

Interim report January - March 2023

Positive one-off effects contributed to growth

Important events during the first quarter

- Net sales increased by 11% (2% adjusted for currency effects) to SEK 172 m (155).
- The EBITDA margin amounted to 28% (25).
- Positive one-off effects totaling SEK 18 m regarding postponed orders from Q4 2022.
- Takeover of the distribution of our own brand Probi® in Sweden from April 1, 2023. New market organization established.
- First commercial batch of spores produced.
- Anita Johansen appointed CEO of Probi on March 30. Von Carlson took over as the new VP of Operations on March 27.

SEK
172 m
Net sales

28%
EBITDA margin

Financial overview

SEK m	Jan-Mar		Full-year	
	2023	2022	RTM	2022
Net sales	171.8	154.7	635.4	618.3
Growth, %	11.1%	-9.7%	2.8%	-6.1%
Currency adjusted growth, %	2.1%	-16.2%	-9.0%	-16.7%
Gross margin, %	42.5%	42.6%	41.3%	41.3%
EBITDA	47.3	38.3	145.2	136.3
EBITDA margin, %	27.5%	24.7%	22.9%	22.0%
Operating profit (EBIT)	23.6	18.5	55.7	50.6
EBIT margin, %	13.7%	12.0%	8.8%	8.2%
Net income	19.3	14.0	45.9	40.6
Earnings per share before and after dilution, SEK	1.69	1.23	4.03	3.57

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 26, 2023 at 08:00 CET. This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.



A strengthened organization will see growth return

With good help from exchange rates and one-off effects, we started the year with growth of 11% and an EBITDA margin of 28%. Growth amounted to 2% adjusted for currency effects, and postponed orders from Q4 had a one-off effect of SEK 18 m. Sales in the various regions have varied greatly during the quarter and do not provide a fully representative picture of the underlying position. Our assessment is that net sales for the first half of the year will be on par with or slightly below last year.

During Q1, the EMEA region was impacted by sell-out of stock by our former distributor in Sweden, affecting net sales, and decreasing in total in the region by 33% compared to the previous year. From April 1, we will distribute our own brand Probi® in Sweden. We have received a very good response so far and are satisfied with the contract negotiations that have been completed. Our sales are expected to pick up at the end of Q2, as a number of customers have purchased safety stock in connection with this transition. In general there is a certain cautiousness in the EMEA region's markets, but at the same time it is a stable region consisting of many long-term contract customers.

The APAC region delivered its strongest ever quarter with growth of 55%. At the same time, the fluctuations between the quarters are high and our assessment is that net sales will be at last year's level for the first six months. The growth potential in the region remains high with China as the driving force expanding its share of the region's sales even though Australia remains the largest market.

In the Americas region, we increased net sales by 18% during Q1, driven by currency effects and the postponed orders of SEK 18 m from Q4. Adjusted for this, growth was

negative. The underlying development is mainly due to a slowdown in the market, where we saw a lower order frequency from our customers.

I was appointed CEO of Probi on March 30, which is a huge honor. At the same time, it means that we will start recruiting a new VP R&D. During Q1, we also strengthened management with a new VP of Operations, Von Carlson. He has a solid background in the production of probiotics from several companies, including DuPont Biosciences. After a couple of years of major investments in our manufacturing, we are entering a new phase where one of Von's most important missions will be to optimize our internal processes to increase efficiency. Against the background of our weak sales trend, we are also reviewing how we best meet our customers' needs and how we can become more efficient internally.

The results of our Gut-brain study are being finalized for publication. In dialogue with our customers, we have noted significant interest in this area and the publication of the study will give us the scientific support to be able to launch a new Gut-brain product, which we plan to do in the autumn.

We have not lived up to our goals and at the same time find ourselves in a challenging period. It is my top priority to get Probi back on the path to growth. Together with my management, I will invest a lot of time in improving our own processes and working methods. It will show us the way back to growth.

Anita Johansen
CEO



Net sales

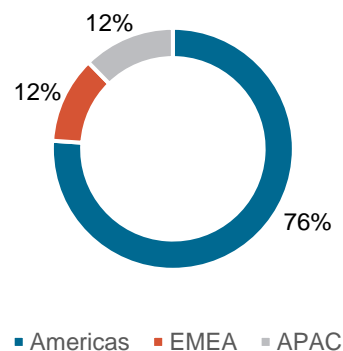
January – March (first quarter)

During Q1, net sales amounted to SEK 171.8 m (154.7), which corresponded to an increase of SEK 17.1 m or 11%. Adjusted for currency effects, net sales amounted to SEK 158.0 m, corresponding to an increase of 2%.

The increase of SEK 17.1 m is explained by higher sales in the Americas, which increased by SEK 19.7 m (18%) and APAC, which increased by SEK 7.5 m (55%). EMEA decreased by SEK 10.0 m (-33%).

The share of total net sales in the Americas during Q1 was 76%. EMEA accounted for 12% and APAC 12%.

Net sales distribution per segment



Net sales per segment

SEK m	Jan-Mar		
	2023	2022	Change, %
Americas	130.7	111.0	17.7%
EMEA	20.0	30.0	-33.3%
APAC	21.2	13.7	54.7%
Net sales	171.8	154.7	11.1%



Earnings

Operating profit/loss (EBIT)

The operating profit for the quarter was SEK 23.6 m (18.5), which corresponded to an increase of SEK 5.1 m or 28%. Adjusted for currency effects, the operating profit was SEK 20.3 m. The improved operating profit was mainly due to higher sales.

Sales and marketing expenses amounted to SEK 26.3 m (23.4), with the increase explained by currency effects but also by an increase in costs in connection with the takeover of distribution in Sweden.

Research and development costs were at the previous year's level and amounted to SEK 9.7 m (9.2).

Administrative expenses decreased by SEK 1.5 m compared to last year and amounted to SEK 13.4 m (14.9). This reduction is mainly due to lower costs for personnel and business development.

Operating profit/loss

SEK m	Jan-Mar		
	2023	2022	Change, %
Gross profit Americas	48.1	39.5	21.8%
Gross profit EMEA	11.0	17.5	-37.1%
Gross profit APAC	13.9	8.9	56.2%
Gross profit	73.0	65.9	10.8%
Sales and marketing expenses	-26.3	-23.4	12.4%
Research and development expenses	-9.7	-9.2	5.4%
Administration expenses	-13.4	-14.9	-10.1%
Other operating income	0.0	0.1	0.0%
Operating profit (EBIT)	23.6	18.5	27.6%

Financial result

The financial result for Q1 amounted to SEK 0.5 m (-0.9). Net financial items excluding exchange rate results amounted to SEK 0.8 m (-0.6) and consisted mainly of interest on leasing contracts. The exchange rate result amounted to SEK -0.3 m (-0.3) in Q1 and refers to the conversion of cash and cash equivalents into foreign currency.

Profit/loss for the period

The period's profit for the quarter amounted to SEK 19.3 m (14.0). Tax costs were SEK 4.8 m (3.6).

Earnings per share

Earnings per share for the quarter amounted to SEK 1.69 (1.23).



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

Net sales in the Americas increased by 18% and amounted to SEK 131 m. Adjusted for currency effects net sales amounted to SEK 118 m, corresponding to an increase of 6% during the quarter. There was a positive effect on net sales from postponed orders from Q4, corresponding to SEK 18 m.

The market was characterized by a certain slowdown and a lower order frequency among customers.

The gross margin in Q1 was 37% (36). The slightly improved gross margin is explained by higher sales volumes.

SEK m	Jan-Mar		
	2023	2022	Change, %
Net Sales	130.7	111.0	17.7%
Cost of goods sold	-82.6	-71.5	15.5%
Gross profit	48.1	39.5	21.8%
Gross margin	36.8%	35.6%	1.2 ppt

EMEA

Net sales in EMEA decreased by 33% in Q1 to SEK 20 m compared to SEK 30 m last year. Q1 was marked by our former distributor in Sweden selling off stock in connection as Probi took over the distribution of its own brand on the Swedish market. Sales are expected to pick up at the end of Q2, where a number of customers have purchased safety stock due to the transition.

The European market was characterized by a certain caution. At the same time, EMEA is a market with contract customers with long contracts, which provides stability.

The gross margin for Q1 was 55% (58). The lower margin is explained by reduced sales volumes.

SEK m	Jan-Mar		
	2023	2022	Change, %
Net Sales	20.0	30.0	-33.3%
Cost of goods sold	-9.0	-12.5	-28.0%
Gross profit	11.0	17.5	-37.1%
Gross margin	55.3%	58.3%	-3.0 ppt



APAC

Net sales in APAC were the highest ever and amounted to SEK 21 m, which corresponds to an increase of 55% compared to the previous year.

China is the driving force in the region and has greatly increased its share of sales. During Q1 we delivered our first order of BLIS to the Chinese market. Australia continues to be the region's largest

market. The region is still characterized by major fluctuations and the assessment is that the net sales in the first half of the year will be on a par with last year.

The gross margin was in principle at the same level as last year and was 66% (65).

SEK m	Jan-Mar		
	2023	2022	Change, %
Net Sales	21.2	13.7	54.7%
Cost of goods sold	-7.3	-4.8	52.1%
Gross profit	13.9	8.9	56.2%
Gross margin	65.8%	65.0%	0.8 ppt

Cash flow and cash and cash equivalents

Cash flow from operating activities before changes in working capital increased to SEK 47.0 m (38.8) in Q1 as a result of a higher operating profit.

Working capital increased during Q1 as a result of increased accounts receivable and a greater inventory, and cash flow from operating activities was SEK 12.8 m (37.9).

Cash flow from investment activities was SEK -14.3 m (-15.7) and mainly consisted of investments in tangible and intangible assets.

Cash flow from financing activities was SEK -3.8 m (-3.8) and mainly consisted of the amortization of leasing liabilities.

At the end of the period, cash flow amounted to SEK -5.8 m (20.2) and cash and cash equivalents amounted to SEK 318.0 m (271.2).

Investments

During Q1, investments in intangible fixed assets amounted to SEK 4.8 m (2.2), of which SEK 0.8 m (1.4) related to patents, SEK 1.8 m (0.8) related to capitalized development expenses and SEK 2.2 m (0.0) referred to IT systems. Investments in tangible fixed assets amounted to SEK 9.6 m (13.4), which mainly related to investments in the manufacturing unit at Redmond.

Employees

At the end of the period, Probi had 172 (176) employees, of which 52% (52) were women. The average number of employees during Q1 amounted to 163 (174).



Transactions with related parties

During Q1, Probi reported SEK 0.0 m (0.6) in revenue from its largest shareholder, Symrise, and costs amounted to SEK 0.0 m (0.0). No other transactions with related parties occurred during the reporting period.

Significant risks and uncertainties

In February 2022, Russia launched an invasion of Ukraine. Probi has a limited exposure to Russia and Ukraine, and the company's assessment is that the effects at both supplier and customer levels are limited. The cost increases that have arisen in connection with increased inflation are mainly compensated by price increases to the customer. However, there may be a delayed effect until the price increases take full effect depending on the agreed terms.

In connection with Covid-19, it is mainly the risks surrounding changing consumer trends and the company's supply of goods that have become relevant. Other risks and uncertainty factors to which Probi's operations are exposed are described on pages 48–49 of the annual report for 2022.

Parent company

During Q1, the parent company's operating income amounted to SEK 82.0 m (73.4). The profit for the period amounted to SEK 28.8 m (12.3) and this increase was due to a higher operating profit and an improved financial result. Investments in tangible and intangible assets amounted to SEK 2.9 m (5.1). For further details, please see the information for the Group.

Financial calendar

Annual General Meeting 2023	May 4, 2023
Record date for dividend	May 8, 2023
Payment date for dividend	May 11, 2023
Interim report Q2 2023	July 18, 2023
Interim report Q3 2023	October 24, 2023
Year-end report 2023	January 26, 2024

Invitation to teleconference

Probi's interim report for Q1 2023 will be published on April 26, 2023, at 8:00 a.m. On the same day at 10:00 a.m., a telephone conference will be held with Anita Johansen, CEO and Henrik Lundkvist, CFO, who will present the report. The telephone conference can be accessed via the link <https://conference.financialhearings.com/teleconference/?id=200639>. 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 CEO declare that this interim report provides a true and fair overview of the parent company's and Group's operations, financial position and results, and describes the significant risks and uncertainties facing the parent company and the Group.

Lund, April 26, 2023

Jean-Yves Parisot
Chairman of the Board

Jörn Andreas
Board member

Irène Corthésy Malnoë
Board member

Charlotte Hansson
Board member

Malin Ruijsenaars
Board member

Anita Johansen
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	
		2023	2022
Net sales	2	171,819	154,718
Cost of goods sold	3	-98,815	-88,817
Gross profit		73,004	65,901
Sales and marketing expenses		-26,306	-23,394
Research and development expenses		-9,721	-9,203
Administration expenses		-13,397	-14,896
Other operating income		—	83
Operating profit (EBIT)		23,580	18,491
Financial income		1,391	45
Financial expenses		-543	-624
Exchange result financing activities	4	-348	-286
Financial result		500	-865
Earnings before income taxes		24,080	17,626
Income taxes		-4,806	-3,607
Net income		19,274	14,019
Other comprehensive income			
Components to be reclassified to net income			
Exchange rate differences resulting from the translation of foreign operations		-7,999	22,542
Cash flow hedge (currency hedges)		—	—
Income taxes payable on these components		—	—
Total components to be reclassified to net income		-7,999	22,542
<i>Components not to be reclassified to net income</i>			
Equity instruments at fair value through OCI		3,732	-4,328
Total components not to be reclassified to net income		3,732	-4,328
Sum of other comprehensive income		-4,267	18,214
Total comprehensive income		15,007	32,233
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		1.69	1.23

The period's results as well as comprehensive income is attributable in its entirety to the parent company's shareholders. There is no dilution effect, as the company has no outstanding convertible loans or warrants.



Consolidated statement of financial position

SEK 000	31 December 2023	31 December 2022
ASSETS		
Capitalized development cost	24,264	24,782
Customer base	239,429	248,452
Technology and other intangible assets	104,692	109,251
Goodwill	351,088	353,887
Property, plant and equipment	151,625	146,806
Right-of-use assets	61,383	65,546
Interests in other entities	84,242	80,510
Deferred tax assets	339	357
Non-current assets	1,017,062	1,029,591
Inventories	127,994	116,245
Trade receivables	115,539	89,295
Other assets and receivables	11,647	11,051
Cash and cash equivalents	317,955	323,706
Current assets	573,135	540,297
Total assets	1,590,197	1,569,888
EQUITY AND LIABILITIES		
Total equity	1,425,575	1,410,567
Deferred tax liabilities	11,822	13,833
Provisions	11,822	13,833
Non-current lease liabilities	49,511	53,601
Other non-current liabilities	5,436	5,480
Non-current liabilities	54,947	59,081
Trade payables	47,864	34,424
Current lease liabilities	16,670	16,667
Other current liabilities	33,319	35,316
Current liabilities	97,853	86,407
Total liabilities	164,622	159,321
Total equity and liabilities	1,590,197	1,569,888



Consolidated changes in equity

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Hedging reserve	Fair value reserve	Accumulated profit	Total equity
Opening balance, 1 Jan 2022	58,221	600,205	29,414	—	-7721	585,422	1,265,541
Net income	—	—	—	—	—	14,019	14,019
Other comprehensive income	—	—	22,542	—	-4,328	—	18,214
Total Comprehensive Income	—	—	22,542	—	-4,328	14,019	32,233
Dividends	—	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—	—	—
Closing balance, 31 Mar 2022	58,221	600,205	51,956	—	-12,049	599,441	1,297,774

SEK 000	Share capital	Other contributions received	Cumulative translation differences	Hedging reserve	Fair value reserve	Accumulated profit	Total equity
Opening balance, 1 Jan 2023	58,221	600,205	169,322	—	-28,412	611,232	1,410,567
Net income	—	—	—	—	—	19,274	19,274
Other comprehensive income	—	—	-7,999	—	3,732	—	-4,267
Total Comprehensive Income	—	—	-7,999	—	3,732	19,274	15,007
Dividends	—	—	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—	—	—
Closing balance, 31 Mar 2023	58,221	600,205	161,323	—	-24,680	630,506	1,425,575



Consolidated cash flow statement

SEK 000	Jan-Mar	
	2023	2022
Net income	19,274	14,019
Adjustments to reconcile net income to cash from operating activities		
Income taxes	4,806	3,607
Interest result	-849	559
Amortization, depreciation and impairment of non-current assets	23,686	19,787
Other non-cash expenses and income	42	871
Cash flow before working capital changes	46,959	38,843
Change in trade receivables and other current assets	-28,133	29,832
Change in inventories	-12,694	-11,716
Change in trade payables and other current liabilities	10,980	-12,253
Income taxes paid	-4,323	-6,793
Cash flow from operating activities	12,789	37,913
Payments for investing in intangible assets	-4,753	-2,233
Payments for investing in property, plant and equipment	-9,585	-13,430
Divestments of tangible assets	—	—
Cash flow from investing activities	-14,338	-15,663
Interest paid	-553	-612
Interest received	431	1
Repayments for lease obligations	-3,681	-3,229
Dividends paid	—	—
Cash flow from financing activities	-3,803	-3,840
Cash flow for the period	-5,352	18,410
Effects of changes in exchange rates	-399	1,769
Change in cash and cash equivalents	-5,751	20,179
Cash and cash equivalents at opening balance	323,706	251,017
Cash and cash equivalents at closing balance	317,955	271,196



Parent company's condensed financial statements

SEK 000	Jan-Mar	
	2023	2022
Operating revenue	82,011	73,448
Operating costs	-18,850	-19,340
Gross profit	63,161	54,108
Operating profit (EBIT)	31,199	21,351
Result from financial income and expenses	4,266	-4,578
Income before tax	35,465	16,773
Net income	28,818	12,312

SEK 000	Jan-Mar	
	2023	2022
Net income	28,818	12,312
Sum of other comprehensive income	—	—
Total comprehensive income	28,818	12,312

SEK 000	31 December	31 December
	2023	2022
ASSETS		
Non-current assets	1,044,916	1,042,975
Current assets	320,849	299,369
Total assets	1,365,765	1,342,344
EQUITY AND LIABILITIES		
Equity	1,329,349	1,300,531
Current liabilities	36,416	41,813
Total equity and liabilities	1,365,765	1,342,344



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 are covered on pages 10-17. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided both here and elsewhere in the interim report. The ESMA guidelines on alternative performance measures apply.

The accounting principles applied when these consolidated accounts were prepared have been applied consistently for all periods presented, unless otherwise stated. Complete accounting principles can be found on pages 65–68 of the annual report for 2022.

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

Amounts and figures in parentheses refer to comparative figures for the corresponding period of the previous year. Amounts are expressed in Swedish kronor (SEK), thousands (TSEK) or millions (SEK million) according to the unit stated.

Parent company

The parent company applies the same accounting principles as the Group apart from IFRS 16 "Leasing" and with the exceptions and additions that appear in RFR 2 "Accounting for legal entities". The interim report complies with the Annual Accounts Act.

2. Revenue from contracts with customers

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

SEK 000	Jan-Mar 2023				Jan-Mar 2022			
	Americas	EMEA	APAC	Total	Americas	EMEA	APAC	Total
Goods	128,670	19,035	21,167	168,872	109,446	29,277	13,671	152,394
Royalty	2,029	918	—	2,947	1,555	769	—	2,324
Net sales	130,699	19,953	21,167	171,819	111,001	30,046	13,671	154,718



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	
	2023	2022
Exchange gains operating activities	987	1,732
Exchange losses operating activities	-613	-1,066
Exchange result operating activities	374	666

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	
	2023	2022
Exchange gains financing activities	837	815
Exchange losses financing activities	-1,186	-1,101
Exchange result financing activities	-349	-286

5. Definition of alternative performance indicators not defined in IFRS

Probi presents certain financial key performance indicators (KPIs) in the interim report that are not defined according to IFRS. Probi believes that these indicators provide valuable supplementary information to investors and the company's management. Since not all companies calculate alternative KPIs in the same way, these are not always comparable to indicators used by other companies. However, these indicators should not be considered as a substitute for financial indicators required in accordance with IFRS. The following alternative KPIs are reported in the interim report:

Operating profit/loss (EBIT)

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

SEK 000	Jan-Mar	
	2023	2022
Net income	19,274	14,019
Income taxes	4,806	3,607
Financial result	-500	865
Operating profit (EBIT)	23,580	18,491

EBITDA

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

SEK 000	Jan-Mar	
	2023	2022
Operating profit (EBIT)	23,580	18,491
Depreciation and amortization	23,686	19,787
EBITDA	47,266	38,278



Other alternative KPIs	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 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 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 has expertise 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 618 m in 2022. Probi's shares are listed on Nasdaq Stockholm, Mid-cap, and there were around 3,700 shareholders on December 31, 2022.

