

Good growth in the first quarter

Significant events during the first quarter

- Net sales increased by 9% (20% adjusted for currency changes) to SEK 171 m (158).
- EBITDA margin was 28% (19%).
- First deliveries related to the Pan-European agreement with Perrigo, which includes the launch of Probi's ClinBac™ concept in 14 European countries.
- Strategic partnership with the Chinese pharmaceutical company China National Pharmaceutical Foreign Trade Corporation (Sinopharm Foreign Trade) a wholly owned subsidiary of China National Pharmaceutical Group Corporation (Sinopharm) for the launch of three of Probi's ClinBac™ concepts in China.
- New bone health study in collaboration with La Trobe University in Australia to investigate the effects of Probi® Osteo on Australian women.

SEK
171 m
Net sales

28%
EBITDA margin

Financial overview

SEK m	Jan-Mar		Full-year	
	2021	2020	RTM	2020
Net sales	171.3	157.8	730.7	717.2
Growth, %	8.6%	14.2%	1.9%	14.5%
Currency adjusted growth, %	20.3%	11.2%	7.1%	16.9%
Gross margin, %	43.4%	39.0%	44.2%	43.2%
EBITDA	47.1	29.9	213.7	196.5
EBITDA margin, %	27.5%	18.9%	29.3%	27.4%
Operating profit (EBIT)	30.1	11.0	142.8	123.7
EBIT margin, %	17.6%	7.0%	19.5%	17.2%
Net income	22.6	10.7	104.7	92.7
Earnings per share before and after dilution, SEK	1.99	0.94	9.19	8.14

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 April 23, 2021 at 08:00 CET. This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.



A good start to 2021

We started the year with good growth of 9% and reached net sales of SEK 171 m. Underlying growth was even stronger and currency-adjusted growth in the first quarter was 20%. The EBITDA margin was 28%, a clear strengthening against the weak first quarter of last year. The improvement comes from both a stronger gross margin and lower operating expenses during the quarter.

The Americas region continues to develop well with currency-adjusted growth of 22%. However, the weakening of the US dollar had significant currency effects and the increase in net sales remained at 6%. We are seeing continued good demand for our products in all health areas. In 2020, we signed several new customer contracts within the ClinBac™ range and we expect a continued increase in that part of our product portfolio in the future.

Particularly pleasing this quarter was the performance in the EMEA region, where net sales increased by 19%. The region therefore reported its strongest quarter ever. Here we can see the clear effects in that we have succeeded in building new customer relationships that strengthen our position in the region. During the quarter, we delivered the first orders to Perrigo, which over time will launch three new products based on Probi's concept in gastric and immune health.

The APAC region also recovered after a weak second half of 2020 and net sales increased by 5%. Our new team in the region has been established and we have high hopes that the region will grow again. During the quarter, we entered into a partnership with one of China's largest pharmaceutical companies, China National Pharmaceutical Foreign Trade Corporation (Sinopharm Foreign Trade). The collaboration is an important success for Probi in the region. With a strong

position in China and its scientific focus, Sinopharm Foreign Trade will not only contribute to the establishment of Probi's products, but also create market credibility for our product portfolio in the country and region.

After a 2020 with pandemic-related challenges to initiate clinical studies, we have now been able to resume a high level of activity in research and development. We intend to increase our investments in R&D during the year and have, among others, started a study in collaboration with La Trobe University in Australia to investigate the effects of Probi® Osteo on Australian women.

Last year, the fluctuation between quarters increased as a consequence of the uncertainty following the outbreak of Covid-19. We expect a continued relatively high fluctuation between quarters this year as well. Underlying demand is good and according to industry statistics, continued global growth for probiotic products is expected. From Probi's viewpoint, we continue to see our opportunities brightly and we have started 2021 with several new customer collaborations that we will continue to develop in the coming years. Our growth agenda is fixed despite the different circumstances with continued restrictions in society.

After a year of the pandemic, interest in self-care may never have been greater than it is now. At the same time, we want to return to a more normal situation as soon as possible. I am convinced that what we have seen over the past year has created a genuinely increased interest in health products and that Probi is perfectly positioned for that development.

Tom Rönnlund
CEO



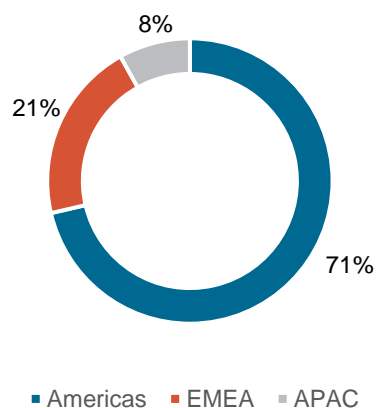
Net sales

January – March (first quarter)

During the quarter, net sales amounted to SEK 171.3 m (157.8), which corresponded to an increase of SEK 13.5 m or 9%. Adjusted for exchange rate effects, net sales amounted to SEK 190 m, corresponding to an increase of 20%.

The increase of SEK 13.5 m is explained by strong growth in the Americas, which increased by SEK 7.4 m (+6%) at the same time as EMEA increased by SEK 5.5 m (+19%) and APAC increased by SEK 0.7 m (+5%).

The America's share of total net sales in Q1 was 71%. EMEA represented 21% and APAC 8% of total net sales.



Net sales per segment

SEK m	Jan-Mar		
	2021	2020	Change, %
Americas	122.3	114.9	6.4%
EMEA	35.2	29.7	18.5%
APAC	13.8	13.1	5.3%
Net sales	171.3	157.8	8.6%



Earnings

Operating profit (EBIT)

The operating profit for Q1 amounted to SEK 30.1 m (11.0), which corresponds to an increase of SEK 19.1 m or 174%. Adjusted for currency effects, the operating profit was SEK 31.9 m. The improved operating profit was largely due to increased sales but also to lower operating expenses.

Sales and marketing expenses amounted to SEK 21.9 m (25.5). The decrease is due to the comparative period referring to a period at the beginning of the pandemic and which therefore had a limited impact on shutdowns in society.

Research and development costs were on a par with the previous year and amounted to SEK 9.7 m (9.3).

Administrative expenses amounted to SEK 12.6 m (15.8), corresponding to a decrease of SEK 3.2 m, which is explained by the comparative period including high costs for business development.

Operating profit

SEK m	Jan-Mar		
	2021	2020	Change, %
Gross profit Americas	46.5	35.8	29.9%
Gross profit EMEA	20.2	18.4	9.8%
Gross profit APAC	7.7	7.4	4.1%
Gross profit	74.3	61.6	20.6%
Sales and marketing expenses	-21.9	-25.5	-14.1%
Research and development expenses	-9.7	-9.3	4.3%
Administration expenses	-12.6	-15.8	-20.3%
Other operating income	0.0	0.0	0.0%
Operating profit (EBIT)	30.1	11.0	173.6%

Financial result

The Group's financial result for Q1 was SEK 0.0 m (2.6). Net financial items excluding exchange rate results amounted to SEK -0.4 m (-0.5) and consist of interest on leasing contracts in accordance with IFRS 16. Exchange rate gains and losses on translation of cash and cash equivalents in foreign currency are reported in exchange rate results from financing activities. An exchange rate gain of SEK 0.4 m (3.1) arose in Q1 due to a weaker Swedish krona.

Profit for the period

The profit for the period amounted to SEK 22.6 m (10.7). The tax cost was SEK 7.5 m (2.9).

Earnings per share

Earnings per share for Q1 amounted to SEK 1.99 (0.94).



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 began the year with net sales that increased by 6% from SEK 115 m to SEK 122 m. Currency-adjusted net sales amounted to 22%.

Demand remains good in the region and growth comes from both new and existing customers.

Fluctuations between the quarters are expected to remain relatively large during the year.

The gross margin for the quarter was 38% (31%). The comparative period contained an operational disruption in production that temporarily had a negative effect on production costs.

SEK m	Jan-Mar		
	2021	2020	Change, %
Net Sales	122.3	114.9	6.4%
Cost of goods sold	-75.8	-79.1	-4.2%
Gross profit	46.5	35.8	29.9%
Gross margin	38.0%	31.2%	6.8 ppt

EMEA

Net sales in EMEA increased by 19% in Q1 to SEK 35.2 m compared with SEK 29.7 m last year. This was a record quarter for the EMEA region.

During the quarter, Probi's agreement with Perrigo was announced, which entails the launch of three new probiotic products in 14 European countries. For Perrigo, this is a step into the probiotic sector.

The agreement covers two of Probi's ClinBac™ concepts (immune health and gastric health). Launch is planned for 2021 and the first order was delivered during Q1.

The gross margin for Q1 was 57% (62%). The lower margin is explained by increased costs in connection with product launches during the quarter.

SEK m	Jan-Mar		
	2021	2020	Change, %
Net Sales	35.2	29.7	18.5%
Cost of goods sold	-15.0	-11.3	32.7%
Gross profit	20.2	18.4	9.8%
Gross margin	57.4%	62.0%	-4.6 ppt



APAC

After a weak second half of 2020, the APAC region reported net sales of SEK 13.1 m in Q1, an increase of 5% compared with last year. The first half of last year was characterized by the outbreak of Covid-19 and stock accumulation among Probi's customers, which created large fluctuations between the quarters. Fluctuations between quarters are expected to remain relatively large in 2021 as well.

Probi's agreement was announced with China National Pharmaceutical Foreign Trade Corporation

(Sinopharm Foreign Trade), one of China's largest pharmaceutical companies. The agreement covers three of the concepts within ClinBac™ (immune health, bone health and iron absorption). The products will be launched as a new brand and complement Sinopharm Foreign Trade's probiotic portfolio in China. The agreement is an important step in increasing sales in China and throughout APAC. The launch is expected to begin in 2021.

The gross margin was approximately on a par with the previous year and amounted to 56% (57%).

SEK m	Jan-Mar		
	2021	2020	Change, %
Net Sales	13.8	13.1	5.3%
Cost of goods sold	-6.1	-5.7	7.0%
Gross profit	7.7	7.4	4.1%
Gross margin	55.8%	56.5%	-0.7 ppt

Cash flow and cash and cash equivalents

The cash flow from operating activities before changes in working capital increased to SEK 48.1 m (33.7) in the quarter as a result of a higher operating profit.

Working capital increased slightly during the quarter as a result of increased stock and cash flow from operating activities amounted to SEK 36.8 m (31.5).

The cash flow from investment activities amounted to SEK -7.3 m (-7.1) and consisted of investments in intangible and tangible fixed assets.

The cash flow from financing activities was SEK -4.1 m (-3.7), which mainly consisted of repayments of leasing liabilities.

The cash flow for the period amounted to SEK 31.1 m (28.1) and cash and cash equivalents amounted to SEK 246.7 m (235.0).

Investments

During Q1, investments in intangible fixed assets amounted to SEK 2.6 m (2.7), of which SEK 1.0 m (1.2) was for patents, SEK 1.6 m (0.8) was for capitalized development expenses and SEK 0.0 m (-) was for IT systems. Investments in tangible fixed assets amounted to SEK 4.7 m (5.0), which primarily refers to investments in the manufacturing unit in Redmond.

Employees

At the end of the period, Probi had 183 (165) employees, of which 50% (48%) were women. The average number of employees during Q1 was 181 (163).



Transactions with related parties

During Q1, Probi reported SEK 0.1 m (2.2) in revenue from its largest owner, Symrise. During Q1, Probi's costs from Symrise amounted to SEK 0.0 (-). No other transactions with related parties occurred during the reporting period.

Significant risks and uncertainties

In connection with Covid-19, the main current 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 46–47 in the printed annual report for 2020.

Parent company

During Q1, the parent company's operating income amounted to SEK 79.3 m (80.0). The profit for the period was SEK 20.7 m (14.4). Investments in tangible and intangible fixed assets amounted to SEK 2.7 m (2.7). For further details, please see the information for the Group.

Financial calendar

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

Invitation to teleconference

Probi's interim report for Q1 2021 will be published on April 23, 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 and www.financialhearings.com

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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, April 23, 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	Jan-Mar	
		2021	2020
Net sales	2	171,313	157,767
Cost of goods sold	3	-96,985	-96,185
Gross profit		74,328	61,582
Sales and marketing expenses		-21,944	-25,540
Research and development expenses		-9,695	-9,324
Administration expenses		-12,615	-15,759
Other operating income		42	0
Operating profit (EBIT)		30,116	10,959
Financial income		26	203
Financial expenses		-443	-669
Exchange result financing activities	4	446	3,072
Financial result		29	2,606
Earnings before income taxes		30,145	13,565
Income taxes		-7,511	-2,897
Net income		22,634	10,668
Other comprehensive income			
Components to be reclassified to net income			
Exchange rate differences resulting from the translation of foreign operations		56,213	76,946
Cash flow hedge (currency hedges)		-	-1,392
Income taxes payable on these components		-	298
Sum of other comprehensive income		56,213	75,852
Total comprehensive income		78,847	86,520
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		1.99	0.94

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 March 2021	31 December 2020
ASSETS		
Capitalized Development Cost	38,798	39,620
Customer base	249,203	239,482
Technology and other intangible assets	118,990	116,604
Goodwill	296,246	278,238
Property, plant and equipment	67,075	60,058
Right-of-use assets	45,620	43,019
Interests in other entities	53,032	53,032
Deferred tax assets	20	28
Non-current assets	868,984	830,081
Inventories	111,756	98,396
Trade receivables	94,002	89,339
Other assets and receivables	8,493	6,525
Cash and cash equivalents	246,701	215,552
Current assets	460,952	409,812
Total assets	1,329,936	1,239,893
EQUITY AND LIABILITIES		
Total equity	1,194,050	1,115,203
Deferred tax liabilities	6,218	3,906
Provisions	6,218	3,906
Non-current lease liabilities	32,197	30,575
Other non-current liabilities	4,580	4,299
Non-current liabilities	36,777	34,874
Trade payables	46,722	39,922
Current lease liabilities	15,171	13,873
Other current liabilities	30,998	32,115
Current liabilities	92,891	85,910
Total liabilities	135,886	124,690
Total equity and liabilities	1,329,936	1,239,893



Consolidated changes in equity

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Opening balance, 1 Jan 2020	58,221	600,205	59,969	217	433,514	1,152,126
Net income	—	—	—	—	10,668	10,668
Other comprehensive income	—	—	76,946	-1,094	—	75,852
Total Comprehensive Income	—	—	76,946	-1,094	10,668	86,520
Dividends	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—	—
Closing balance, 31 Mar 2020	58,221	600,205	136,915	-877	444,182	1,238,646

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Other reserves	Accumulated profit	Total equity
Opening balance, 1 Jan 2021	58,221	600,205	-58,034	—	514,811	1,115,203
Net income	—	—	—	—	22,634	22,634
Other comprehensive income	—	—	56,213	—	—	56,213
Total Comprehensive Income	—	—	56,213	—	22,634	78,847
Dividends	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—	—
Closing balance, 31 Mar 2021	58,221	600,205	-1,821	—	537,445	1,194,050



Consolidated cash flow statement

SEK 000	Jan-Mar	
	2021	2020
Net income	22,634	10,668
Adjustments to reconcile net income to cash from operating activities		
Income taxes	7,511	2,897
Interest result	380	320
Amortization, depreciation and impairment of non-current assets	17,029	18,907
Other non-cash expenses and income	565	899
Cash flow before working capital changes	48,119	33,691
Change in trade receivables and other current assets	-575	4,663
Change in inventories	-7,235	8,244
Change in trade payables and other current liabilities	3,518	1,937
Income taxes paid	-7,054	-17,022
Cash flow from operating activities	36,773	31,513
Payments for investing in intangible assets	-2,562	-2,020
Payments for investing in property, plant and equipment	-4,723	-5,049
Divestments of tangible assets	—	0
Cash flow from investing activities	-7,285	-7,069
Interest paid	-806	-498
Interest received	—	95
Repayments for lease obligations	-3,328	-3,331
Dividends paid	—	—
Cash flow from financing activities	-4,134	-3,734
Cash flow for the period	25,354	20,710
Effects of changes in exchange rates	5,795	7,359
Change in cash and cash equivalents	31,149	28,069
Cash and cash equivalents at opening balance	215,552	206,960
Cash and cash equivalents at closing balance	246,701	235,029



Parent company's condensed financial statements

SEK 000	Jan-Mar	
	2021	2020
Operating revenue	79,331	79,974
Operating costs	-21,895	-29,006
Gross profit	57,436	50,968
Operating profit (EBIT)	25,776	15,448
Result from financial income and expenses	435	3,033
Income before tax	26,211	18,481
Net income	20,729	14,413

SEK 000	Jan-Mar	
	2021	2020
Net income	20,729	14,413
Cash flow hedge (currency hedges)	-	-1,392
Income taxes payable on these components	-	298
Sum of other comprehensive income	-	-1,094
Total comprehensive income	20,729	13,319

SEK 000	31 March	31 December
	2021	2020
ASSETS		
Non-current assets	1,024,948	975,332
Current assets	192,217	191,590
Total assets	1,217,165	1,166,922
EQUITY AND LIABILITIES		
Equity	1,179,070	1,121,253
Non-current liabilities	4,035	4,035
Current liabilities	34,060	41,634
Total equity and liabilities	1,217,165	1,166,922



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 63-66 of the printed 2020 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 (SEK m) according to the unit stated.

Parent company

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

2. Revenue from contracts with customers

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

SEK 000	Jan-Mar 2021				Jan-Mar 2020			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Goods	121,124	29,462	13,849	164,435	113,133	29,331	13,089	155,553
Royalty	1,169	5,709	-	6,878	1,791	405	18	2,214
Net sales	122,293	35,171	13,849	171,313	114,924	29,736	13,107	157,767



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	Jan-Mar	
	2021	2020
Exchange gains operating activities	863	4,281
Exchange losses operating activities	-498	-2,700
Exchange result operating activities	365	1,581

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	Jan-Mar	
	2021	2020
Exchange gains financing activities	534	3,215
Exchange losses financing activities	-88	-143
Exchange result financing activities	446	3,072

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	Jan-Mar	
	2021	2020
Net income	22,634	10,668
Income taxes	7,511	2,897
Financial result	-29	-2,606
Operating profit (EBIT)	30,116	10,959

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	Jan-Mar	
	2021	2020
Operating profit (EBIT)	30,116	10,959
Depreciation and amortization	17,029	18,907
EBITDA	47,145	29,866



Other alternative performance measures	Definition/ Basis of calculation	Purpose
Gross margin	Defined as gross profit divided by net sales	Used to measure product profitability
EBITDA margin	Defined as EBITDA divided by net sales	Used to measure the company's profitability before depreciation/amortization and impairment of tangible and intangible assets
Currency adjusted net sales growth	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
RTM	Rolling twelve months. Refers to full-year figure for the last four quarters	Gives an indication of the development without having to wait for the comparative period next year
Operating margin	Defined as the operating profit divided by net sales	Used to measure the company's profitability

About Probi

Probi® is a global Group that focuses exclusively on research, manufacturing and delivery of probiotics in dietary supplements and food. The company is an expert in managing live bacteria from research through all stages of the manufacturing process and is dedicated to making the health-promoting benefits of probiotics available to people around the world. 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.

