

Q1 2018 Conference Call

Challenging start to 2018 and a focus on accelerated commercial execution

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Ole Søgaaard Andersen appointed interim CEO of Probi



- Accomplished international business leader with over 30 years' experience in ingredients companies
- Formerly held positions as President, Systems Division and Global Vice President Sales, Marketing & Application for Nutrition and Health, at DuPont
- Probi has engaged an executive search firm to recruit a new CEO to further enhance the strategies and take Probi into its next phase of development and growth

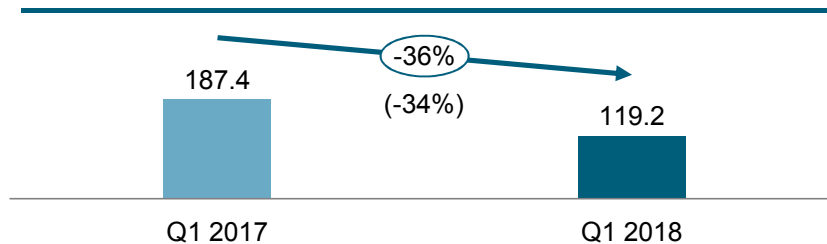
Agenda

1	Executive overview
2	Financial review
3	Outlook
4	Q&A

Challenging start to 2018 as a result of destocking and unfavorable phasing of business in the US

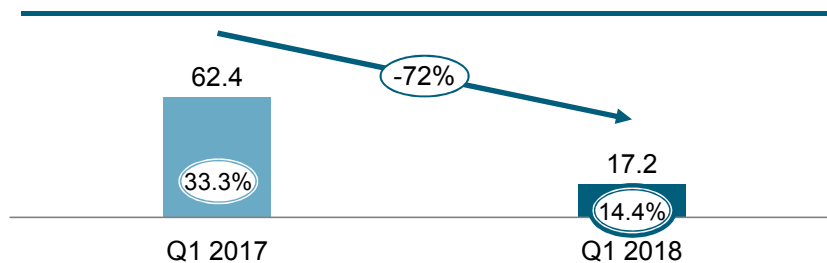
Net sales

MSEK, sales growth in % (constant currency growth in %)



EBITDA

MSEK, EBITDA margin as % of Group net sales



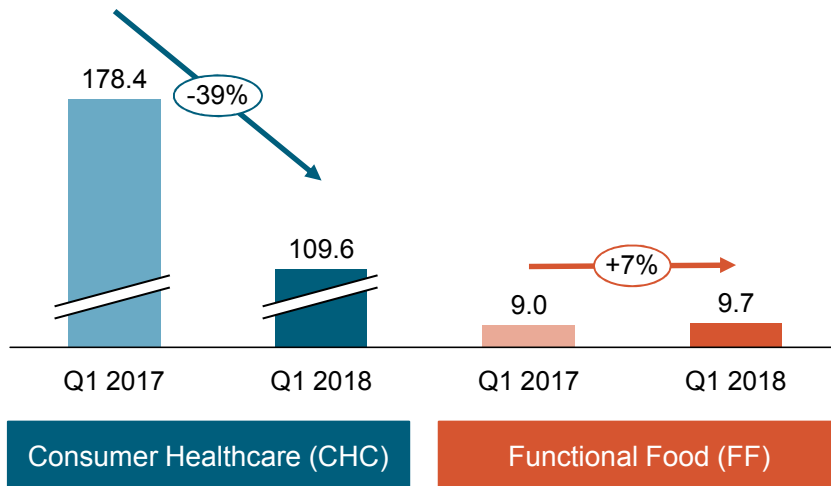
Key developments in the quarter

- Probi's major customer, who introduced a destocking program, has now resumed purchasing – Q1 2018 net sales was negatively impacted by the destocking with approximately MSEK 62
- Unfavorable phasing of CHC business in US after a strong end to 2017
- Long-term development agreement signed with Cilag regarding an OTC probiotic product
- Major success in a positive clinical trial for a new probiotic concept in bone health and osteoporosis

Functional Food segment returns to growth

Net sales by segments

MSEK, sales growth in %



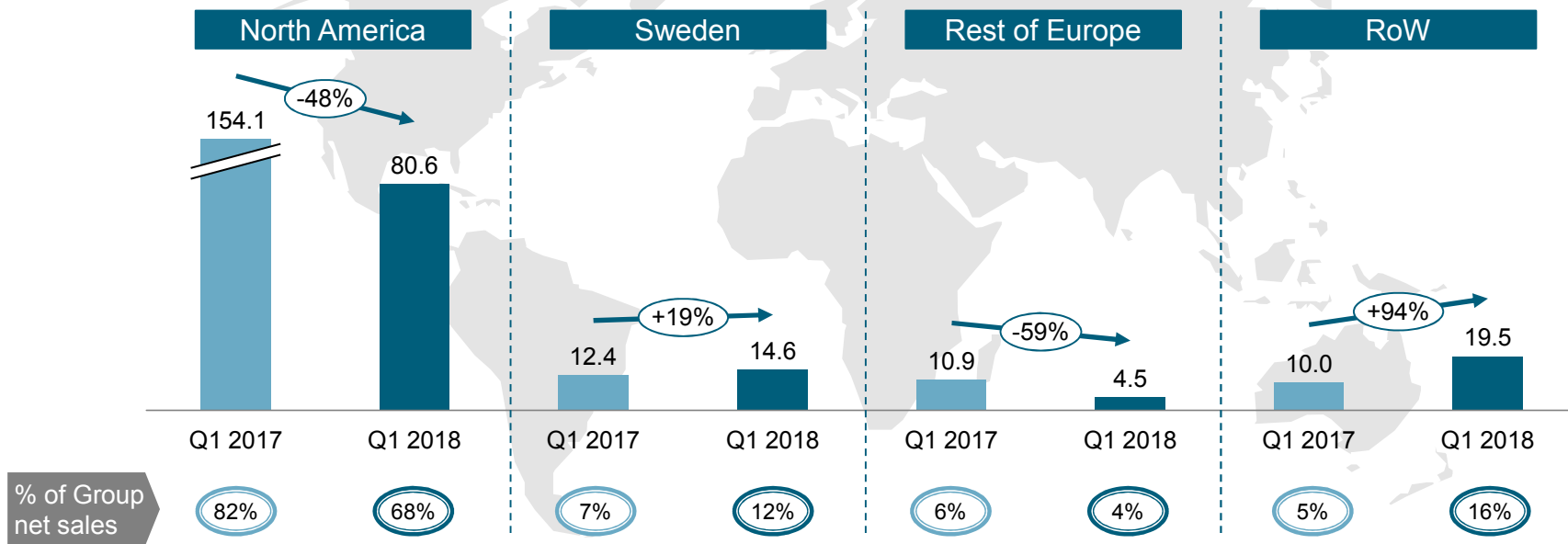
Key aspects

- Sales decline in CHC largely attributable to the destocking effect as well as weak demand in North America at the beginning of the year
- Probi expects growth to resume in the US consumer health market, mainly due to the rapidly expanding e-commerce channel
- FF delivered favorable volume growth and continues to improve the sales pipeline

Business development activities in Asia start to pay off

Net sales by regions

MSEK, sales growth in %



Committed to take advantage of co-development opportunities

OTC probiotic product with J&J



- Long-term development agreement signed with Cilag, a member of Johnson & Johnson
- Combination of Probi's probiotic expertise with J&J's development resources and regulatory expertise in OTC will form a strong team moving forward
- Program will be funded by Cilag under non-disclosed financial terms

Probiotic pet supplement with Symrise

dianapetfood 

- Diana, a division of the Symrise Group, will launch a pet probiotic supplement in North America during the second quarter of 2018
- Unique formulation of ingredients, scientifically documented to support pets' acceptance, and contains both a Probi SELECT™ strain and the patented BIO-tract® delivery system

Probi enters the bone health area – a new area for probiotics



- Osteoporosis constitutes a major health concern and the number of new product launches with a bone health position is increasing
- Randomized, double-blind, placebo-controlled trial included 250 post-menopausal women
- A unique combination of three patent protected Probi strains
- The results are significant, showing bone loss is significantly reduced with Probi's probiotic supplement
- The new product concept will target both the Consumer Healthcare and Functional Food market segments and will be launched later in 2018

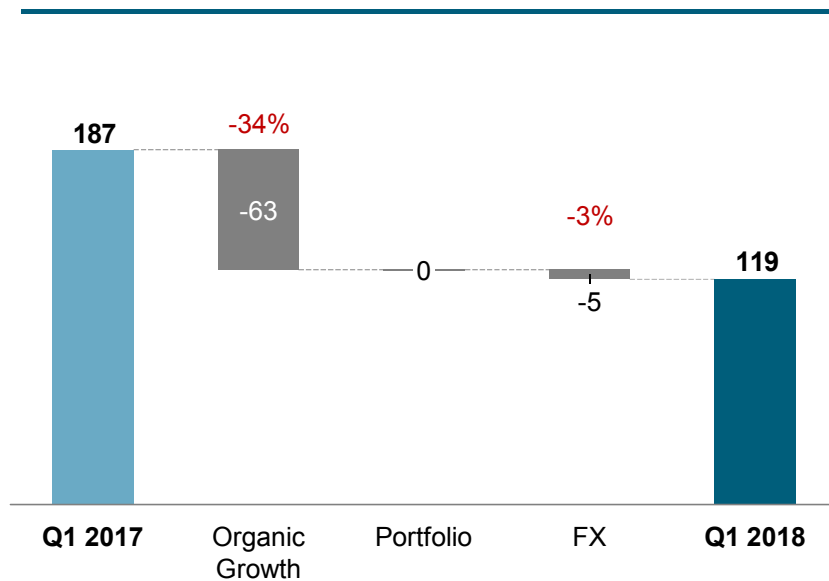
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Sales on previous year's level adjusted for destocking and fx

Probi sales bridge

MSEK, change in %



Condensed P&L

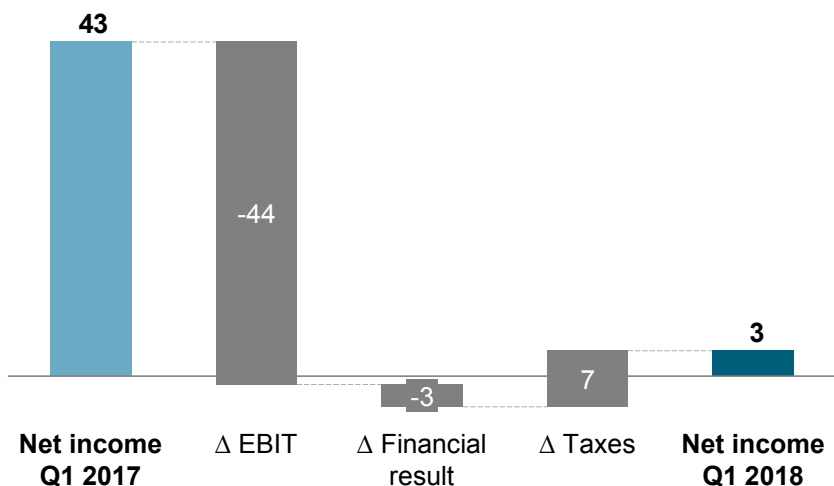
MSEK, change in %

	Q1 2018	Q1 2017	Change
Net sales	119.2	187.4	▼ -36%
EBITDA	17.2	62.4	▼ -72%
EBITDA margin	14.4%	33.3%	▼ -18.9pps
EBIT	4.4	48.7	▼ -91%
Net income	3.3	43.1	▼ -92%
EPS	0.29	3.79	▼ -92%

Net income declines as a result of lower sales

Reconciliation of net income

MSEK



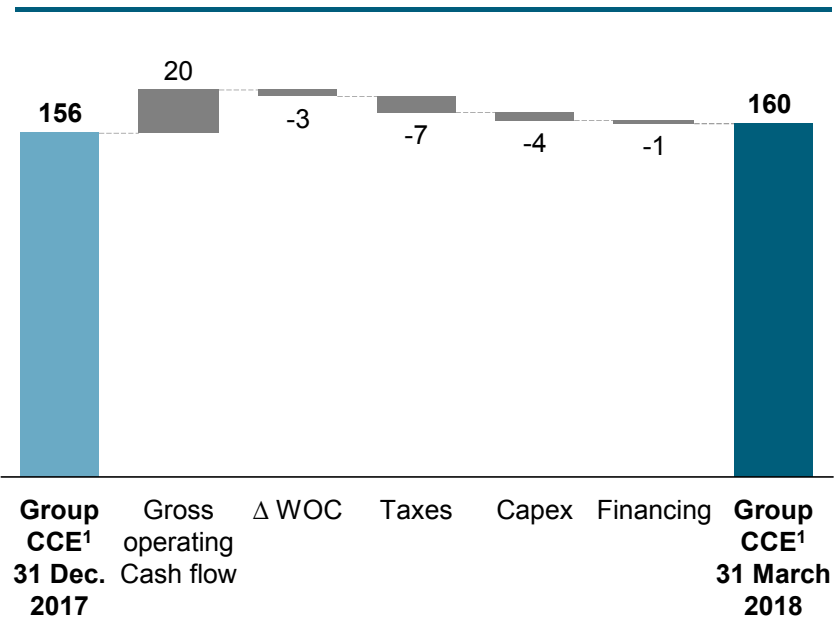
Key aspects

- Net income for the quarter down MSEK 40 compared to previous year, and up MSEK 2 compared to Q4 2017
- Decrease in Group EBIT due to lower sales activity and personnel-related provisions of MSEK 4.5
- Lower financial result in Q1 2018 as a consequence of a one-off gain in Q1 2017 from favorable realization of a hedging contract

Robust operating cash flow despite challenging quarter

Reconciliation of group liquidity Q1 2018

MSEK



Key aspects

- Gross operating cash flow of MSEK 20 in the first quarter reflects robust business model
- Working capital increased in anticipation of stronger growth quarter-over-quarter
- Group liquidity increased despite continued investments in R&D and process efficiency

Strong balance sheet and lower net debt

Balance sheet Probi Group

MSEK, in % of total assets

Assets	31 March 2018	31 Dec 2017	Liabilities and equity	31 March 2018	31 Dec 2017
Intangibles (excl. GW)	487	488	Total equity	899	885
Goodwill	284	280			
PPE	34	34	Other non-current liabil.	6	6
Deferred tax assets	6	5	Non-current liabilities	6	6
Non-current assets	810	807	Borrowings	179	176
Inventories	73	69	Trade payables	29	27
Trade receivables	72	59	Other current liabilities	23	17
Other current assets	20	20	Current liabilities	231	220
Cash and cash equiv.	160	156	Total liabilities	237	226
Current assets	325	304			
Total assets	1,136	1,111	Liabilities and equity	1,136	1,111

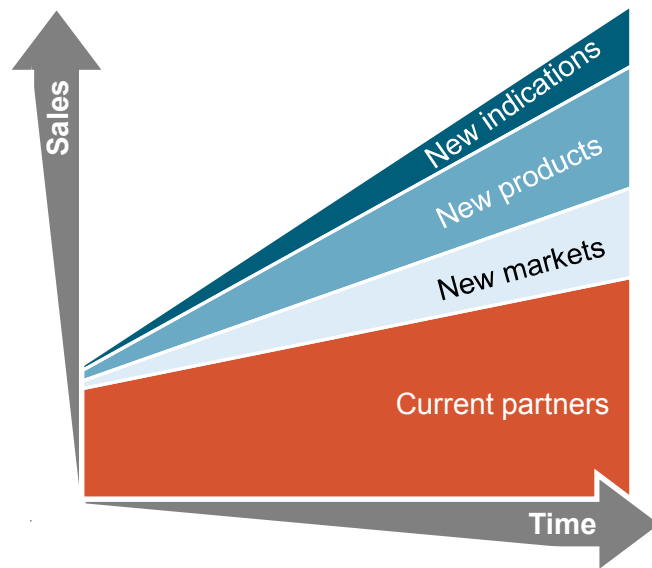
Key aspects

- Net financial debt MSEK 19
- Leverage ratio¹ of 0.17 LTM EBITDA
- Total equity of MSEK 899
- Equity ratio 79%

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Accelerated execution of commercial initiatives during a year of transition



- Probi is already in a good position to carry on with its growth strategy
- Focus in 2018 on achieving improved net sales growth trends by continued expansion of geographical reach and faster commercialization of our innovation portfolio
- Probi expects recovery of quarter-on-quarter organic growth for the second half of the year, as well as healthy margin improvement, but lower net sales in the coming second quarter compared to the same quarter of the previous year

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