

Q2 Conference Call

Probi completes integration and ends first half of 2017 with increase in sales and earnings

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Agenda

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

Probi – First in Probiotics



- The only top fully integrated probiotics player solely focused on probiotics in one of the most interesting sectors of health
- Agility of a small company with an ownership structure allowing the strengths of a major international group
- Strong, forward looking culture living our corporate values



444 MSEK
Net sales 2016

120 MSEK
EBIT 2016



34%
EBITDA margin 2016

200
Employees 2016

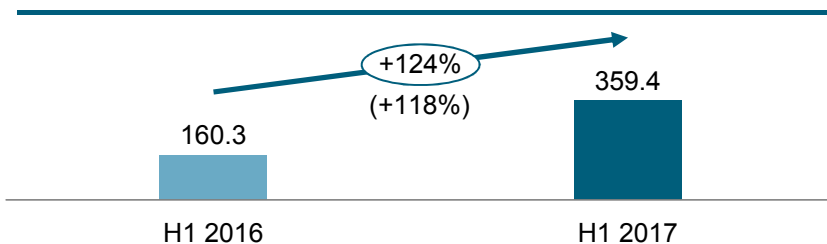


4 global
Centers of Excellence

Highlights of H1 2017 – Growth in sales and earnings

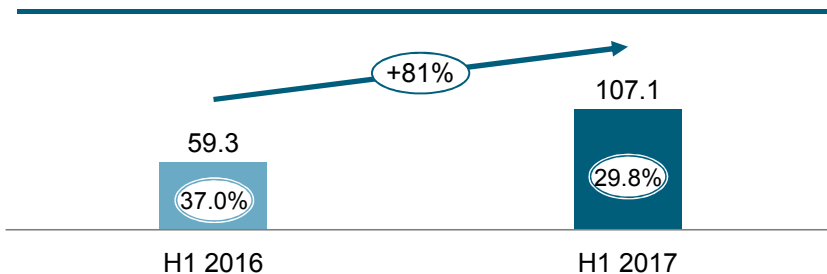
Net sales

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



EBITDA

MSEK, EBITDA margin as % of Group net sales



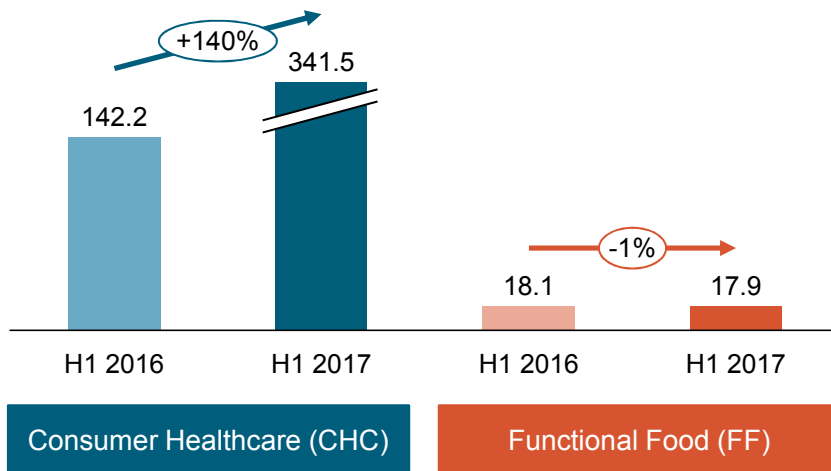
Key developments during the quarter

- Robust growth despite inventory management at one of the largest customers
- Successful completion of integration, strengthening of organization and finalization of purchase price allocation
- New distribution agreements in EMEA
- Launch of research program targeted at next generation probiotics and prebiotics

Continued strong performance of Consumer Healthcare

Net sales by segments

MSEK, sales growth in %



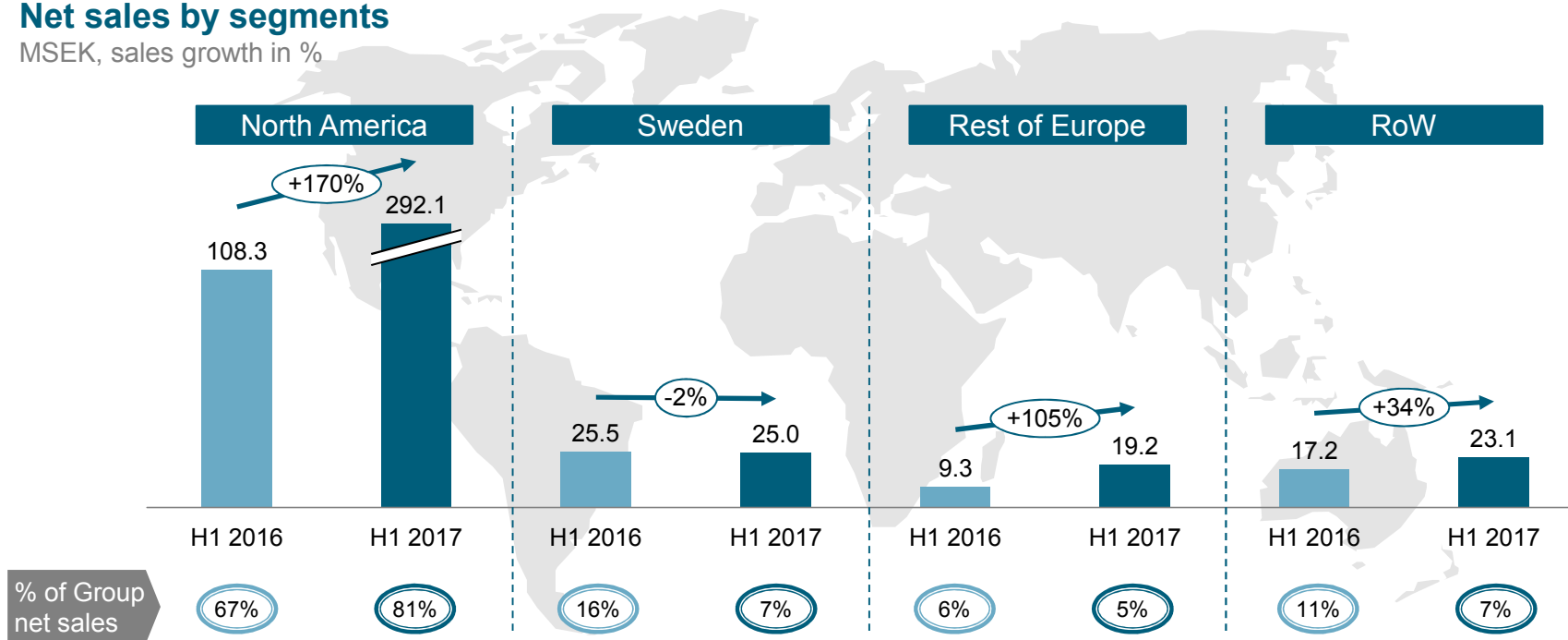
Key aspects

- Strong results from Probi USA contributing MSEK 157 to CHC segment sales
- Continued volume growth in CHC where customers continue their launches according to plan
- FF saw first deliveries to new dairy customer in South Korea

Regional results – continued growth momentum in Europe

Net sales by segments

MSEK, sales growth in %



Successful completion of Nutraceutix integration



- US organization strengthened with highly experienced sales and marketing managers with proven track record in the probiotics industry
- The fermentation capacity expansion project has progressed into a robust plan
- Structures and processes in place to deliver synergies
- Purchase price allocation of acquisition finalized

New research program aimed at next generation probiotics



Dr Karen Scott



- Probi signed research collaboration with Dr. Karen Scott, at the Rowett Institute, University of Aberdeen
- The collaboration is part of the Probi Discovery platform aimed at long-term research efforts to expand the future product portfolio
- The aim of the research collaboration is to identify novel bacterial strains suitable for the development of next generation probiotics and prebiotics

Probi continues to build and diversify the growth platform

New agreements and products

- First deliveries of Probi Digestis® culture to new client in South Korea. Product to be marketed by Lotte, South Korea
- Three new agreements for distribution in EMEA signed:
 - Israel, Oman and Romania
- New tasty formulation of Probi Digestis®, FastMelt, to be launched in the second half of 2017



Probi Partner conference June 20-21



- New attendance record of 140 participants including major customers and industry top decision-makers
- The latest in probiotic research and science and successful launch stories from various markets were presented

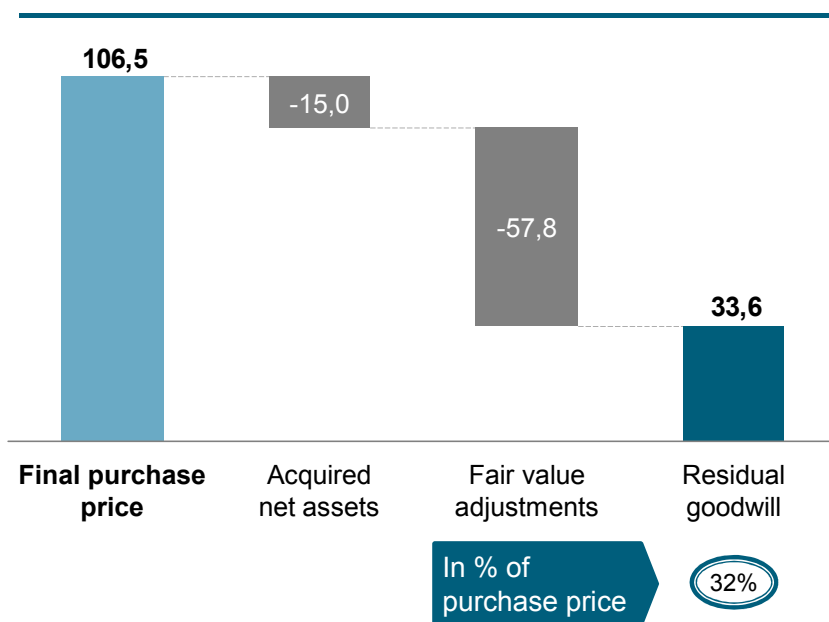
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Finalization of purchase price allocation

Determination of goodwill

MUSD



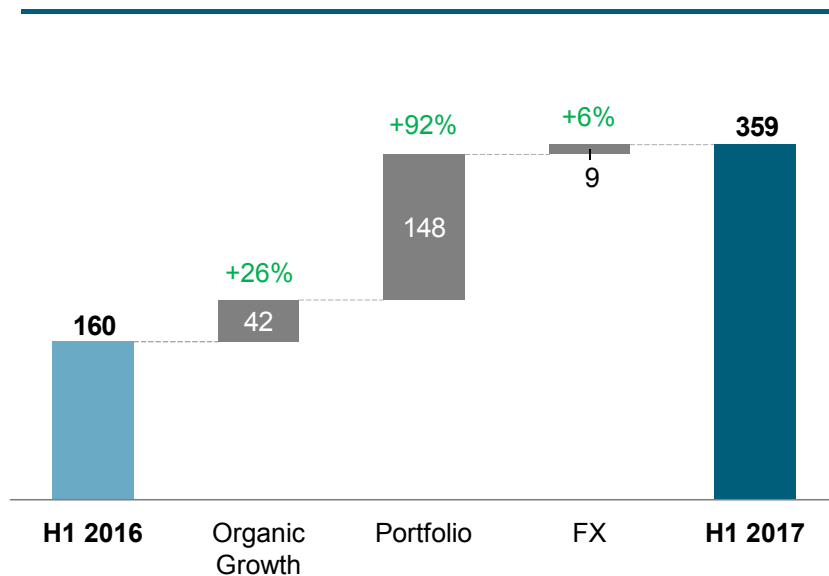
Key aspects

- Acquired identifiable intangible assets consist of customer base, technologies and trademarks/brands
- Residual goodwill is expected to be deductible for local income tax purposes
- PPA-related amortization of c. KUSD 1,100 per quarter recognized pro rata temporis in COGS and Sales and marketing expenses
- Previous full-year 2016 financial statements adjusted by PPA effects accordingly

Stronger contribution of Probi USA driving profit mix

Probi sales bridge

MSEK, change in %



Condensed P&L

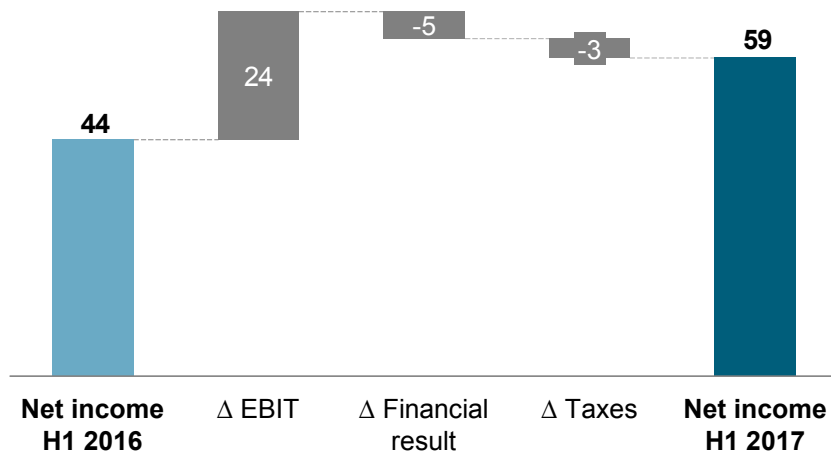
MSEK, change in %

	H1 2017	H1 2016	Change
Net sales	359.4	160.3	▲ 124%
EBITDA	107.1	59.3	▲ 81%
EBITDA margin	29.8%	37.0%	▼ 720bps
EBIT	79.8	56.0	▲ 43%
Net income	59.3	44.0	▲ 35%
EPS	5.21	4.83	▲ 8%

Net income increases to MSEK 59 in the first half of 2017

Reconciliation of net income

MSEK



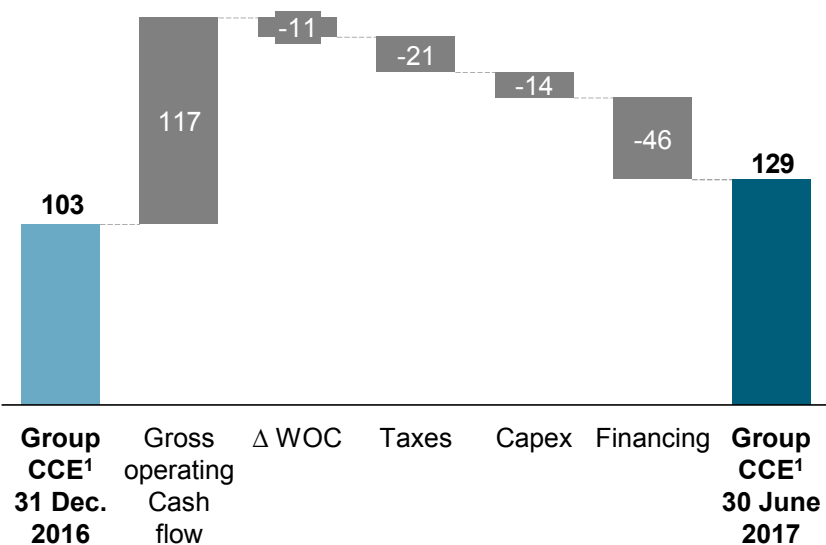
Key aspects

- EBIT increase due to organic growth and acquisition, now including PPA amortization
- Increase in financial expenses due to acquisition financing
- Tax rate of c. 21% positively impacted by amortization related to PPA

Used excess liquidity to reduce bank borrowings

Reconciliation of group liquidity H1 2017

MSEK



Key aspects

- Continued increase in gross operating cash flow driven by sales growth
- Cash flow from financing includes dividend payment of MSEK 11 and redemption of bank borrowings of MSEK 32

Balance sheet reflects PPA adjustments

Balance sheet Probi Group

MSEK, in % of total assets

Assets	30 Jun 2017	31 Dec 2016	Liabilities and equity	30 Jun 2017	31 Dec 2016
Intangibles (excl. GW)	512	559	Total equity	895	892
Goodwill	288	309			
PPE	38	42	Other non-current liabil.	6	6
Deferred tax assets	9	8	Non-current liabilities	6	6
Non-current assets	847	918	Borrowings	181	226
Inventories	74	73	Trade payables	40	45
Trade receivables	78	79	Other current liabilities	30	41
Other current assets	24	37	Current liabilities	251	312
Cash and cash equiv.	129	103	Total liabilities	257	318
Current assets	305	292			
Total assets	1,152	1,210	Liabilities and equity	1,152	1,210

Key aspects

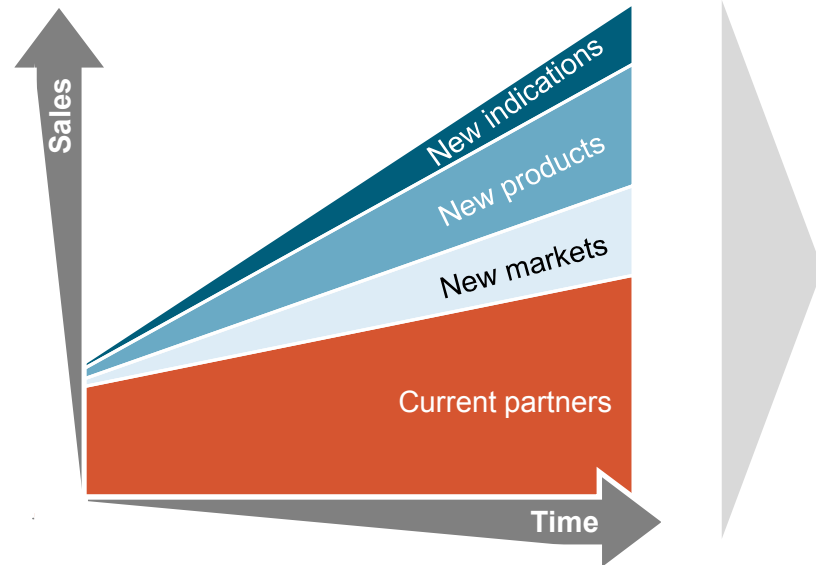
- Net financial debt MSEK 53
- Leverage ratio¹ of 0.2x LTM EBITDA
- Total equity of MSEK 895
- Equity ratio 78%

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Continue with strong 2017 goals

Probi Growth Strategy



2017 Priorities



Continue the Probi growth story with focus on Asia



Capitalize on our strong efforts in the Functional Food business area



Fully realize the existing synergies between Probi USA and Probi Sweden



Stick to the roots – continue to generate world class clinical documentation

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