forward to become stronger and grow again.

Challenging start to 2018

Consistent with our comments in the previous quarterly report, Q1 2018 was a challenging quarter. Probi generated first-quarter net sales of MSEK 119, down 34% on a constant currency basis. During the quarter, net sales was negatively impacted by the destocking with approximately MSEK 62 and unfavorable phasing of business in the US after a strong end to 2017. We have now received new orders from our major customer in the US, signaling a gradual recovery from the destocking program by the end of Q2 2018.

Accelerated execution of commercial initiatives

We are now deploying initiatives to put Probi back on a path to growth. We expect these programs to generate quarter-on-quarter organic growth in the second half of the year, and a healthy margin improvement. However, 2018 will clearly be a year of transition and we expect net sales to be lower in the coming quarter compared with the year-on-year period.

Our aim is to improve net sales growth through continued expansion of our geographical reach and faster commercialization of our innovation portfolio. Our rapid growth in the APAC region, the long-term agreement with Cilag in the OTC segment and exciting results from our clinical trial in bone health have already demonstrated real progress in the first quarter of 2018.

I firmly believe that we are setting the stage for the realization of Probi's huge potential as a global leader and a strong challenger in probiotics.

Ole Sogaard Andersen, CEO

Key Developments in the Group

Effective March 14, Probi appointed Ole Søggaard Andersen as interim CEO. Ole has over 30 years' experience in international ingredients companies. His previous positions include President, Systems Division and Global Vice President Sales, Marketing & Application for Nutrition and Health at DuPont. Probi has engaged an executive search firm to recruit a new CEO to further enhance the strategies and take Probi into its next phase of development and growth.

One of Probi's largest customers in North America introduced a destocking program in the second half of 2017, but has now resumed purchasing. The first orders have been placed and a gradual ramp-up of deliveries will follow by the end of the second quarter.

Following a strong finish to 2017, the North American market showed signs of a slowdown in the first quarter of 2018 and customers became more cautious. In 2018, Probi expects growth to resume in the consumer market, mainly due to the rapidly expanding e-commerce channel. Probi has further strengthened its US sales organization in order to benefit from this expected growth and to capitalize on its turnkey production capabilities, which are highly relevant for the e-commerce market segment.

To further intensify its business development activities, Probi is now appointing distributors in various key markets. In the first quarter, agreements were signed with new distributors in China and Italy, two of the most significant markets for probiotic ingredients. Agreements have also been signed in Turkey, Australia and Sri Lanka, and a new distributor was appointed in the US, with a focus on Functional Food.

Probi's strategic focus for 2018 is to accelerate its business development activities in the APAC region. This led to strong growth in the first quarter, with new product launches in Australia – from both new and existing customers. One of Probi's new customers was acquired by a major Chinese supplement company in the first quarter of 2018, with exports of probiotic products to China accounting for a major share of their business. In Functional Food, a customer is planning to launch a new stick pack application based on Probi's LP299V® in South Korea. Growth in the APAC region was further driven by one of Probi's existing customers in India.

Rapid growth in the probiotic segment combined with new and exciting research on the human microbiota led to increased interest in probiotic product development among adjacent industries. Probi is committed to taking advantage of emerging opportunities through joint probiotic development programs and strategic marketing alliances. To commercialize its strain portfolio in the over-the-counter (OTC) consumer health segment, Probi signed a long-term development agreement with Cilag, a member of the Johnson & Johnson Family of Companies, in the first quarter of 2018. The program will be funded under non-disclosed financial terms by Cilag GmbH International. In addition, Probi achieved a major milestone in R&D collaboration with its largest shareholder, Symrise, by launching the first jointly developed product. Diana, a division of the Symrise Group, will launch a pet probiotic supplement in North America during the second quarter of 2018. The product is a unique formulation of ingredients, scientifically documented to support pets' acceptance, and contains both a Probi SELECT™ strain and the patented BIO-tract® delivery system.

At the same time, Probi is continuing to execute its comprehensive clinical program with the aim of expanding the product portfolio in both new and existing indications. In the first quarter, Probi achieved major success with a positive clinical trial for a new probiotic concept in bone health and osteoporosis – a new probiotic area, and a completely new indication for Probi. This clinical trial in post-menopausal women

provided the first evidence that age-dependent bone loss can be significantly reduced with probiotic supplementation. The number of new product launches with a bone health position is increasing, but Probi's probiotic strains will be one of the first probiotic products launched in this segment.

Sales Development

Current Quarter

In the first quarter of 2018, Probi's net sales amounted to MSEK 119.2 (187.4), representing a year-on-year decline of MSEK 68.2, or 36%. Based on constant exchange rates from the preceding year, net sales for the first quarter were MSEK 5.1 higher, corresponding to a year-on-year decline of 34%. In the first quarter, net sales were negatively impacted by approximately MSEK 62 due to destocking by one of Probi's largest customers in North America. Following a sales record in the region for the fourth quarter of 2017, an unfavorable order phasing in other US business led to a weak start to 2018.

Net Sales by Segment

Probi's business operations are organized in two business segments, each with their own operational management: Consumer Healthcare (CHC) and Functional Food (FF). The Consumer Healthcare segment develops, manufactures and markets Probi's probiotics to pharmaceutical companies and other companies specialized in probiotics and self-care products. Revenue is derived from the sale of goods in bulk and consumer packaging. The Functional Food segment develops food containing Probi's probiotics in partnership with leading food companies. Revenue mainly comprises royalties from partner-generated sales. No business transactions are conducted between the two segments.

KSEK	Q1 2018			Q1 2017		
	CHC	FF	Total	CHC	FF	Total
Net sales	109,555	9,651	119,206	178,420	8,980	187,400
Operating expenses	-108,415	-6,403	-114,818	-131,711	-6,998	-138,709
Operating profit (EBIT)	1,140	3,248	4,388	46,709	1,982	48,691
Financial net	—	—	-170	—	—	2,631
Earnings before income taxes	—	—	4,218	—	—	51,322

Net sales in Consumer Healthcare fell MSEK 68.9 to MSEK 109.6 (178.4). The sales decline in Consumer Healthcare during the quarter was largely attributable to the destocking effect as well as weak demand in North America at the beginning of the year.

Net sales in Functional Food totaled MSEK 9.7 (9.0). Sales in the business segment benefitted from favorable underlying volume growth and constant royalty levels in Sweden, as well as a satisfactory quarterly performance by the Functional Food business segment in North America.

Net Sales by Region

KSEK	Q1 2018	Q1 2017	Full-year 2017
Sweden	14,660	12,358	53,818
Rest of Europe	4,492	10,927	35,598
North America	80,584	154,094	477,057
Rest of World	19,470	10,021	45,771
Total	119,206	187,400	612,244

In the first quarter of 2018, North America accounted for 68% of Probi's net sales. Sales in the region declined MSEK 73.5, or 48%, due to destocking by one of Probi's largest customers and an unfavorable order phasing. Rest of World accounted for Probi's strongest sales growth with a year-on-year increase of 94%, or MSEK 9.4. This trend was mainly attributable to strong growth by new and existing customers in Australia and India. Sales in Rest of Europe declined 59% year-on-year to MSEK 4.5. In Rest of Europe, Probi was unable to build on the positive sales trend of the preceding year, which was mainly the result of a major customer agreement signed in 2016. Additional measures were introduced to improve performance and diversify the customer portfolio in the region. The 19% increase in Sweden was attributable to positive growth for both of our key customers in the Consumer Healthcare and Functional Food business segments.

Earnings

Operating Profit

In the first quarter, operating expenses were MSEK 114.8 (138.7). Cost of goods sold amounted to MSEK 69.1 (92.1), down 25%, and the gross margin fell to 42% (51) of net sales due to lower sales activity and corresponding lower capacity utilization in production. Sales and marketing expenses remained largely unchanged at MSEK 19.0 (19.1) compared with the first quarter of 2017. Administrative expenses amounted to MSEK 17.1 (16.5) and included personnel-related provisions of MSEK 4.5. Research and development expenditure amounted to MSEK 9.6 (11.1) reflecting continued investment in our clinical trial program.

In the Consumer Healthcare business segment, first-quarter operating profit totaled MSEK 1.1 (46.7), down 98%, corresponding to an operating profit margin (EBIT) of 1%. Operating profit for the Functional Food business segment totaled MSEK 3.2 (2.0), corresponding to an operating profit margin (EBIT) of 34%. The lower operating profit in Consumer Healthcare was mainly due to missing coverage of fixed costs attributable to a sales decline from the destocking and an unfavorable order phasing in the US.

Consolidated operating profit (EBIT) for the first quarter totaled MSEK 4.4 (48.7). Adjusted for currency effects, operating profit (EBIT) totaled MSEK 4.1. Operating profit was charged with personnel-related provisions of MSEK 4.5 (-).

Financial Results

Interest expense of MSEK 1.4 (1.6) was charged to earnings.

Exchange gains and losses incurred due to currency translation of the loan, or fair value changes and realization of forward contracts, are recognized in the exchange result from financing activities. A profit of

MSEK 1.2 (4.2) arose in the reporting period, whereas the first quarter of 2017 included a gain from the favorable realization of a forward contract entered to hedge the currency risk resulting from financial receivables and liabilities.

Profit after Tax

Profit after tax for the first quarter totaled MSEK 3.3 (43.1). Tax expense was MSEK 0.9 (8.2).

Earnings per Share

Earnings per share for the first quarter were SEK 0.29 (3.79).

Cash Flow and Financial Position

Capital Expenditure

During the quarter, investments in intangible assets amounted to MSEK 2.2 (2.9), of which MSEK 0.5 (0.7) pertained to patents and MSEK 1.7 (2.2) to capitalized development expenditure. Capitalized development expenditure in the first quarter was mainly related to clinical trials in immune function and digestive health. Investments in tangible assets amounted to MSEK 1.7 (2.6).

Change in Cash and Cash Equivalents

During the quarter, cash and cash equivalents rose MSEK 4.8 (46.4) to MSEK 160.3 (149.5). Cash flow from operating activities declined MSEK 45.6 year-on-year, mainly due to the decrease in sales.

Research and Development

The ambitious innovation program, including clinical trials in new and existing indications, has started to deliver exciting results, and yet another successful clinical trial on Probi's probiotic strains has now concluded.

The findings support the development of a new probiotic product in bone health and osteoporosis. The randomized, double-blind, placebo-controlled trial included 250 post-menopausal women. The results provide evidence that Probi's probiotic supplement significantly reduces bone loss. The product tested in the trial contains a unique combination of three proprietary strains, and a daily dose was administered for one year. The subjects in the placebo group suffered from significant bone loss throughout the trial period. Such loss was not obvious in the subjects treated with the trial product and, compared with the placebo, the probiotic product significantly reduced age-dependent bone loss. The effect was measured on Bone Mineral Density by Dual-energy X-ray absorptiometry (DXA).

In the first quarter, Probi signed a long-term agreement with Cilag, a member of the Johnson & Johnson Family of Companies, for the development of a probiotic product. The parties will jointly develop and clinically document a new probiotic concept, and then launch an OTC product on the global market. With over 25 years of experience in the development of clinically substantiated, health-enhancing probiotics, Probi will contribute probiotic expertise to the program.

The successful outcome of a study on children genetically predisposed to gluten intolerance has previously been reported, and the development of a new product concept commenced in the first quarter. The project is a finalist in the 2018 NutraIngredients Awards in the Nutrition Research Project category. In addition,

the trial and its promising results will be presented at the upcoming Vitafoods Europe conference in May 2018. A follow-up study to evaluate whether a gluten-free diet, or intake of probiotics early in life, can prevent celiac disease will now be conducted, also on newborns with an elevated risk of developing the disease.

At the 4th Microbiome R&D & Business Collaboration Congress: Asia/ 3rd Probiotics Congress, Probi's innovation program was presented together with our recent results in immune, iron absorption and gluten intolerance indications. There is clearly a great commercial potential in the Asia-Pacific region. Our presence at the congress triggered significant interest among both the R&D community and business developers, especially in areas beyond the gastrointestinal indication, such as immune support and nutrient absorption.

Employees

At the end of the period, Probi had 160 (197) employees, of whom 77 (88) were women and 83 (109) men. The average number of employees during the quarter was 166 (198).

Related-party Transactions

During the period, Probi's largest owner, Symrise AG, was invoiced KSEK 45.4 (-) and Probi received invoices of KSEK 15.8 (-) from Symrise AG. Board member Scott Bush invoiced fees of KSEK 71.3 (-) pertaining to project-related consulting services via Probiotic Consulting LLC. The purchase and sale of goods and services to and from related parties is conducted on market-based terms. No other related-party transactions occurred during the reporting period.

Significant Risks and Uncertainties

The risks and uncertainties to which Probi's operations are exposed are described on pages 47-48 of the printed version of the 2017 Annual Report. At 31 March 2018, no significant changes were considered to have occurred in these risks or uncertainties.

Parent Company

Parent Company operating revenue decreased to MSEK 59.7 (118.6). Net income in the first quarter was MSEK 7.3 (47.3). During the quarter, Parent Company investments in tangible and intangible assets amounted to MSEK 2.3 (3.0). For all other aspects, please refer to the information for the Group.

Financial Calendar

2017 Annual General Meeting	2 May 2018, 3:00 p.m. CET
Interim report Q2 2018	13 August 2018
Interim report Q3 2018	6 November 2018
Year-end report 2018	13 February 2019

Assurance by the Board of Directors

The Board of Directors and the CEO certify that this interim report gives a true and fair view of the Parent Company's and the Group's operations, financial position and results, and describes the risks and uncertainties facing the Parent Company and the Group.

Lund, 2 May 2018

Jean-Yves Parisot

Chairman of the Board

Anna Malm Bernsten

Board member

Scott Bush

Board member

Charlotte Hansson

Board member

Jan Nilsson

Board Member

Jonny Olsson

Board member

Ole Søggaard Andersen

CEO

The interim report has not been audited.

Consolidated Statement of Comprehensive Income

KSEK	Notes	Q1 2018	Q1 2017
Net sales		119,206	187,400
Cost of goods sold	2	-69,089	-92,103
Gross profit		50,117	95,297
Sales and marketing expenses		-19,009	-19,113
Research and development expenses		-9,617	-11,080
Administration expenses		-17,103	-16,454
Other operating income		—	41
Other operating expenses		0	—
Operating Profit/EBIT		4,388	48,691
Financial income		208	26
Financial expenses		-1,605	-1,577
Exchange result financing activities	3	1,227	4,182
Financial result		-170	2,631
Earnings before income taxes		4,218	51,322
Income taxes		-916	-8,178
Net income		3,302	43,144
Other comprehensive income			
Components to be reclassified to net income			
Exchange rate differences resulting from the translation of foreign operations		11,005	-6,677
Cash flow hedge (currency hedges)		256	-1,717
Income taxes payable on these components		-56	312
Sum of other comprehensive income		11,205	-8,082
Total comprehensive income		14,507	35,062
Number of outstanding shares at end of the reporting period		11,394,125	11,394,125
Average number of shares		11,394,125	11,394,125
Earnings per share before and after dilution		0.29	3.79

Net income and total comprehensive income are attributable in their entirety to Parent Company shareholders. Since the company has no outstanding convertible debt or outstanding warrants, no dilution effect arose.

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

See Note 4 for adjustments made to Q1 2017.

Condensed Consolidated Statement of Financial Position

KSEK	Notes	31 March 2018	31 December 2017
Capitalised Development Cost		41,884	41,045
Customer base		307,025	307,946
Technology and other intangible assets		137,998	138,993
Goodwill	4	283,991	279,706
Property, plant and equipment		33,674	34,389
Deferred tax assets		5,897	4,621
Non-current assets		810,469	806,699
Inventories		72,923	69,140
Trade receivables		72,296	59,344
Other assets and receivables		19,915	20,003
Cash and cash equivalents		160,331	155,547
Current assets		325,465	304,034
Total assets		1,135,934	1,110,733
Total equity		899,242	884,735
Other non-current liabilities		5,972	5,781
Non-current liabilities		5,972	5,781
Borrowings		178,809	175,913
Trade payables		28,600	27,042
Other current liabilities		23,311	17,262
Current liabilities		230,720	220,217
Total liabilities		236,692	225,998
Liabilities and equity		1,135,934	1,110,733

See Note 4 for adjustments made to Q1 2017.

Consolidated Changes in Equity

KSEK	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
1 January 2017	58,221	600,205	21,387	299	211,955	892,067
Net income	—	—	—	—	43,144	43,144
Other comprehensive income	—	—	-6,677	-1,405	—	-8,082
31 March 2017	58,221	600,205	14,710	-1,106	255,099	927,129
KSEK	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
1 January 2018	58,221	600,205	-43,073	-271	269,653	884,735
Net income	—	—	—	—	3,302	3,302
Other comprehensive income	—	—	11,005	200	—	11,205
31 March 2018	58,221	600,205	-32,068	-71	272,955	899,242

See Note 4 for adjustments made to Q1 2017.

Consolidated Statement of Cash Flows

KSEK	Q1 2018	Q1 2017
Net income	3,302	43,144
Adjustments to reconcile net income to cash provided from operating activities		
Income taxes	916	8,178
Interest result	1,338	1,471
Amortisation, depreciation and impairment of non-current assets	12,777	13,661
Other non-cash expenses and income	420	13,226
Cash flow before working capital changes	18,753	79,680
Change in trade receivables and other current assets	-8,624	-298
Change in inventories	-2,758	-3,723
Change in trade payables and other current liabilities	8,254	-7,804
Income taxes paid	-6,778	-13,456
Cash flow from operating activities	8,847	54,399
Payments for investing in intangible assets	-2,194	-2,875
Payments for investing in property, plant and equipment	-1,724	-2,614
Cash flow from investing activities	-3,918	-5,489
Interest paid	-1,390	-1,352
Interest received	208	–
Dividends paid	–	–
Cash flow from financing activities	-1,182	-1,352
Net change in cash and cash equivalents	3,747	47,558
Effects of changes in exchange rates	1,037	-1,202
Total changes	4,784	46,356
Cash and cash equivalents as of 1 January	155,547	103,136
Cash and cash equivalents as of 31 March	160,331	149,492

See Note 4 for adjustments made to Q1 2017.

Condensed Parent Company Financial Statements

KSEK	Q1 2018	Q1 2017
Operating revenue	59,710	118,567
Operating costs	-20,430	-38,915
Gross profit	39,280	79,652
Operating profit/EBIT	8,135	50,974
Result from financial income and expenses	1,324	6,948
Income before tax	9,459	57,922
Net income	7,317	47,298
Other comprehensive income		
Other comprehensive income	200	-1,405
Sum of other comprehensive income	200	-1,405
Total comprehensive income	7,517	45,893
KSEK	Q1 2018	Q1 2017
Fixed assets	1,014,872	1,020,052
Current assets	154,841	196,206
Total assets	1,169,713	1,216,258
Equity	948,471	927,664
Untaxed reserves	—	470
Total long-term liabilities	4,036	4,036
Current liabilities	217,206	284,088
Total equity and liabilities	1,169,713	1,216,258

Notes

1. Accounting and Measurement Policies

Group

This interim report has been prepared in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act. The condensed financial statements in the interim report encompass pages 9-18. Disclosures according to IAS 34 Interim Financial Reporting are provided both here and elsewhere in the interim report. ESMA's Guidelines on Alternative Performance Measures has been applied.

The accounting policies applied when these consolidated financial statements were prepared are consistent for all presented periods, unless otherwise stated. The complete accounting policies can be found on pages 61-64 of the printed version of the 2017 Annual Report.

The Parent Company's functional currency is the Swedish krona, which is also the reporting currency of both the Parent Company and the Group. All amounts stated have been rounded off to the nearest thousand SEK, 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 (KSEK) or millions of Swedish kronor (MSEK) according to that which is stated.

Parent Company

The Parent Company applies the same accounting policies as the Group, with the exceptions and additions stated in RFR 2 Accounting for legal entities – January 2018. This interim report complies with the Swedish Annual Accounts Act.

2. Currency translation from operating activities

The following table shows the exchange result from operating activities that has been recorded within cost of goods sold:

KSEK	Q1 2018	Q1 2017
Exchange gains operating activities	1,995	4,185
Exchange losses operating activities	-1,355	-6,084
Exchange result operating activities	640	-1,899

3. Currency translation from financing activities

The following table shows the exchange result from financing activities that has been recorded within exchange result financing activities:

KSEK	Q1 2018	Q1 2017
Exchange gains financing activities	21,044	50,513
Exchange losses financing activities	-19,817	-46,331
Exchange result financing activities	1,227	4,182

4. Goodwill

On 3 October 2016, Probi acquired the Nutraceutix operations and relevant assets in the form of an asset acquisition. The transaction was described in the notes of the printed version of the 2017 Annual Report under Note 5 (Acquisitions).

With the completion of the purchase price allocation in accordance with IFRS 3, adjustments were recognized to the previous year's reporting period that relate to the business combination.

The following tables provide information about the effects on the items in the statement of comprehensive income, the statement of financial position and the statement of cash flows from the preceding reporting period of the first quarter of 2017 to evaluate the adjustments resulting from the business combination.

Consolidated Statement of Comprehensive Income at 31 March 2017

KSEK	Published	Change	Adjusted
Cost of goods sold	-90,532	-1,571	-92,103
Sales and marketing expenses	-11,558	-7,555	-19,113
Administration expenses	-18,225	1,771	-16,454
Operating Profit/EBIT	56,046	-7,355	48,691
Income taxes	-10,832	2,654	-8,178
Net income	47,844	-4,700	43,144
Other comprehensive income			
Components to be reclassified to net income			
Exchange rate differences resulting from the translation of foreign operations	-6,793	116	-6,677
Sum of other comprehensive income	-8,198	116	-8,082
Earnings per share before and after dilution, SEK	4.20	-0.41	3.79

Consolidated Statement of Financial Position at 31 March 2017

KSEK	Published	Change	Adjusted
Customer base	—	352,528	352,528
Technology and other intangible assets	44,028	114,927	158,955
Goodwill	785,670	-482,269	303,401
Deferred tax assets	4,681	6,415	11,096
Trade receivables	99,072	522	99,594
Other assets and receivables	9,770	786	10,556
Total assets	1,239,419	-7,091	1,232,328
Total equity	938,478	-11,349	927,129
Other non-current liabilities	1,117	4,691	5,808
Other current liabilities	36,300	-433	35,867
Liabilities and equity	1,239,419	-7,091	1,232,328

Consolidated Statement of Cash Flows at 31 March 2017

KSEK	Published	Change	Adjusted
Net income	47,844	-4,700	43,144
Adjustments to reconcile net income to cash provided from operating activities			
Income taxes	10,832	-2,654	8,178
Amortisation, depreciation and impairment of non-current assets	6,307	7,354	13,661
Other non-cash expenses and income	13,226	–	13,226
Cash flow before working capital changes	79,680	–	79,680
Change in trade receivables and other current assets	-1,350	1,052	-298
Change in trade payables and other current liabilities	-6,752	-1,052	-7,804
Cash flow from operating activities	54,399	–	54,399
Net change in cash and cash equivalents	47,558	–	47,558
Effects of changes in exchange rates	-1,202	–	-1,202
Total changes	46,356	–	46,356
Cash and cash equivalents as of 1 January	103,136	–	103,136
Cash and cash equivalents as of 31 March	149,492	–	149,492

5. Definition of alternative performance measures not defined by IFRS

The company presents certain alternative performance measures (APMs) in the interim report that are not defined by 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, these measures are not always comparable with those used by other companies. However, the measures should not be considered a substitute for the financial measures required under IFRS.

The following APMs are presented in the interim report:

Operating Profit / EBIT

Operating Profit / EBIT is defined as net income before financial income and expenses and tax for the period.

KSEK	Q1 2018	Q1 2017
Net income	3,302	43,144
Income taxes	916	8,178
Financial result	170	-2,631
Operating Profit / EBIT	4,388	48,691

EBITDA

EBITDA is defined as Operating Profit / EBIT before depreciation, amortization and impairment.

KSEK	Q1 2018	Q1 2017
Operating Profit / EBIT	4,388	48,691
Depreciation and amortisation	12,777	13,661
EBITDA	17,165	62,352

EBITDA margin

EBITDA margin is defined as EBITDA divided by net sales.

Gross margin

Gross margin is defined as gross profit divided by net sales.

Market capitalization at closing day

Market capitalization at closing day is defined as share price at the end of the period multiplied by the number of shares outstanding.

Net sales growth, constant currency

Net sales growth, constant currency, is defined as net sales for the year translated at the preceding year's exchange rates divided by the preceding year's net sales.

Operating expenses

Operating expenses is defined as the sum of costs of goods sold, sales and marketing expenses, research and development expenses, administration expenses, other operating income and other operating expenses.

6. Net sales from contracts with customers

Set out below is the disaggregation of the Group's net sales from contracts with customers.

KSEK	Q1 2018			Q1 2017		
	CHC	FF	Total	CHC	FF	Total
Type of goods or service						
Goods	108,577	549	109,126	176,122	310	176,432
Royalty, licences, etc.	978	9,102	10,080	2,298	8,670	10,968
Total net sales from contracts with customers	109,555	9,651	119,206	178,420	8,980	187,400
Geographical markets						
Sweden	6,992	7,642	14,660	5,260	7,098	12,358
Rest of Europe	4,492	–	4,492	10,927	–	10,927
North America	78,873	1,729	80,584	152,212	1,882	154,094
Rest of World	19,198	280	19,470	10,021	–	10,021
Total net sales from contracts with customers	109,555	9,651	119,206	178,420	8,980	187,400