

## Year-end report January-December 2020

# Strong finish to a successful year

### Significant events during the fourth quarter

- Net sales increased by 11% (20% adjusted for currency changes) to SEK 185 m (166).
- EBITDA margin was 25% (32%).
- Acquisition of shares and strategic partnership in Vital Nutrients Holdings. The acquisition amounted to USD 6 m and represents slightly less than 10% ownership.
- Publication of major study confirms using Probi Defendum® has a positive effect on common colds.

SEK  
**185 m**  
Net sales

### Significant events during full-year 2020

- Net sales increased by 15% (17% adjusted for currency changes) to SEK 717 m (626).
- The EBITDA margin was 27% (29%).
- In 2020, Covid-19 led to increased demand for probiotics in the Americas, while at the same time causing greater sales volatility in EMEA and APAC.
- The Board of Directors proposes that the 2021 Annual General Meeting establish a dividend of SEK 1.10 (1.00) per share corresponding to SEK 12.5 m (11.4) for the 2020 financial year.

**25%**  
EBITDA margin

### Financial overview

SEK m	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	184.8	166.1	717.2	626.2
Growth, %	11.2%	2.0%	14.5%	3.7%
Currency adjusted growth, %	19.8%	-0.6%	16.9%	0.1%
Gross margin, %	42.5%	47.5%	43.2%	46.6%
EBITDA	47.0	53.3	196.5	183.4
EBITDA margin, %	25.4%	32.1%	27.4%	29.3%
Operating profit (EBIT)	29.8	34.5	123.7	111.5
EBIT margin, %	16.1%	20.8%	17.2%	17.8%
Net income	21.8	25.8	92.7	85.9
Earnings per share before and after dilution, SEK	1.92	2.27	8.14	7.54

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

*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 CEO and CFO, on February 9, 2021 at 08:00 CET. This is a translation of the Swedish version of the Year-end report. When in doubt, the Swedish wording prevails.*



# A strong 2020 gives us confidence

2020 was a strong year for Probi increasing our net sales by 15% to SEK 717 m with an EBITDA margin of 27% for the full year. During the first half of the year, we noticed a clear stock build-up among our customers in EMEA and APAC, which was a consequence of the restrictions that followed from Covid-19. These regions had a weaker second half of the year. The Americas region performed strongly during the year with 20% growth and we noted a greater interest in probiotics in the American market. We are proud to have expanded our commitment with both existing and new customers, which resulted in significant growth during the year. It has been a challenging year and the business has of course been affected by the pandemic, but overall the effects on the Group over the year as a whole were neutral.

We finished the year with a convincing final quarter and net sales of SEK 185 m (166), corresponding to a growth of 11%. This increase was driven entirely by the Americas region, which expanded by 21% during the quarter, while performance during the quarter in both EMEA and APAC was weak, declining by 19% and 24% respectively. These regions are still affected by restrictions leading to certain limitations on our direct customer canvassing and postponing our launch plans. However, we saw greater activity during the second half of the year and expect positive developments in these regions in the coming year.

During Q4, work began on a number of new studies in bone health, stress and female health. A new important study in digestive health was started on the Chinese market, which is Probi's first in the country under its own auspices. Overall, this has led to higher costs for R&D, which together with the product mix has contributed to the EBITDA margin falling to 25% in Q4 (32%).

The upgrade of the manufacturing site in the US, which took place throughout 2020, has now largely been completed. In the coming months, the focus will be on streamlining production and we expect to see the effects of these investments during the second half of 2021.

In October, we launched a clearer profile for our product portfolio. Within ClinBac™, we have collected our premium segment with our most scientifically validated bacterial strains, and LiveBac® is the brand name for our range of safe bacterial strains as a complement to, or as individual ingredients in, our customers' products.

In 2020, we communicated new, more ambitious long-term growth and profitability targets. Despite challenges in the outside world, we are fully focused on our goals and expect to achieve these in 2021 and beyond. During the year, we increased our collaboration with one of our largest customers in the Americas, in connection with their product update, and signed an agreement with a large pan-European customer for distribution throughout Europe. Within APAC, we will regain growth with a new, strong management team that is now in place. With new collaborations, such as our joint venture with Viva5 and our strategic partnership with Vital Nutrients, we will develop our business to further sow the seeds for growth.

In summing up 2020, I can state that we are in an excellent position to maintain our growth through both existing and new customers and through more expanded collaborations and acquisitions. Together with all our skilled employees, I look forward to making Probi even stronger in 2021.

**Tom Rönnlund**  
CEO



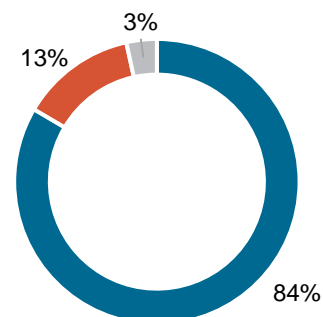
## Net sales

### October – December (fourth quarter)

During the quarter, net sales amounted to SEK 184.8 m (166.1), which corresponded to an increase of SEK 18.7 m or 11%. Adjusted for exchange rate effects, net sales amounted to SEK 199 m, corresponding to an increase of 20%.

The total increase of SEK 18.7 m is explained by strong growth in the Americas which increased by SEK 26.2 m (+21%) at the same time as EMEA declined by SEK 5.5 m (-19%) and APAC fell by SEK 2.0 m (-24%).

The Americas share of total net sales increased during the quarter and amounted to 84%. EMEA represents 13% and APAC 3% of total net sales.



■ Americas ■ EMEA ■ APAC

### Net sales per segment

SEK m	Oct-Dec			Jan-Dec		
	2020	2019	Change, %	2020	2019	Change, %
Americas	154.2	128.0	20.5%	564.6	468.9	20.4%
EMEA	24.2	29.7	-18.5%	106.0	113.5	-6.6%
APAC	6.4	8.4	-23.8%	46.5	43.8	6.2%
<b>Net sales</b>	<b>184.8</b>	<b>166.1</b>	<b>11.3%</b>	<b>717.2</b>	<b>626.2</b>	<b>14.5%</b>

### January – December (twelve months)

Net sales amounted to SEK 717.2 m (626.2), which corresponds to an increase of 15%. Adjusted for exchange rate effects, this corresponds to an increase of 17%. The total rise of SEK 91.0 m is mainly due to strong growth in the Americas, which increased by a total of

SEK 95.7 m (+ 20%). EMEA fell by SEK 7.5 m (-7%) while APAC increased by SEK 2.7 m (+ 6%).



# Earnings

## Operating profit (EBIT)

The operating profit for Q4 was SEK 29.8 m (34.5), which corresponds to a decline of SEK 4.7 m or 14%. Adjusted for currency effects, the operating profit was SEK 30.6 m. The reduced operating profit was due to a lower gross margin but also to increased R&D and administration costs.

Sales and marketing expenses amounted to SEK 24.2 m (24.6), which was in line with the equivalent period last year.

During the quarter, a number of new projects were started, which meant that research and development costs increased by 39% during the quarter to SEK 11.1 m (8.0).

Administrative expenses amounted to SEK 13.4 m (11.8), corresponding to an increase of 14%. The increase was due to the strengthening of the organization together with higher business development costs.

## Operating profit

SEK m	Oct-Dec			Jan-Dec		
	2020	2019	Change, %	2020	2019	Change, %
Gross profit Americas	60.9	56.3	8.2%	223.8	193.9	15.4%
Gross profit EMEA	14.6	17.1	-14.6%	62.0	71.3	-13.0%
Gross profit APAC	2.9	5.5	-47.3%	24.2	26.4	-8.3%
<b>Gross profit</b>	<b>78.5</b>	<b>78.9</b>	<b>-0.5%</b>	<b>310.0</b>	<b>291.6</b>	<b>6.3%</b>
Sales and marketing expenses	-24.2	-24.6	-1.6%	-95.8	-105.1	-8.8%
Research and development expenses	-11.1	-8.0	38.8%	-36.3	-31.0	17.1%
Administration expenses	-13.4	-11.8	13.6%	-54.5	-46.0	18.5%
Other operating income	0.1	0.0	182.3%	0.4	2.0	-81.6%
<b>Operating profit (EBIT)</b>	<b>29.8</b>	<b>34.5</b>	<b>-13.6%</b>	<b>123.7</b>	<b>111.5</b>	<b>10.9%</b>

## Financial result

The Group's financial result for Q4 amounted to SEK -1.7 m (-1.5). Net financial items excluding exchange rate results amounted to SEK -0.4 m (-0.4) and consisted of interest on leasing contracts in accordance with IFRS 16. Exchange rate gains and losses on translation of cash and cash equivalents in foreign currencies are reported in exchange rate results from financing activities. An exchange rate loss of SEK -1.3 m (-1.1) arose in Q4 as a result of a stronger Swedish krona.

## Profit for the period

The profit for the period for Q4 amounted to SEK 21.8 m (25.8). The tax cost was SEK 6.3 m (7.2).

## Earnings per share

Earnings per share for Q4 amounted to SEK 1.92 (2.27).



## Operating segments

Probi's operating segments are based on a geographical division and consist of the Americas (North and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia and the Pacific).

### Americas

The Americas ended the year strongly with an increase in net sales of 21% to SEK 154.2 m, compared with SEK 128.0 m the previous year. Compared with Q3, net sales were down by SEK 12.5 m, but Q3 was affected by a positive non-recurring effect of around SEK 15 m as a result of a customer's product update. For the full year, the region also showed strong growth of 20% to SEK 564.6 m (SEK 468.9 m).

Demand has continued to be good in the region and we saw growth from both new and existing customers.

During Q4, we acquired shares in Vital Nutrients. Part of the deal involves increased collaboration with an existing customer which is important in the US market. During the year, a number of new customers were added within both ClinBac™ and LiveBac®.

The gross margin fell slightly in the quarter to 40% (44%) and can be explained by the product mix. For the full year, the gross margin was 40%, which was slightly lower than the previous year (41%).

SEK m	Oct-Dec			Jan-Dec		
	2020	2019	Change, %	2020	2019	Change, %
Net Sales	154.2	128.0	20.5%	564.6	468.9	20.4%
Cost of goods sold	-93.3	-71.7	30.1%	-340.9	-275.0	24.0%
<b>Gross profit</b>	<b>60.9</b>	<b>56.3</b>	<b>8.2%</b>	<b>223.7</b>	<b>193.9</b>	<b>15.4%</b>
<b>Gross margin</b>	<b>39.5%</b>	<b>44.0%</b>	<b>-4.5 ppt</b>	<b>39.6%</b>	<b>41.4%</b>	<b>-1.8 ppt</b>

### EMEA

Net sales in EMEA fell in Q4 by 19% to SEK 24.2 m, compared with SEK 29.7 m the previous year. The significant effect of Covid-19 with stock build-up among customers during the first half of the year meant a reverse trend with lower activity and weaker demand in the third and fourth quarters. For the full year, net sales amounted to SEK 106.0 m, compared with SEK 113.5 m the previous year. Excluding the effect of a redistribution of royalty income to sales of goods, which

took place during the year, the region had zero growth over the year as a whole.

The gross margin for the quarter was 60% (58%). The increase in the margin is explained by royalty invoicing to a new customer in connection with an achieved milestone. For the full year, the gross margin declined slightly to 59% (63%) as an effect of the reduced share of royalty income.

SEK m	Oct-Dec			Jan-Dec		
	2020	2019	Change, %	2020	2019	Change, %
Net Sales	24.2	29.7	-18.5%	106.0	113.5	-6.6%
Cost of goods sold	-9.6	-12.5	-23.2%	-44.0	-42.2	4.3%
<b>Gross profit</b>	<b>14.6</b>	<b>17.1</b>	<b>-14.6%</b>	<b>62.0</b>	<b>71.3</b>	<b>-13.0%</b>
<b>Gross margin</b>	<b>60.3%</b>	<b>57.6%</b>	<b>2.7 ppt</b>	<b>58.5%</b>	<b>62.8%</b>	<b>-4.3 ppt</b>



## APAC

APAC reported a weak Q4 with net sales falling by 24% to SEK 6.4 m (8.4). The effects from the stock accumulation by customers during the first half of the year are still being felt. Canvassing of new customers was also hampered in Q4 due to the restrictions arising from Covid-19. For the full year, the region showed a slight growth of 6% to SEK 46.5 m, which is explained by the strong first half year. At the same time, a number of ongoing customer development projects continued

in Q4. For example, one of Probi's major customers launched products with LP299V® after an evaluation during Q3.

The gross margin was 45% (66%). The decrease is explained by lower sales, which were not fully offset by lower costs. For the full year, the gross margin fell to 52% (60%).

SEK m	Oct-Dec			Jan-Dec		
	2020	2019	Change, %	2020	2019	Change, %
Net Sales	6.4	8.4	-23.8%	46.5	43.8	6.2%
Cost of goods sold	-3.4	-2.9	17.2%	-22.3	-17.3	28.9%
<b>Gross profit</b>	<b>2.9</b>	<b>5.5</b>	<b>-47.3%</b>	<b>24.2</b>	<b>26.5</b>	<b>-8.7%</b>
<b>Gross margin</b>	<b>45.3%</b>	<b>65.5%</b>	<b>-20.2 ppt</b>	<b>52.0%</b>	<b>60.5%</b>	<b>-8.5 ppt</b>

## Cash flow and cash and cash equivalents

The cash flow from operating activities before changes in working capital fell to SEK 46.2 m (51.0) in the quarter as a result of a decline in the operating profit.

Working capital improved during Q4 as a result of reduced trade receivable and increased trade payable. The stock accumulation made in connection with the launch of an updated product range for a major customer in the US, stabilized during the quarter and inventory decreased slightly. The cash flow from operating activities amounted to SEK 85.9 m (39.1).

The cash flow from investment activities amounted to SEK -66.3 m (-9.6) and SEK -53.0 m was for the investment in Vital Nutrients Holdings and SEK -13.3 m consisted of investments in intangible and tangible fixed assets.

The cash flow from financing activities was SEK -5.1 m (-3.3), which mainly consisted of amortization of leasing liabilities.

The cash flow for the period amounted to SEK 5.8 m (21.3) and cash and cash equivalents amounted to SEK 215.6 m (207.0).

## Investments

During Q4, investments in intangible fixed assets amounted to SEK 4.5 m (1.7), of which SEK 0.8 m (0.8) was for patents, SEK 2.4 million (0.9) was for capitalized development expenses and SEK 1.3 million (-) was for IT systems. Investments in tangible fixed assets amounted to SEK 8.7 m (7.9), which primarily refers to investments in the manufacturing unit in Redmond. During the quarter, shares in Vital Nutrients Holdings worth SEK 53.0 m were also acquired, representing ownership of slightly less than 10%.

## Employees

Probi had 176 (170) employees at the end of the period, of which 51% (51%) were women. The average number of employees during the year was 170 (164).



## Transactions with related parties

During Q4, Probi did not report any revenue from its largest owner, Symrise. For the full year, the total amount was SEK 4.4 m (0.0 m) and primarily refers to sales of ingredients for a skin care product developed through a collaboration between Probi and Symrise. During the full year, Probi's costs from Symrise amounted to SEK 0.0 m (0.2). No other transactions with related parties occurred during the reporting period.

## Significant risks and uncertainties

In connection with Covid-19, the main current issues are the risks of changes in consumer trends and the company's supply of goods which is becoming relevant. These risks, together with other risks and uncertainties to which Probi's operations are exposed, are described on pages 44–45 in the annual report for 2019.

## Parent company

During Q4, the parent company's operating income fell to SEK 69.1 m (100.3). The profit for the period was SEK 15.4 m (26.5). Investments in tangible and intangible fixed assets amounted to SEK 4.7 m (2.4). For further details, please see the information for the Group.

## Financial calendar

Interim report Q1 2021	April 23, 2021
Annual General Meeting 2020	May 7, 2021
Interim report Q2 2021	July 16, 2021
Interim report Q3 2021	October 22, 2021
Year-end report 2021	February 2, 2022

## Invitation to teleconference

Probi's Year-end report for 2020 will be published on February 9, 2021 at 8.00 am. On the same day at 10.00, a teleconference will be held with Tom Rönnlund, CEO and Henrik Lundkvist, CFO, who will present the report. The conference call can be accessed on +46 (0)8 50 55 83 68. The presentation is available at [www.probi.com](http://www.probi.com) and [www.financialhearings.com](http://www.financialhearings.com)

## Contacts

Tom Rönnlund, CEO  
Tel: +46 (0)46 286 89 40  
Email: [trd@probi.com](mailto:trd@probi.com)

Henrik Lundkvist, CFO  
Tel: +46 (0)46 286 89 41  
Email: [henrik.lundkvist@probi.com](mailto:henrik.lundkvist@probi.com)

## Annual General Meeting

The Annual General Meeting regarding financial year 2020, will be held in Lund on Friday, May 7, 2021 at 13.00. The location will be announced later. Shareholders with matters for consideration at the Annual General Meeting are requested to report this to the Chairman of the Board no later than Friday, March 19, 2021. Such proposals should be sent by email to [bolagsstamma@probi.com](mailto:bolagsstamma@probi.com) or by letter to: Probi AB, Bolagsstämman, Ideongatan 1A, 223 70 Lund.

Shareholders who wish to contact the Nomination Committee can do so by email to [bolagsstamma@probi.com](mailto:bolagsstamma@probi.com) or by letter to: Probi AB, Valberedningen, Ideongatan 1A, 223 70 Lund.



## Proposal for the appropriation of profits

Based on an assessment of Probi's business operations and strategic investment decisions, the Board of Directors and the CEO propose that the 2021 Annual General Meeting establish a dividend for the financial year 2020 of a total of SEK 12.5 m (11.4), corresponding to SEK 1.10 (1.00) per share.

## 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, February 9, 2021

Jean-Yves Parisot  
*Chairman of the Board*

Jörn Andreas  
*Board member*

Irène Corthésy Malnoë  
*Board member*

Charlotte Hansson  
*Board member*

Malin Ruijsenaars  
*Board member*

Tom Rönnlund  
CEO

This interim report has not been subject to review by the company's auditors.





# Consolidated statement of comprehensive income

SEK 000	Notes	Oct-Dec		Jan-Dec	
		2020	2019	2020	2019
<b>Net sales</b>	2	<b>184,766</b>	<b>166,137</b>	<b>717,165</b>	<b>626,192</b>
Cost of goods sold	3	-106,294	-87,265	-407,208	-334,546
<b>Gross profit</b>		<b>78,472</b>	<b>78,872</b>	<b>309,957</b>	<b>291,646</b>
Sales and marketing expenses		-24,245	-24,565	-95,780	-105,113
Research and development expenses		-11,135	-8,048	-36,347	-31,046
Administration expenses		-13,388	-11,806	-54,525	-45,989
Other operating income		93	33	376	2,044
<b>Operating profit (EBIT)</b>		<b>29,797</b>	<b>34,486</b>	<b>123,681</b>	<b>111,542</b>
Financial income		10	475	241	1,423
Financial expenses		-440	-833	-2,123	-4,123
Exchange result financing activities	4	-1,267	-1,132	-1,712	681
<b>Financial result</b>		<b>-1,697</b>	<b>-1,490</b>	<b>-3,594</b>	<b>-2,019</b>
<b>Earnings before income taxes</b>		<b>28,100</b>	<b>32,996</b>	<b>120,087</b>	<b>109,523</b>
Income taxes		-6,269	-7,155	-27,394	-23,636
<b>Net income</b>		<b>21,831</b>	<b>25,841</b>	<b>92,693</b>	<b>85,887</b>
<b>Other comprehensive income</b>					
Components to be reclassified to net income					
Exchange rate differences resulting from the translation of foreign operations		-83,505	-49,439	-118,003	36,040
Cash flow hedge (currency hedges)		-76	1,472	-280	99
Income taxes payable on these components		17	-314	61	-21
<b>Sum of other comprehensive income</b>		<b>-83,564</b>	<b>-48,281</b>	<b>-118,222</b>	<b>36,118</b>
<b>Total comprehensive income</b>		<b>-61,733</b>	<b>-22,440</b>	<b>-25,529</b>	<b>122,005</b>
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		1.92	2.27	8.14	7.54

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.



# Consolidated statement of financial position

SEK 000	31 December 2020	31 December 2019
<b>ASSETS</b>		
Capitalized Development Cost	39,620	42,775
Customer base	239,482	297,832
Technology and other intangible assets	116,604	141,139
Goodwill	278,238	316,202
Property, plant and equipment	60,058	46,785
Right-of-use assets	43,019	60,535
Interests in other entities	53,032	-
Deferred tax assets	28	6,008
<b>Non-current assets</b>	<b>830,081</b>	<b>911,276</b>
Inventories	98,396	79,497
Trade receivables	89,339	83,341
Other assets and receivables	6,525	8,534
Cash and cash equivalents	215,552	206,960
<b>Current assets</b>	<b>409,812</b>	<b>378,332</b>
<b>Total assets</b>	<b>1,239,893</b>	<b>1,289,608</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>1,115,203</b>	<b>1,152,126</b>
Deferred tax liabilities	3,906	-
<b>Provisions</b>	<b>3,906</b>	<b>-</b>
Non-current lease liabilities	30,575	46,612
Other non-current liabilities	4,299	4,952
<b>Non-current liabilities</b>	<b>34,874</b>	<b>51,564</b>
Trade payables	39,922	37,631
Current lease liabilities	13,873	14,556
Other current liabilities	32,115	33,731
<b>Current liabilities</b>	<b>85,910</b>	<b>85,918</b>
<b>Total liabilities</b>	<b>124,690</b>	<b>137,482</b>
<b>Total equity and liabilities</b>	<b>1,239,893</b>	<b>1,289,608</b>



## Consolidated changes in equity

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
<b>Opening balance, 1 Jan 2019</b>	<b>58,221</b>	<b>600,205</b>	<b>23,930</b>	<b>139</b>	<b>347,627</b>	<b>1,030,122</b>
Net income	—	—	—	—	85,887	85,887
Other comprehensive income	—	—	36,039	78	—	36,117
<b>Total Comprehensive Income</b>	<b>—</b>	<b>—</b>	<b>36,039</b>	<b>78</b>	<b>85,887</b>	<b>122,004</b>
Dividends	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—	—
<b>Closing balance, 30 Sep 2019</b>	<b>58,221</b>	<b>600,205</b>	<b>59,969</b>	<b>217</b>	<b>433,514</b>	<b>1,152,126</b>

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
<b>Opening balance, 1 Jan 2020</b>	<b>58,221</b>	<b>600,205</b>	<b>59,969</b>	<b>217</b>	<b>433,514</b>	<b>1,152,126</b>
Net income	—	—	—	—	92,693	92,693
Other comprehensive income	—	—	-118,003	-217	—	-118,222
<b>Total Comprehensive Income</b>	<b>—</b>	<b>—</b>	<b>-118,003</b>	<b>-217</b>	<b>92,693</b>	<b>-25,527</b>
Dividends	—	—	—	—	-11,394	-11,394
<b>Closing balance, 30 Sep 2020</b>	<b>58,221</b>	<b>600,205</b>	<b>-58,034</b>	<b>0</b>	<b>514,811</b>	<b>1,115,203</b>



# Consolidated cash flow statement

SEK 000	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Net income</b>	<b>21,831</b>	<b>25,841</b>	<b>92,693</b>	<b>85,887</b>
Adjustments to reconcile net income to cash from operating activities				
Income taxes	6,269	7,155	27,394	23,636
Interest result	393	171	1,630	2,082
Amortization, depreciation and impairment of non-current assets	17,250	18,831	72,780	71,891
Other non-cash expenses and income	423	-966	3,419	-162
<b>Cash flow before working capital changes</b>	<b>46,166</b>	<b>51,032</b>	<b>197,916</b>	<b>183,334</b>
Change in trade receivables and other current assets	10,583	-10,202	-13,890	11,744
Change in inventories	2,464	-1,600	-30,973	-8,359
Change in trade payables and other current liabilities	27,987	4,132	19,272	3,229
Income taxes paid	-1,263	-4,282	-28,961	-16,337
<b>Cash flow from operating activities</b>	<b>85,937</b>	<b>39,080</b>	<b>143,364</b>	<b>173,611</b>
Payments for investing in intangible assets	-4,546	-1,708	-13,334	-8,418
Payments for investing in interests in other entities	-53,032	—	-53,032	—
Payments for investing in property, plant and equipment	-8,705	-7,889	-30,036	-26,731
Divestments of tangible assets	—	6	—	32
<b>Cash flow from investing activities</b>	<b>-66,283</b>	<b>-9,591</b>	<b>-96,402</b>	<b>-35,117</b>
Interest paid	-2,080	-548	-3,388	-2,986
Interest received	149	475	241	1,423
Redemption of bank borrowings	—	0	—	-119,000
Repayments for lease obligations	-3,162	-3,213	-13,146	-12,451
Dividends paid	—	—	-11,394	—
<b>Cash flow from financing activities</b>	<b>-5,093</b>	<b>-3,286</b>	<b>-27,687</b>	<b>-133,014</b>
Cash flow for the period	14,561	26,203	19,275	5,480
Effects of changes in exchange rates	-8,770	-4,861	-10,683	2,181
<b>Change in cash and cash equivalents</b>	<b>5,791</b>	<b>21,342</b>	<b>8,592</b>	<b>7,661</b>
<b>Cash and cash equivalents at opening balance</b>	<b>209,761</b>	<b>185,618</b>	<b>206,960</b>	<b>199,299</b>
<b>Cash and cash equivalents at closing balance</b>	<b>215,552</b>	<b>206,960</b>	<b>215,552</b>	<b>206,960</b>



## Parent company's condensed financial statements

SEK 000	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Operating revenue</b>	69,114	100,329	288,617	374,236
Operating costs	-14,570	-35,601	-82,794	-122,760
Gross profit	54,544	64,728	205,823	251,476
<b>Operating profit (EBIT)</b>	<b>20,899</b>	<b>35,060</b>	<b>80,236</b>	<b>130,536</b>
Result from financial income and expenses	-1,292	-1,095	-1,150	-850
Income before tax	19,607	33,965	79,086	129,686
<b>Net income</b>	<b>15,384</b>	<b>26,536</b>	<b>62,020</b>	<b>101,318</b>

SEK 000	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
<b>Net income</b>	<b>15,384</b>	<b>26,536</b>	<b>62,020</b>	<b>101,318</b>
Cash flow hedge (currency hedges)	-77	1,473	-280	100
Income taxes payable on these components	18	-315	61	-21
<b>Sum of other comprehensive income</b>	<b>-59</b>	<b>1,158</b>	<b>-219</b>	<b>79</b>
<b>Total comprehensive income</b>	<b>15,325</b>	<b>27,694</b>	<b>61,801</b>	<b>101,397</b>

SEK 000	31 December 2020	31 December 2019
<b>ASSETS</b>		
Non-current assets	1,026,553	976,497
Current assets	170,698	186,145
<b>Total assets</b>	<b>1,197,251</b>	<b>1,162,642</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	1,158,341	1,107,933
Non-current liabilities	4,035	4,035
Current liabilities	34,875	50,674
<b>Total equity and liabilities</b>	<b>1,197,251</b>	<b>1,162,642</b>



# Notes

## 1. Accounting and valuation principles

### The 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 (TSEK) or millions of Swedish kronor (SEKM) 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 with customers

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

SEK 000	Oct-Dec 2020				Oct-Dec 2019			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Goods	152,850	20,760	6,365	<b>179,975</b>	126,222	22,672	8,427	<b>157,321</b>
Royalty	1,371	3,420	0	<b>4,791</b>	1,823	6,982	11	<b>8,816</b>
<b>Net sales</b>	<b>154,221</b>	<b>24,180</b>	<b>6,365</b>	<b>184,766</b>	<b>128,045</b>	<b>29,654</b>	<b>8,438</b>	<b>166,137</b>

SEK 000	Jan-Dec 2020				Jan-Dec 2019			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Goods	558,294	100,721	46,484	<b>705,499</b>	456,721	83,408	43,791	<b>583,920</b>
Royalty	6,339	5,298	29	<b>11,666</b>	12,192	30,047	33	<b>42,272</b>
<b>Net sales</b>	<b>564,633</b>	<b>106,019</b>	<b>46,513</b>	<b>717,165</b>	<b>468,913</b>	<b>113,455</b>	<b>43,824</b>	<b>626,192</b>



### 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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Exchange gains operating activities	-982	1,016	3,474	9,832
Exchange losses operating activities	-1,432	-2,593	-7,583	-9,114
<b>Exchange result operating activities</b>	<b>-2,414</b>	<b>-1,577</b>	<b>-4,109</b>	<b>718</b>

### 4. Currency translation from financial activities

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

SEK 000	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Exchange gains financing activities	28	29	3,963	2,767
Exchange losses financing activities	-1,295	-1,161	-5,675	-2,086
<b>Exchange result financing activities</b>	<b>-1,267</b>	<b>-1,132</b>	<b>-1,712</b>	<b>681</b>

### 5. Definition of 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 the profit before financial income, expenses and tax for the period and is used as a measure the company's profitability.

SEK 000	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net income	21,831	25,841	92,693	85,887
Income taxes	6,269	7,155	27,394	23,636
Financial result	1,697	1,490	3,594	2,019
<b>Operating profit (EBIT)</b>	<b>29,797</b>	<b>34,486</b>	<b>123,681</b>	<b>111,542</b>

#### 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	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Operating profit (EBIT)	29,797	34,486	123,681	111,542
Depreciation and amortization	17,250	18,831	72,780	71,891
<b>EBITDA</b>	<b>47,047</b>	<b>53,317</b>	<b>196,461</b>	<b>183,433</b>



Other alternative performance measures	Definition/Basis of calculation	Purpose
<b>Gross margin</b>	Defined as gross profit divided by net sales	Used to measure product profitability
<b>EBITDA margin</b>	Defined as EBITDA divided by net sales	Used to measure the company's profitability before depreciation/amortization and impairment of tangible and intangible assets
<b>Currency adjusted net sales growth</b>	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
<b>Operating margin</b>	Defined as the operating profit divided by net sales	Used to measure the company's profitability

## About Probi

Probi® is a global company focused exclusively on researching, manufacturing, and delivering probiotics for supplements and functional food. The company is an expert in managing stable, live bacteria from research through every stage of the manufacturing process and are dedicated to making the health-enhancing benefits of probiotics available to people everywhere. Since the company was founded in 1991 at Lund University in Sweden, Probi has expanded its operations to more than 40 markets and holds more than 400 patents worldwide. Probi had sales of SEK 717 m in 2020. Probi's shares are listed on Nasdaq Stockholm, Mid-cap. and there were around 4,200 shareholders on December 31, 2020.

