

# Interim report

## January-March 2019



## Revenue growth and strong cash flow starts the year

### Significant events in the first quarter

- First-quarter net sales rose to MSEK 138, up 16%, or MSEK 19 compared with the first quarter 2018
- EBITDA increased by MSEK 11, up 64% compared with the first quarter 2018
- Early repayment of a bank loan totalling MSEK 60 reflects the strength of Probi's balance sheet and cash flow
- Ongoing launches of Probi® Osteo, for the prevention of bone loss in postmenopausal women. Strong customer interest and several customer launches planned in 2019

### Financial overview

MSEK	Q1 2019	Q1 2018	Full-year 2018
Net sales	138.2	119.2	604.1
Net sales growth, constant currency, %	10.4%	-33.7%	-2.2%
Gross margin, %	42.0%	42.0%	46.0%
EBITDA	28.2	17.2	154.9
EBITDA margin, %	20.4%	14.4%	25.6%
Operating profit (EBIT)	11.3	4.4	101.1
Net income	8.5	3.3	76.3
Earnings per share before and after dilution, SEK	0.75	0.29	6.69
Share price on closing day, SEK	338.00	438.40	360.00
Market cap on closing day	3,851.2	4,995.2	4,101.9

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

### Invitation to teleconference

Date: 29 April 2019

Time: 10:00 a.m.

Phone: +46 (0)8 50 55 83 69

Participants from Probi:

Tom Rönnlund, CEO

Henrik Lundkvist, CFO

The presentation is available at [www.probi.com](http://www.probi.com) and [www.financialhearings.com](http://www.financialhearings.com)

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### About Probi

*Probi AB is a Swedish publicly traded bioengineering company. Probi's vision 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, active in more than 40 markets around the world and holding over 400 patents worldwide. In 2018, Probi had net sales of MSEK 604. The Probi share is traded on Nasdaq Stockholm, Mid Cap. Probi had about 4,000 shareholders on December 31, 2018.*

[probi.com](http://probi.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 29 April 2019 at 8:00 a.m. CET. This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.*



## CEO comments

### A strong start to 2019 with sales growth of 16%

Probi started the year with positive revenue growth compared with the same period last year. In the first quarter, the company generated net sales of MSEK 138, up 16% year-on-year (10% adjusted for currency effects), and an EBITDA-margin of 20%. Growth was driven by success for Probi's products and customers in our EMEA region, combined with growth in the North American market based on the earlier communicated normalisation of a major customer's order flow.

The company will continue to invest in expansion in the Asian market (APAC), especially in China. We are expanding our team in the region, focusing on reaching out to more customers with our products. In the first quarter, sales in the APAC region were relatively weak due to delayed customer launches. At the same time, we see strong demand for our products and expect that the region will contribute to future growth.

The company's profitability remained favourable and in line with our long-term objectives. In the first quarter of 2019, EBITDA improved year-on-year by MSEK 11, corresponding to a 64% increase compared to first quarter 2018. In the light of the company's financial position and strong cash flow, a bank loan repayment of MSEK 60 was made during the quarter.

### First quarter as new CEO

Since my start in the beginning of the year, I focused on meeting customers, suppliers, business partners and employees all over the world. I have experienced great optimism regarding the continued market growth for probiotics, especially the need and demand for well-documented products with proven health benefits, which is fully in line with Probi's product portfolio. In addition, Probi has major potential to further strengthen our position as a global, industrially integrated partner with unique products based on our strong commercial focus, geographic expansion, expanded production capacity and an ambitious agenda in terms of business development and strategic investments.

Probi's ambition to grow faster than the global probiotics market remains firm. Based on the strength of our product portfolio combined with our high performing and ambitious team of co-workers, I am fully confident that we will realise this goal.

*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

### Market

In the North American market, Probi continues to see increased demand for bulk and concentrate products, partly driven by a clear trend of growing customer demands for more well-documented probiotic strains. In the first quarter, Probi continued to launch new products to both new and existing customers.

During March, the Natural Product Expo West was held in California, an event that attracts more than 85,000 visitors. The major trends presented this year included plant-based eating and digestive health. Many of Probi's probiotic strains are ideal for plant-based applications such as oats and soy. Probi is currently engaged in product development projects with various types of customers in the food industry.

Launches of Probi® Osteo, for the prevention of bone loss in postmenopausal women, are progressing and customer launches have been planned for all regions (Americas, EMEA and APAC). The concept continues to attract customer attention and is meeting the growing demand for women's healthcare products in the global market.

The EMEA region posted a strong first quarter, with year-on-year growth of 63%. This is the result of targeted efforts in the region during 2018, where both old and new customers contributed to the growth. Efforts to even further strengthen Probi's presence in the region are ongoing and in February, Probiota (one of the most important forums for the probiotics industry) was held in Copenhagen. 350 industry decision makers attended the event, and Probi's presentation of the Probi® Osteo concept, as well as other activities in connection with the conference, attracted a great deal of attention.

The APAC region showed strong growth in 2018 but entered 2019 on a weaker note. This was mainly due to delayed launches of planned products at customer level. During the quarter, one of China's leading vitamin companies launched two new probiotic products – one for women of child-bearing age based on Probi's Iron concept, and the other (containing Probi® Plantarum 6595) for children. Probi also signed a new licensing and distribution agreement with a company in Australia. With the help of marketing directed towards pharmacists and other health professionals, the company will launch probiotic products from Probi during the second quarter of 2019.

By the end of 2017, Probi signed an agreement with a global FMCG (fast-moving consumer goods) company concerning the launch of a Functional Food product containing Probi's digestive health bacteria in North America. After a strategic review of the product line, the partner decided to discontinue the collaboration agreement. Probi will continue to hold discussions with the partner regarding other potential business opportunities, while simultaneously working on projects with other partners that the company expect to materialise in the future.

### Research and development

A clinical trial including 326 pregnant women was completed during the quarter, and the data is currently being analysed. This randomised, double-blind, placebo-controlled trial was conducted at maternity care centres in southern Sweden, with the aim of evaluating the efficacy of Probi FerroSorb® on iron status during pregnancy. Furthermore, the analysis of data from the clinical trials in sports and stress that were concluded in 2018 continued during the first quarter.

One of Probi's most important achievements in 2018 was the successful outcome of the clinical trial in postmenopausal women, which confirmed that probiotics can reduce bone loss after menopause. The product is now being launched under the Probi® Osteo concept name and a manuscript has been prepared for publication of the research findings.

In the joint skincare project with Symrise AG, a postbiotic cosmetic concept was developed for dry and sensitive skin. The product was launched at In-Cosmetics Global, a three-day fair in Paris, and just after the end of the quarter received a BSB Innovation Award in the 'Best Active Ingredient' category.

## Sales development

### First quarter

In the first quarter of 2019, Probi's net sales totalled MSEK 138.2 (119.2), up MSEK 19.0 or 16% year-on-year. The increase was mainly attributable to positive growth for customers in the EMEA region and the normalisation of a major customer's order flow, which had a negative impact on the first quarter of 2018. Based on constant exchange rates from the preceding year, net sales in the first quarter totalled MSEK 131.6, up 10% year-on-year.

### Net sales by segment

Probi's business operations are organised in two business segments: Consumer Healthcare (CHC) and Functional Food (FF). Consumer Healthcare develops, manufactures and markets Probi's probiotics to pharmaceutical and healthcare companies and customers specialised in probiotics and self-care products. Revenue is derived from sales of goods ranging from raw materials in bulk to finished products in consumer packaging. Functional Food develops food containing Probi's probiotics. Development takes place in partnership with leading food companies. No business transactions are conducted between the two business segments.

KSEK	Q1 2019			Q1 2018		
	CHC	FF	Total	CHC	FF	Total
Net sales	128,106	10,063	<b>138,169</b>	109,555	9,651	<b>119,206</b>
Operating expenses	-120,727	-6,137	<b>-126,864</b>	-108,415	-6,403	<b>-114,818</b>
<b>Operating profit (EBIT)</b>	<b>7,379</b>	<b>3,926</b>	<b>11,305</b>	<b>1,140</b>	<b>3,248</b>	<b>4,388</b>
Financial net	–	–	<b>-373</b>	–	–	<b>-170</b>
<b>Earnings before income taxes</b>	–	–	<b>10,932</b>	–	–	<b>4,218</b>

During the quarter, net sales for Consumer Healthcare rose MSEK 18.6, corresponding to a 17% growth compared to first quarter 2018. The increase was attributable to strong performance in EMEA and the normalisation of a major customer's order flow. Net sales in Functional Food rose MSEK 0.4, corresponding to 4%. Sales were primarily improved due to new initiatives in the APAC region and sales growth in the Americas region.

### Net sales by region

KSEK	Q1 2019	Q1 2018	Full-year 2018
EMEA	33,760	20,662	100,351
Americas	93,797	80,983	444,315
APAC	10,612	17,561	59,451
<b>Total</b>	<b>138,169</b>	<b>119,206</b>	<b>604,117</b>

In the first quarter, the Americas region (North and South America) accounted for 68% of Probi's total net sales. Net sales in this region rose MSEK 12.8, corresponding to 16% growth, mainly driven by the normalisation of a major customer's order flow. In the APAC region (Asia Pacific), net sales declined MSEK 6.9, a year-on-year decrease of 40%, due to delayed launches at customer level, primarily in the Chinese market. Sales in the EMEA region (Europe, the Middle East and Africa) rose MSEK 13.1, a year-on-year increase of 63%. The increase was attributable to new customers as well as growth for Probi's key customers in Consumer Healthcare.

## Earnings

### Operating profit (EBIT)

Operating expenses for the first quarter were MSEK 126.9 (114.8), mainly due higher cost of goods sold as a result of increased volumes and expansion of commercial resources in the Americas and APAC regions. The gross margin remained unchanged year-on-year and amounted to 42% (42) of net sales. Sales and marketing costs increased to MSEK 26.9 (19.0) due to the expanded commercial resources in the Americas and APAC regions. Administrative expenses amounted to MSEK 12.2 (17.1). The decrease is attributable to a non-recurring personnel-related provision of MSEK 4.5 in 2018. Research and development costs amounted to MSEK 7.8 (9.6).

EBIT for the Consumer Healthcare business segment was MSEK 7.4 (1.1) for the period, corresponding to an operating margin of 6% (1). EBIT for the Functional Food segment was MSEK 3.9 (3.2), corresponding to an operating margin of 39% (34).

Consolidated EBIT for the first quarter totalled MSEK 11.3 (4.4). Adjusted for currency effects, EBIT totalled MSEK 12.2.

### Financial results

The Group's financial results for the first quarter amounted to MSEK -0.4 (-0.2). Interest expense of MSEK -0.8 (-1.4) was charged to earnings. Gains or losses on the translation of loans denominated in other currencies are recognised in exchange rate gains or losses from financing activities. A currency gain of MSEK 0.5 (1.2) was recorded in the reporting period.

### Profit after tax

Profit after tax for the first quarter totalled MSEK 8.5 (3.3). Tax expense was MSEK 2.4 (0.9).

### Earnings per share

Earnings per share for the first quarter amounted to SEK 0.75 (0.29).

## Cash flow and financial position

### Investments

In the first quarter, investments in intangible assets amounted to MSEK 2.1 (2.2), of which MSEK 0.6 (0.5) pertained to patents and MSEK 1.5 (1.7) to capitalised development costs. Investments in tangible assets amounted to MSEK 2.5 (1.7).

### Change in cash and cash equivalents

In the first quarter, cash and cash equivalents declined MSEK 30.5 (up 4.8) to MSEK 168.8 (160.3). This included a bank loan repayment of MSEK 60.0 (-), which was recognised in cash flow from financing activities. Cash flow from operating activities rose MSEK 26.5 year-on-year, the result of a positive trend for both EBIT and working capital.

## Employees

At the end of the period, Probi had 165 (160) employees, of whom 48% (48) were women. In the first quarter of 2019, the average number of employees was 163 (166).

## Related-party transactions

During the first quarter of the year, there were no transactions with Probi's principal owner, Symrise AG. In the comparison period, Symrise AG was invoiced KSEK 45.4 and Probi received invoices amounting to KSEK 15.8. During the first three months of the year, there were no transactions with Board members. In the comparison period, Board member Scott Bush invoiced fees of KSEK 71.3. There were no other related-party transactions 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 2018 Annual Report. At 31 March 2019, no significant changes were considered to have occurred to these risks and uncertainties.

## Parent Company

In the first quarter, the Parent Company's operating income rose to MSEK 75.4 (59.7). Profit after tax totalled MSEK 15.3 (7.3). Investments in tangible and intangible assets amounted to MSEK 2.1 (2.3). Otherwise, please refer to the information for the Group.

## Financial calendar

2018 Annual General Meeting	7 May 2019
Interim report Q2, 2019	19 July 2019
Interim report Q3, 2019	25 October 2019
Year-end report, 2019	11 February 2020

## Assurance by the Board of Directors

The Board of Directors and CEO assure that this interim report provides 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, 29 April 2019

Jean-Yves Parisot  
*Chairman of the Board*

Scott Bush  
*Board member*

Irène Corthésy Malnoë  
*Board member*

Jonny Olsson  
*Board member*

Anna Malm Bernsten  
*Board member*

Charlotte Hansson  
*Board member*

Jan Nilsson  
*Board member*

Tom Rönnlund  
*CEO*

This report has not been audited.

## Consolidated statement of comprehensive income

KSEK	Notes	Q1 2019	Q1 2018
<b>Net sales</b>	2	<b>138,169</b>	<b>119,206</b>
Cost of goods sold	3	-80,098	-69,089
<b>Gross profit</b>		<b>58,071</b>	<b>50,117</b>
Sales and marketing expenses		-26,944	-19,009
Research and development expenses		-7,807	-9,617
Administration expenses		-12,172	-17,103
Other operating income		157	–
<b>Operating Profit/EBIT</b>		<b>11,305</b>	<b>4,388</b>
Financial income		351	208
Financial expenses		-1,228	-1,605
Exchange result financing activities	4	504	1,227
<b>Financial result</b>		<b>-373</b>	<b>-170</b>
<b>Earnings before income taxes</b>		<b>10,932</b>	<b>4,218</b>
Income taxes		-2,399	-916
<b>Net income</b>		<b>8,533</b>	<b>3,302</b>
<b>Other comprehensive income</b>			
Components to be reclassified to net income			
Exchange rate differences resulting from the translation of foreign operations		32,103	11,005
Cash flow hedge (currency hedges)		-1,131	256
Income taxes payable on these components		242	-56
<b>Sum of other comprehensive income</b>		<b>31,214</b>	<b>11,205</b>
<b>Total comprehensive income</b>		<b>39,747</b>	<b>14,507</b>
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		0.75	0.29

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

KSEK	31 March 2019	31 December 2018
Capitalised Development Cost	44,699	44,294
Customer base	315,654	311,177
Technology and other intangible assets	139,685	138,424
Goodwill	315,027	304,561
Property, plant and equipment	100,639	29,162
Deferred tax assets	3,694	1,530
<b>Non-current assets</b>	<b>919,398</b>	<b>829,148</b>
Inventories	69,492	68,676
Trade receivables	102,071	106,188
Other assets and receivables	6,478	6,119
Cash and cash equivalents	168,801	199,299
<b>Current assets</b>	<b>346,842</b>	<b>380,282</b>
<b>Total assets</b>	<b>1,266,240</b>	<b>1,209,430</b>
<b>Total equity</b>	<b>1,069,869</b>	<b>1,028,398</b>
Other non-current liabilities	60,296	6,772
<b>Non-current liabilities</b>	<b>60,296</b>	<b>6,772</b>
Borrowings	58,616	118,481
Trade payables	32,368	31,459
Other current liabilities	45,091	24,320
<b>Current liabilities</b>	<b>136,075</b>	<b>174,260</b>
<b>Total liabilities</b>	<b>196,371</b>	<b>181,032</b>
<b>Liabilities and equity</b>	<b>1,266,240</b>	<b>1,209,430</b>

## Consolidated changes in equity

KSEK	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Opening balance, 1 January 2018	58,221	600,205	-43,073	-271	269,653	<b>884,735</b>
Net income	–	–	–	–	3,302	3,302
Other comprehensive income	–	–	11,005	200	–	11,205
Total Comprehensive Income	–	–	<b>11,005</b>	<b>200</b>	<b>3,302</b>	<b>14,507</b>
Dividends	–	–	–	–	–	–
Total transactions with shareholders	–	–	–	–	–	–
<b>Closing balance, 31 March 2018</b>	<b>58,221</b>	<b>600,205</b>	<b>-32,068</b>	<b>-71</b>	<b>272,955</b>	<b>899,242</b>
KSEK	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Closing balance, 31 December 2018	58,221	600,205	23,930	139	345,903	<b>1,028,398</b>
Impact of implementing IFRS 16	–	–	–	–	1,723	<b>1,723</b>
Opening balance, 1 January 2019	58,221	600,205	23,930	139	347,627	<b>1,030,122</b>
Net income	–	–	–	–	8,533	8,533
Other comprehensive income	–	–	32,103	-889	–	31,214
Total Comprehensive Income	–	–	<b>32,103</b>	<b>-889</b>	<b>8,533</b>	<b>39,747</b>
<b>Closing balance, 31 March 2019</b>	<b>58,221</b>	<b>600,205</b>	<b>56,033</b>	<b>-750</b>	<b>356,160</b>	<b>1,069,869</b>

## Consolidated statement of cash flows

KSEK	Q1 2019	Q1 2018
<b>Net income</b>	<b>8,533</b>	<b>3,302</b>
Adjustments to reconcile net income to cash from operating activities		
Income taxes	2,399	916
Interest result	784	1,338
Amortisation, depreciation and impairment of non-current assets	16,912	12,777
Other non-cash expenses and income	229	420
<b>Cash flow before working capital changes</b>	<b>28,857</b>	<b>18,753</b>
Change in trade receivables and other current assets	3,838	-8,624
Change in inventories	1,385	-2,758
Change in trade payables and other current liabilities	4,746	8,254
Income taxes paid	-3,493	-6,778
<b>Cash flow from operating activities</b>	<b>35,333</b>	<b>8,847</b>
Payments for investing in intangible assets	-2,148	-2,194
Payments for investing in property, plant and equipment	-2,505	-1,724
Divestments of tangible assets	—	—
<b>Cash flow from investing activities</b>	<b>-4,653</b>	<b>-3,918</b>
Interest paid	-1,000	-1,390
Interest received	351	208
Redemption of bank borrowings	-60,000	—
Repayments for lease obligations	-3,002	—
Dividends paid	—	—
<b>Cash flow from financing activities</b>	<b>-63,651</b>	<b>-1,182</b>
Net change in cash and cash equivalents	-32,971	3,747
Effects of changes in exchange rates	2,473	1,037
<b>Total changes</b>	<b>-30,498</b>	<b>4,784</b>
<b>Cash and cash equivalents at opening balance</b>	<b>199,299</b>	<b>155,547</b>
<b>Cash and cash equivalents at closing balance</b>	<b>168,801</b>	<b>160,331</b>

## Condensed Parent Company financial statements

KSEK	Q1 2019	Q1 2018
<b>Operating revenue</b>	<b>75,420</b>	<b>59,710</b>
Operating costs	-23,955	-20,430
Gross profit	51,465	39,280
<b>Operating profit/EBIT</b>	<b>19,937</b>	<b>8,135</b>
Result from financial income and expenses	-148	1,324
Income before tax	19,789	9,459
<b>Net income</b>	<b>15,272</b>	<b>7,317</b>

KSEK	Q1 2019	Q1 2018
<b>Net income</b>	<b>15,272</b>	<b>7,317</b>
Cash flow hedge (currency hedges)	-1,131	256
Income taxes payable on these components	242	-56
Sum of other comprehensive income	-889	200
<b>Total comprehensive income</b>	<b>14,383</b>	<b>7,517</b>

KSEK	31 March 2019	31 December 2018
Fixed assets	968,360	968,122
Current assets	160,325	205,806
<b>Total assets</b>	<b>1,128,685</b>	<b>1,173,928</b>
Equity	1,020,921	1,006,539
Total long-term liabilities	4,035	4,076
Current liabilities	103,729	163,313
<b>Total equity and liabilities</b>	<b>1,128,685</b>	<b>1,173,928</b>

## 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 8-16. 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 2018 Annual Report.

IFRS 16 Leases superseded IAS 17 on 1 January 2019. Probi has only identified a limited number of leases affected by the new standard. These leases are mainly related to rental fees for premises and company cars, but also to production equipment. Probi has applied the simplified approach.

The following table shows the effects of IFRS 16 on the opening balances at 1 January 2019:

KSEK

<b>Assets</b>	
Property, plant and equipment (right of use assets)	71,729
Prepayments	-1,071
<b>Liabilities</b>	
Lease liabilities	70,658
Deferred tax assets	237
Other non-current liabilities	-1,960
<b>Net impact on equity</b>	<b>1,723</b>
<b>Minimum lease payments under operating leases as of December 31, 2018</b>	<b>78,589</b>
Recognition exemption	-1,081
for short-term leases	-135
for leases of low-value assets	-946
Effect from discounting at the incremental borrowing rate as of January 1, 2019	-6,850
<b>Liabilities recognized based on the initial application of IFRS 16 as of January 1, 2019</b>	<b>70,658</b>
Liabilities from finance leases as of December 31, 2018	-
<b>Liabilities from leases as of January 1, 2019</b>	<b>70,658</b>

The following table shows the effects of IFRS 16 on the income statement for the first quarter of 2019:

KSEK	Q1 2019
Depreciation lease obligations	-3,412
Rent expenses	3,614
<b>Operating profit</b>	<b>202</b>
Financial expenses	-576
Income taxes	89
<b>Impact on net income for the period</b>	<b>-285</b>

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 (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 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 summary of the Group's revenue from contracts with customers is presented below:

KSEK	Q1 2019			Q1 2018		
	CHC	FF	Total	CHC	FF	Total
<b>Type of goods or service</b>						
Goods	126,978	947	<b>127,925</b>	108,577	549	<b>109,126</b>
Royalty, licences, etc.	1,128	9,116	<b>10,244</b>	978	9,102	<b>10,080</b>
<b>Total net sales from contracts with customers</b>	<b>128,106</b>	<b>10,063</b>	<b>138,169</b>	<b>109,555</b>	<b>9,651</b>	<b>119,206</b>
<b>Geographical markets</b>						
EMEA	26,179	7,581	<b>33,760</b>	13,020	7,642	<b>20,662</b>
Americas	91,745	2,051	<b>93,796</b>	79,254	1,729	<b>80,983</b>
APAC	10,182	431	<b>10,613</b>	17,281	280	<b>17,561</b>
<b>Total net sales from contracts with customers</b>	<b>128,106</b>	<b>10,063</b>	<b>138,169</b>	<b>109,555</b>	<b>9,651</b>	<b>119,206</b>

### 3. Currency translation from operating activities

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

KSEK	Q1 2019	Q1 2018
Exchange gains operating activities	2,110	1,995
Exchange losses operating activities	-767	-1,355
<b>Exchange result operating activities</b>	<b>1,343</b>	<b>640</b>

### 4. Currency translation from financing activities

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

KSEK	Q1 2019	Q1 2018
Exchange gains financing activities	611	21,044
Exchange losses financing activities	-107	-19,817
<b>Exchange result financing activities</b>	<b>504</b>	<b>1,227</b>

### 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

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

KSEK	Q1 2019	Q1 2018
Net income	8,533	3,302
Income taxes	2,399	916
Financial result	373	170
<b>Operating Profit / EBIT</b>	<b>11,305</b>	<b>4,388</b>

## EBITDA

EBITDA is defined as operating profit/EBIT before depreciation, amortisation and impairment.

KSEK	Q1 2019	Q1 2018
Operating Profit / EBIT	11,305	4,388
Depreciation and amortisation	16,912	12,777
<b>EBITDA</b>	<b>28,217</b>	<b>17,165</b>

Other alternative performance measures:	Definition / Bases of calculation	Purpose
Operating margin	Defined as operating profit divided by net sales	Used to measure the profitability of the business
EBITDA margin	Defined as EBITDA divided by net sales	Used to measure the profitability of the business before depreciation/amortisation and impairment of tangible and intangible assets
Gross margin	Defined as gross profit divided by net sales	Used to measure product profitability
Market capitalisation 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 capitalisation at the end of the period
Net sales growth, constant currency	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 costs 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 total operating expenses before financial result and tax