



PROBI AB INTERIM REPORT 1 January 2014 - 30 June 2014

HIGHEST-EVER NET SALES FOR A SINGLE QUARTER

SECOND QUARTER OF 2014

- **NET SALES** amounted to MSEK 31.9 (26.5).
- **OPERATING PROFIT** totalled MSEK 5.3 (4.6).
- **PROFIT AFTER TAX** amounted to MSEK 4.3 (3.8).
- **PROFIT AFTER TAX PER SHARE** was SEK 0.47 (0.42).
- **CASH FLOW** amounted to a negative MSEK 0.6 (neg: 2.6). Probi paid dividends of MSEK 6.8 (6.8).

FIRST SIX MONTHS OF 2014

- **NET SALES** amounted to MSEK 58.3 (51.9).
- **OPERATING PROFIT** totalled MSEK 11.5 (10.6).
- **PROFIT AFTER TAX** amounted to MSEK 9.3 (8.7).
- **PROFIT AFTER TAX PER SHARE** was SEK 1.03 (0.96).
- **CASH FLOW** amounted to MSEK 3.0 (0.0). Probi paid dividends of MSEK 6.8 (6.8).

SIGNIFICANT EVENTS DURING THE SECOND QUARTER:

- Probi signed a distribution agreement with Sanofi Consumer Healthcare for the launch of Probi Digestis® in South Korea.
- Probi signed a distribution agreement with Impexia for the launch of Probi Digestis in Turkey.
- Study shows that Probi's probiotics may reduce the risk of osteoporosis.
- Study shows that Probi's probiotics increase iron absorption in women of child-bearing age.
- Study shows that Probi's probiotics are well tolerated by children treated with antibiotics. A lower incidence of complaints such as headache and fever was also reported for the active group, but no difference was observed for the frequency of diarrhoea.
- Probi's American partner NBTY/Solgar launched Probi's digestive health capsules in the UK market.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD:

- Another study confirmed that Probi's probiotics increase iron absorption in women of child-bearing age.

CEO'S COMMENTS:

"Net sales of MSEK 31.9 in the second quarter are the company's highest ever for an individual quarter. The Consumer Healthcare business area continues to drive growth, with net sales up 32% compared with the first six months of 2013. We see a continued and highly positive trend in the North American market, where our products are also being launched in the retail channel now. The launches in South Korea have been successful and are making a significant contribution to our strong growth. Good news was also announced in the research area during the second quarter. Two studies showing that our probiotics may significantly increase iron absorption in women of child-bearing age were concluded this year. A product with bioavailable iron that is also gentle on the stomach is much needed. In partnership with our distributors, we can now prepare for a product launch in 2015," says Peter Nählstedt, CEO of Probi.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Peter Nählstedt, CEO Probi, tel: +46 (0)46-286 89 23 or +46 (0)723-86 99 83, e-mail: peter.nahlstedt@probi.se
Niklas Brandt, CFO Probi, tel: +46 (0)46-286 89 26 or +46 (0)706-62 98 83, e-mail: niklas.brandt@probi.se

This information is such that Probi AB is required to disclose in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 19 August 2014 at 8.45 a.m.

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

ABOUT PROBI

Probi AB is a Swedish publicly traded bioengineering company that develops effective and well-documented probiotics. Through its world-leading research, Probi has created a strong product portfolio in the gastrointestinal health and immune system niches. Probi's products are available to consumers in more than 30 countries worldwide. Probi's customers are leading food, health-product and pharmaceutical companies in the Functional Food and Consumer Healthcare segments. In 2013, Probi had sales of MSEK 102. The Probi share is listed on NASDAQ OMX Stockholm, Small Cap. Probi has about 3,500 shareholders. Read more at www.probi.se.



ABOUT THE OPERATIONS

The highly positive trend in the North American market continues. Sales of Probi's products are now broadening through launches in the retail channel. In the third quarter of 2014, NBTY, the largest US player in the VMS segment (Vitamins, Minerals and Supplements), will launch products based on Probi's probiotics under the Nature's Bounty and Sundown Naturals brands. The products will also be launched in Vitamin World, which is NBTY's own retail chain with about 400 retail outlets across the US.

Earlier this year, products were launched in the Health Food channel in the North American market. NBTY launched two products through its subsidiary Solgar, and California-based Threshold launched under the Source Naturals brand. In the second quarter, Solgar also launched Probi's digestive health capsules in the UK market. The partnerships with NBTY and Threshold are the result of Probi's business development agreement with the probiotics specialist Viva 5 Corporation.

Pharmavite, which signed a contract with Probi in 2011, accounted for a large proportion of Probi's growth in the US in 2013. Sales are conducted under the Nature Made brand and are showing a very strong trend. Pharmavite has placed several significant orders for Probi's digestive health capsules for delivery during the third and fourth quarters of 2014. Discussions are ongoing regarding expansion of the partnership to include additional markets and products.

During the first six months, Probi signed three new agreements regarding the launch of Probi Digestis® in two important emerging markets, South Korea and Turkey. In South Korea, agreements were signed with Sanofi and Dongkook. In the Turkish market, agreements were signed with Impexia.

A number of clinical trials that further substantiate the health benefits of Probi's probiotics were conducted. Two studies showing that Probi's probiotics may increase iron absorption in women of child-bearing age were concluded. The findings of another study have been published, and show that the intake of Probi's bacterial strains reduces bone loss in mice, which could reduce the risk of osteoporosis and fractures. Both osteoporosis and iron deficiency are considered areas with significant market potential.

A study of the efficacy of probiotics in children treated with antibiotics was conducted in Poland. The findings show that Probi's probiotics were well tolerated by all children in the study. In addition, a lower incidence of complaints such as headache and fever was reported for the active group. However, no significant difference for the frequency of diarrhoea was observed between the active group and the placebo group.

In June, Probi organised a two-day international partner conference for the second consecutive year. Several of Probi's existing partners, and a number of potential customers, attended the conference. Most of the programme comprised experience sharing, whereby partners from various markets gave presentations on how they market and sell Probi's products.

SALES AND COSTS

Reporting period January-June 2014

In the first six months, Probi's net sales amounted to MSEK 58.3 (51.9), up MSEK 6.4 or 12%.

Net sales in the Consumer Healthcare business area rose MSEK 9.4, or 32%, to MSEK 39.2 (29.8). This increase was primarily attributable to deliveries to Sanofi and Dongkook in Korea, which launched Probi's digestive health capsules during the second quarter, and to NBTY in the North American market.

Net sales in the Functional Food business area amounted to MSEK 19.1 (22.1). Revenue in Functional Food mainly comprises royalty revenue from ProViva. This revenue declined compared with the first six months of 2013, due to a combination of lower sales volumes during the first quarter and a changed royalty rate under agreements signed with Danone in 2010.

Operating expenses rose MSEK 5.4 and amounted to MSEK 47.5 (42.1). Most of this increase, MSEK 3.4, was attributable to higher product costs resulting from increased supplies.

Second quarter, April – June 2014

During the second quarter, Probi's net sales amounted to MSEK 31.9 (26.5). The overall increase was MSEK 5.4, or 20%.

Net sales in the Consumer Healthcare business area rose MSEK 6.2, or 37%, to MSEK 22.6 (16.4). Supplies to the South Korean and North American markets account for most of this growth.

Net sales in Functional Food amounted to MSEK 9.3, down MSEK 0.8 compared with the second quarter of 2013. In the second quarter, the sales volume for ProViva remained unchanged compared with the year-earlier period, and the decrease in revenue was primarily due to the changed royalty rate under agreements signed with Danone in 2010.

Operating expenses amounted to MSEK 26.9 (22.4) in the second quarter, up MSEK 4.5 compared with 2013. Product costs attributable to increased sales accounted for MSEK 3.3 of this increase.

Distribution of operating revenue:

| SEK 000s | Q2 2014 | Q2 2013 | Q1 – Q2 2014 | Q1 – Q2 2013 | Full-year 2013 |
|--------------------------------|---------------|---------------|-----------------|-----------------|-------------------|
| Sales, goods | 20,925 | 13,502 | 35,715 | 24,792 | 53,446 |
| Royalty, licenses, etc. | 10,957 | 13,019 | 22,551 | 27,123 | 48,764 |
| Net sales | 31,882 | 26,521 | 58,266 | 51,915 | 102,210 |
| Other operating revenue | 374 | 413 | 641 | 706 | 1,344 |
| Total operating revenue | 32,256 | 26,934 | 58,907 | 52,621 | 103,554 |

Profit after tax

Profit after tax for the first six months amounted to MSEK 9.3 (8.7). Tax expense was MSEK 2.7 (2.5).

Earnings per share

Earnings per share for the reporting period amounted to SEK 1.03 (0.96).

Cash flow

Cash and cash equivalents rose MSEK 3.0 (0.0) during the six-month period and amounted to MSEK 94.3 (87.2) at the end of the quarter. In the first six months, cash flow from operating activities rose MSEK 1.8 to MSEK 14.8 (13.0), compared with the first six months of 2013.

Investments

During the first six months, investments in intangible assets amounted to MSEK 4.7 (6.1), of which MSEK 1.2 (1.1) pertained to patents and MSEK 3.5 (5.0) to capitalised development expenditure. Capitalised development expenditure mainly pertains to clinical trials in the area of immune and gastrointestinal health. Investments in tangible fixed assets amounted to MSEK 0.2 (0.1).

Probi conducts prioritised research and development projects to ensure long-term growth. The R&D proportion of total expenses, excluding goods for resale and depreciation/amortisation, was 36% (36). Including capitalised development expenditure for the period, this figure increased to 43% (46).

SEGMENT INFORMATION

General information

Probi's operations are organised in two business segments with two separate managers: Functional Food and Consumer Healthcare.

The Functional Food segment focuses on developing food that provides health benefits. This development is conducted in partnership with leading food companies in order to commercialise and market products with high volume potential.

The Consumer Healthcare segment develops, markets and sells Probi probiotics in partnership with pharmaceutical companies and other companies specialised in probiotics and health and wellness products, under Probi's proprietary brands or those of its partners.

No business transactions are conducted between the two segments.

Operating profit per segment:

| SEK 000s | Q2 2014 | | | Q2 2013 | | |
|-------------------------|--------------|--------------|----------------|--------------|--------------|----------------|
| | FF | CHC | Total | FF | CHC | Total |
| Operating revenue | 9,343 | 22,913 | 32,256 | 10,259 | 16,675 | 26,934 |
| Operating expenses | -6,961 | -19,966 | -26,927 | -6,864 | -15,515 | -22,379 |
| Operating profit | 2,382 | 2,947 | 5,329 | 3,395 | 1,160 | 4,555 |

| SEK 000s | Q1 – Q2 2014 | | | Q1 – Q2 2013 | | | Full-year 2013 | | |
|-------------------------|--------------|--------------|----------------|--------------|--------------|----------------|----------------|--------------|----------------|
| | FF | CHC | Total | FF | CHC | Total | FF | CHC | Total |
| Operating revenue | 19,264 | 39,643 | 58,907 | 22,330 | 30,291 | 52,621 | 41,640 | 61,914 | 103,554 |
| Operating expenses | -13,217 | -34,233 | -47,450 | -13,222 | -28,834 | -42,056 | -25,782 | -59,629 | -85,411 |
| Operating profit | 6,047 | 5,410 | 11,457 | 9,108 | 1,457 | 10,565 | 15,858 | 2,285 | 18,143 |

FF= Functional Food CHC= Consumer Healthcare

Increased focus on developing the Consumer Healthcare business area is an important part of Probi's growth strategy. This focus includes new distribution solutions, the establishment of proprietary brands and more intensive business development, primarily in North and South America, and in Asia. As part of this strategy, new resources have been allocated to Consumer Healthcare in recent years. During the first six months of 2014, revenue in this business area rose 31% compared with the year-earlier period, and Consumer Healthcare thus made a significant contribution to Probi's operating profit.

Operating revenue distributed by geographic market:

| SEK 000s | Q2 2014 | Q2 2013 | Q1 - Q2 2014 | Q1 - Q2 2013 | Full-year 2013 |
|-------------------|---------------|---------------|---------------|---------------|----------------|
| Sweden | 12,512 | 14,503 | 26,386 | 31,221 | 59,073 |
| Rest of Europe | 9,343 | 3,059 | 16,799 | 5,746 | 14,585 |
| North America | 8,060 | 6,697 | 10,703 | 9,512 | 18,250 |
| Rest of the world | 2,341 | 2,675 | 5,019 | 6,142 | 11,646 |
| Total | 32,256 | 26,934 | 58,907 | 52,621 | 103,554 |

The revenue decline in Sweden is due to lower sales volumes for ProViva and Bringwell compared with the corresponding period in 2013. Some of this decline is also a result of contractual changes to the royalty rate for ProViva conducted under agreements signed with Danone in 2010. The revenue increase reported under Rest of Europe is primarily attributable to deliveries to Sanofi prior to the company's launch in South Korea in the second quarter of 2014. These deliveries are invoiced to Sanofi's central organisation in France.

Functional Food

ProViva AB/Danone, which markets ProViva in Sweden and Finland, increased its market penetration by introducing ProViva into Denmark. The launch took place in May 2014.

Through its cooperation with Symrise, Probi has initiated discussions with several potential customers in Asia regarding business development in Functional Food.

Consumer Healthcare

During the first six months, Probi signed three new agreements regarding the launch of Probi Digestis in two important emerging markets, South Korea and Turkey.

In the first quarter, a distribution agreement was signed with Dongkook Pharmaceutical Co. Ltd. in South Korea. The launch proceeded as planned in the second quarter of 2014 and, thus far, in a limited number of the sales channels used by Dongkook. Dongkook, which launched under Probi's Swedish brand Probi Mage®, was established in 1968 and has been listed on the KOSDAQ Market since 1997. The company is Korea's leading pharmaceutical company in the Over-The-Counter sector and currently exports products to more than 50 countries, ten of which are in Europe.

In April, a distribution and supply agreement was also signed with Sanofi, a leading international pharmaceutical company with a significant role in the global probiotics market. In the second quarter of 2014, Sanofi Consumer Healthcare in Korea conducted a comprehensive launch of Probi Digestis®. Sanofi Consumer Healthcare in Korea is one of the largest dietary supplement companies in the Korean supermarket sector and currently sells vitamins, minerals and dietary supplements under the well-established brand Cenovis. The launch exceeded expectations, particularly in the pharmacy channel, and Probi has secured orders for significant deliveries in the coming quarters.

Over the past five years, the rate of growth for probiotic dietary supplements in the South Korean market has been 15%.

In May, Probi signed a distribution agreement with Impexia, a well-established marketing and sales company in the Turkish market. Impexia plans to launch Probi Digestis during the fourth quarter of 2014. The launch will be conducted with a focus on general practitioners and gastroenterologists, and a large number of pharmacies in the Turkish market.

The probiotics market is performing strongly in Turkey and several new players have launched probiotic products. The market is expanding as medical professionals and the medical community increasingly acknowledge the health benefits of probiotics.

RESEARCH AND DEVELOPMENT

In the period up to and including the reporting date in 2014, Probi concluded a number of clinical trials that further substantiate the health benefits of the company's probiotics. Two of these trials show that Probi's probiotics may increase iron absorption in women of child-bearing age. The findings of another study have been published, and show that the intake of Probi's bacterial strains reduces bone loss in mice, which could reduce the risk of osteoporosis and fractures. A study of children treated with antibiotics was also concluded.

Iron deficiency

Two recently concluded studies show that iron absorption in women who ate meals combined with Probi's probiotics was significantly higher than in those who took a placebo.

The studies were conducted by a research team led by Lena Hulthén, Professor of Clinical Nutrition at the University of Gothenburg. Women of child-bearing age ate meals with a capsule that did, or did not, contain freeze-dried *Lactobacillus plantarum* DSM 9843. Absorption of iron from the meals was measured using stable iron isotopes. The findings show that iron absorption from the meals with a capsule containing *Lactobacillus Plantarum* DSM 9843 was significantly higher than absorption from the meals with capsules that did not contain the probiotic bacteria.

Iron deficiency and low iron status are common in children, adolescents, and women of child-bearing age, in both the Western world and developing countries. This can lead to iron deficiency anaemia, with cognition impairment and a resulting weaker immune response. Menstruating women need extra iron and often do not get enough iron and/or eat iron-rich foods. Iron deficiency may cause the body to increase its iron intake, but not usually enough to keep pace with the body's demands. One alternative for people with iron deficiency is to take supplements with high doses of iron. However, these often have side effects such as gastrointestinal discomfort.

Based on the consistent results of the two clinical trials, Probi and its distributors will now, in the autumn, prepare for a product launch in 2015.

Osteoporosis

A study published in the second quarter shows that the intake of Probi's bacterial strains – *Lactobacillus paracasei* DSM 13434, *Lactobacillus plantarum* DSM 15312 and *Lactobacillus plantarum* DSM 15313 – reduces bone loss in mice, which could reduce the risk of osteoporosis and fractures. The findings showed

that the intake of probiotics significantly reduced bone loss, compared with a control group that was given a placebo. The group that was given probiotics also had lower urinary loss of calcium and showed lower levels of inflammatory markers.

The study, published in PLOS ONE (DOI: 10.1371/journal.pone.0092368), was conducted by a research team in Gothenburg and led by Docent Klara Sjögren and Professor Claes Ohlsson. The study examined the preventive effect of probiotics on induced bone loss in mice, similar to that which occurs after menopause. The mice were treated with either a single strain, *Lactobacillus paracasei* DSM13434, or a mixture of three strains, *Lactobacillus paracasei* DSM13434, *Lactobacillus plantarum* DSM 15312 and *Lactobacillus plantarum* DSM 15313 (Probi AB). The controls comprised one group of mice with induced bone loss that were not probiotic-treated, and one group of mice that were completely untreated. The mice in the study were treated with probiotics for a total period of six weeks – two weeks before, and four weeks after, induced bone loss.

Osteoporosis is a serious health problem that is costly for society and severely disabling for those affected. In Sweden alone, about 70,000 fractures occur every year that may be linked to osteoporosis. About 25% of women over the age of 65 have already sustained one fracture. These women have a strongly increased risk of subsequent fractures later in life. Studies have shown that age-related bone loss is largely due to environmental factors, such as diet, physical activity and inflammatory status. It has already been shown that inflammatory intestinal disorders are associated with low bone mineral density, which also suggests a relationship between the digestive system and the skeletal system.

For further information, please refer to:

Probiotics protect mice from ovariectomy-induced cortical bone loss. Ohlsson C, Engdahl C, Fåk F, Andersson A, Windahl SH, Farman HH, Movérate-Skrtic S, Islander U, Sjögren K. PLoS One. 2014 Mar 17;9(3):e92368. doi: 10.1371/journal.pone.0092368.

Probiotics for children

In June, a study involving more than 400 children was concluded in Poland, where probiotics were given in conjunction with antibiotic therapy. The study found that Probi's probiotics were well tolerated by all of the children, and that the group that received probiotics showed fewer adverse effects, such as headache and fever, than the group that did not receive probiotics. No difference was measured between the placebo group and the active group regarding the frequency of diarrhoea. The probiotic formula used in the study was specially adapted for children and did not, therefore, contain substances such as magnesium stearate.

EMPLOYEES

At the end of the period, Probi had 25 (25) employees, of whom 16 (15) were women and 9 (10) men. The average number of employees was 25 (24).

RELATED-PARTY TRANSACTIONS

No significant related-party transactions took place during the first six months of 2014. During the first six months of 2013, Jan Nilsson, Board member, invoiced fees of SEK 60,000 via Atherioco AB pertaining to Probi's Scientific Advisory Board and Mats Lidgard, Board member, invoiced consulting fees of SEK 39,000 via Lavindia AB pertaining to legal issues.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

Another study confirmed that Probi's probiotics increase iron absorption in women of child-bearing age. For more information, please refer to the Research and Development section on page 5.

SIGNIFICANT RISKS AND UNCERTAINTIES

The risks and uncertainties to which Probi's operations are exposed are described on page 53 of the printed 2013 Annual Report. At 30 June 2014, there were no significant changes in these risks or uncertainties.

CALENDAR

| | |
|-------------------------|-----------------|
| Interim report, Q3 2014 | 29 October 2014 |
| Year-end report, 2014 | 28 January 2015 |

ACCOUNTING AND MEASUREMENT POLICIES

Group

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups – January 2014, the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. This interim report was prepared in compliance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act.

In the second quarter of 2014, forward contracts were signed to cover the risk of exchange-rate fluctuations. These forward exchange contracts pertain to the hedging of future net flows and are measured at fair value. The change in value is recognised in profit and loss as financial income or financial expense, respectively.

The accounting policies applied when these consolidated financial statements were prepared were consistent for all presented periods, unless otherwise stated. The complete accounting policies can be found on pages 64-67 of the printed 2013 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 off to the nearest thousand Swedish kronor (KSEK), 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 (KSEK) or millions of Swedish kronor (MSEK) according to that which is stated.

Parent Company

The Parent Company applies the same accounting policies as the Group, with the exceptions and supplements stipulated in RFR 2, Accounting for Legal Entities – January 2014. The interim report complies with the Swedish Annual Accounts Act.

ASSURANCE BY THE BOARD OF DIRECTORS

The Board of Directors and the CEO provide their assurance that this interim report gives a fair and accurate view of the Parent Company's and the Group's operations, financial position and revenue, and describes the material risks and uncertainties facing the Parent Company and the Group.

Lund, 19 August 2014.

Per Lundin
Chairman of the Board

Jörn Andreas
Board member

Benedicte Fossum
Board member

Mats Lidgard
Board member

Declan MacFadden
Board member

Jan Nilsson
Board member

Eva Redhe Ridderstad
Board member

Peter Nählstedt
CEO

Deloitte.

The auditor's review report of the interim financial information in summary (interim report) has been prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act (1995:1554).

To the Board of Directors of Probi AB (publ), Corp. Reg. No. 556417-7540

Introduction

We have conducted a review of the interim report for Probi AB (publ) as of 30 June 2014 and the six-month period that ended on this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim financial information based on our review.

Focus and scope of the review

We have conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly less scope than an audit in accordance with the International Standards on Auditing (ISA), and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that would have been identified if an audit had been conducted. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information has not, in all material respects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Malmö, 19 August 2014.

Deloitte AB

Per-Arne Pettersson

Authorised Public Accountant

Statement of comprehensive income (Group)

| | Q2 2014 | Q2 2013 | Q1-Q2 2014 | Q1-Q2 2013 | Full-year 2013 |
|---|----------------|----------------|----------------|----------------|-------------------|
| Currency: KSEK | | | | | |
| Operating revenue | | | | | |
| Net sales | 31,882 | 26,521 | 58,266 | 51,915 | 102,210 |
| Other revenue | <u>374</u> | <u>413</u> | <u>641</u> | <u>706</u> | <u>1,344</u> |
| Total operating revenue | 32,256 | 26,934 | 58,907 | 52,621 | 103,554 |
| Operating expenses | | | | | |
| Cost of goods sold | -9,833 | -6,490 | -15,728 | -12,312 | -25,792 |
| Employee benefit expenses | -8,086 | -7,629 | -15,075 | -14,233 | -27,639 |
| Other external costs | -7,614 | -6,957 | -13,960 | -13,198 | -27,046 |
| Depreciation of fixed assets | <u>-1,394</u> | <u>-1,303</u> | <u>-2,687</u> | <u>-2,313</u> | <u>-4,934</u> |
| Total operating expenses | -26,927 | -22,379 | -47,450 | -42,056 | -85,411 |
| Operating profit | 5,329 | 4,555 | 11,457 | 10,565 | 18,143 |
| Financial income | 423 | 416 | 842 | 791 | 1,645 |
| Financial expenses | <u>-189</u> | <u>-44</u> | <u>-259</u> | <u>-107</u> | <u>-297</u> |
| Profit before tax | 5,563 | 4,927 | 12,040 | 11,249 | 19,491 |
| Tax for the period | <u>-1,250</u> | <u>-1,098</u> | <u>-2,693</u> | <u>-2,515</u> | <u>-4,446</u> |
| Profit for the period | 4,313 | 3,829 | 9,347 | 8,734 | 15,045 |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the period | 4,313 | 3,829 | 9,347 | 8,734 | 15,045 |
| Number of shares at end of the reporting period | 9 115 300 | 9 115 300 | 9 115 300 | 9 115 300 | 9 115 300 |
| Average no.of shares | 9 115 300 | 9 115 300 | 9 115 300 | 9 115 300 | 9 115 300 |
| Earnings per share before and after dilution | 0,47 | 0,42 | 1,03 | 0,96 | 1,65 |
| Net profit and total comprehensive income are attributable in their entirety to the Parent Company's shareholders | | | | | |

Since the company has no outstanding convertible loans or outstanding warrants, no dilution effect arises.

During 2011, Probi bought back company shares and at the end of the reporting period owned 250,000 treasury shares, corresponding to 2.7% of the total number of shares, with a quotient value of SEK 5.00 per share.

Income statement (Parent Company)

| | Q2 2014 | Q2 2013 | Q1-Q2 2014 | Q1-Q2 2013 | Full-year 2013 |
|--|----------------|----------------|----------------|----------------|-------------------|
| Currency: KSEK | | | | | |
| Operating revenue | | | | | |
| Net sales | 31,882 | 26,521 | 58,266 | 51,915 | 102,210 |
| Other revenue | <u>374</u> | <u>413</u> | <u>641</u> | <u>706</u> | <u>1,344</u> |
| Total operating revenue | 32,256 | 26,934 | 58,907 | 52,621 | 103,554 |
| Operating expenses | | | | | |
| Cost of goods sold | -9,833 | -6,490 | -15,728 | -12,312 | -25,792 |
| Employee benefit expenses | -8,086 | -7,629 | -15,075 | -14,233 | -27,639 |
| Other external costs | -7,614 | -6,957 | -13,960 | -13,198 | -27,046 |
| Depreciation of fixed assets | <u>-1,394</u> | <u>-1,303</u> | <u>-2,687</u> | <u>-2,313</u> | <u>-4,934</u> |
| Total operating expenses | -26,927 | -22,379 | -47,450 | -42,056 | -85,411 |
| Operating profit | 5,329 | 4,555 | 11,457 | 10,565 | 18,143 |
| Financial income | 423 | 416 | 842 | 791 | 1,645 |
| Financial expenses | <u>-189</u> | <u>-44</u> | <u>-259</u> | <u>-107</u> | <u>-297</u> |
| Appropriations | – | – | – | – | <u>4,595</u> |
| Profit before tax | 5,563 | 4,927 | 12,040 | 11,249 | 24,086 |
| Tax for the period | <u>-1,250</u> | <u>-1,098</u> | <u>-2,693</u> | <u>-2,515</u> | <u>-5,457</u> |
| Profit for the period | 4,313 | 3,829 | 9,347 | 8,734 | 18,629 |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the period | 4,313 | 3,829 | 9,347 | 8,734 | 18,629 |

Consolidated statement of financial position (Group)
30 Jun. 2014 30 Jun. 2013 31 Dec. 2013
Assets**Fixed assets**

| | | | |
|-------------------------------------|----------------|----------------|----------------|
| Capitalised development expenses | 18,929 | 11,958 | 16,611 |
| Patents and licenses | 9,120 | 8,278 | 8,818 |
| Goodwill | 2,762 | 2,762 | 2,762 |
| Equipment, tools and fixtures | <u>2,017</u> | <u>2,519</u> | <u>2,359</u> |
| Total fixed assets | 32,828 | 25,517 | 30,550 |
| Current liabilities | | | |
| Inventories | 3,261 | 4,234 | 2,679 |
| Current receivables | 24,036 | 23,517 | 25,185 |
| Cash and cash equivalents | <u>94,339</u> | <u>87,249</u> | <u>91,301</u> |
| Total current assets | 121,636 | 115,000 | 119,165 |
| Total assets | 154,464 | 140,517 | 149,715 |
| Equity and liabilities | | | |
| Equity | 133,535 | 124,714 | 131,025 |
| Deferred tax | 132 | 1,142 | 132 |
| Current liabilities | <u>20,797</u> | <u>14,661</u> | <u>18,558</u> |
| Total equity and liabilities | 154,464 | 140,517 | 149,715 |

Balance sheet (Parent Company)
30 Jun. 2014 30 Jun. 2013 31 Dec. 2013
Assets**Fixed assets**

| | | | |
|----------------------------------|---------------|---------------|---------------|
| Capitalised development expenses | 18,929 | 11,958 | 16,611 |
| Patents and licenses | 9,120 | 8,278 | 8,818 |
| Equipment, tools and fixtures | 2,017 | 2,519 | 2,359 |
| Participation in Group Companies | <u>4,031</u> | <u>4,031</u> | <u>4,031</u> |
| Total fixed assets | 34,097 | 26,786 | 31,819 |

Current liabilities

| | | | |
|-----------------------------|----------------|----------------|----------------|
| Inventories | 3,261 | 4,234 | 2,679 |
| Current receivables | 24,036 | 23,517 | 25,185 |
| Cash and cash equivalents | <u>94,339</u> | <u>87,249</u> | <u>91,301</u> |
| Total current assets | 121,636 | 115,000 | 119,165 |
| Total assets | 155,733 | 141,786 | 150,984 |

Equity and liabilities

| | | | |
|-------------------------------------|----------------|----------------|----------------|
| Equity | 130,302 | 117,896 | 127,791 |
| Untaxed reserves | 598 | 5,193 | 598 |
| Long-term liabilities | 4,036 | 4,036 | 4,036 |
| Current liabilities | <u>20,797</u> | <u>14,661</u> | <u>18,559</u> |
| Total equity and liabilities | 155,733 | 141,786 | 150,984 |

Changes in equity (Group)

| Reporting period, 1 Jan. 2013 - 30 Jun. 2013 | Share capital | Other contributions received | Result brought forward | Total equity |
|---|----------------------|-------------------------------------|-------------------------------|---------------------|
| Opening balance, 1 Jan. 2013 | 46,827 | 64,740 | 11,249 | 122,816 |
| Total comprehensive income for the period | | | 8,734 | 8,734 |
| Dividends for 2012 | | | -6,836 | -6,836 |
| Equity, 30 Jun. 2013 | 46,827 | 64,740 | 13,147 | 124,714 |

| Reporting period, 1 Jan. 2014 - 30 Jun. 2014 | Share capital | Other contributions received | Result brought forward | Total equity |
|---|----------------------|-------------------------------------|-------------------------------|---------------------|
| Opening balance, 1 Jan. 2014 | 46,827 | 71,578 | 12,620 | 131,025 |
| Total comprehensive income for the period | | | 9,347 | 9,347 |
| Dividends for 2013 | | | -6,837 | -6,837 |
| Equity, 30 Jun. 2014 | 46,827 | 71,578 | 15,130 | 133,535 |

Statement of cash flows

| | Q1-Q2 2014 | Q1-Q2 2013 | Full-year 2013 |
|--|-----------------------|-----------------------|---------------------------|
| Operating activities | | | |
| Profit before tax | 12,040 | 11,249 | 19,491 |
| Depreciation/amortisation | 2,687 | 2,313 | 4,934 |
| Income tax paid | <u>-1,570</u> | <u>-2,334</u> | <u>-4,151</u> |
| Cash flow from operating activities before changes in working capital | 13,157 | 11,228 | 20,274 |
| Change in inventories | -582 | -1 768 | -213 |
| Change in operating receivables | 1,149 | 1,820 | 152 |
| Change in operating liabilities | <u>1,117</u> | <u>1,711</u> | <u>4,483</u> |
| Cash flow from operating activities | 14,841 | 12,991 | 24,696 |
| Inveesting activities | | | |
| Acquisition of intangible fixed assets | -4,727 | -6,137 | -13,373 |
| Acquisition of tangible fixed assets | <u>-240</u> | <u>53</u> | <u>-471</u> |
| Cash flow from investing activities | -4,967 | -6,190 | -13,844 |
| Change in cash and cash equivalents | | | |
| Dividend to shareholders | <u>-6,836</u> | <u>-6,837</u> | <u>-6,836</u> |
| Cash flow from financing activities | -6,836 | -6,837 | -6,836 |
| Change in cash and cash equivalents | 3,038 | -36 | 4,016 |
| Cash and cash equivalents at the beginning of the year | 91,301 | 87,285 | 87,285 |
| Cash and cash equivalents at the end of the period | 94,339 | 87,249 | 91,301 |
| Interest paid and received | | | |
| Interest received | 438 | 31 | 1,196 |
| Interest paid | - | - | - |

Key ratios

| | | 2014 | | 2013 | | | 2012 | | |
|---|------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Def. | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Net sales Functional Food, quarterly | | 9 296 | 9 802 | 9 461 | 9 685 | 10 087 | 12 032 | 11 704 | 10 814 |
| Net sales Consumer Healthcare, quarterly | | 22 586 | 16 582 | 16 696 | 14 453 | 16 434 | 13 362 | 14 469 | 10 029 |
| Total net sales, quarterly | | 31 882 | 26 384 | 26 157 | 24 138 | 26 521 | 25 394 | 26 173 | 20 843 |
| Operating profit | | 5 329 | 6 128 | 3 055 | 4 522 | 4 555 | 6 010 | 2 601 | 3 966 |
| Growth, accumulated, % | 1 | 12,2 | 3,9 | 2,7 | 3,6 | -1,2 | -17,1 | 5,5 | 5,1 |
| R&D expenses as part of operating income, % | | 18 | 19 | 19 | 17 | 19 | 18 | 18 | 18 |
| Operating margin, % | 2 | 19,7 | 23,2 | 17,8 | 19,8 | 20,4 | 23,7 | 17,3 | 19,9 |
| Net margin, % | 3 | 20,7 | 24,5 | 19,1 | 21,1 | 21,7 | 24,9 | 18,4 | 21,0 |
| Average no. of employees | | 25 | 25 | 25 | 24 | 24 | 24 | 23 | 23 |
| Assets | | 154 464 | 152 919 | 149 715 | 145 110 | 140 517 | 142 233 | 136 728 | 132 719 |
| Working capital | 4 | 100 839 | 104 337 | 100 606 | 101 527 | 100 339 | 106 506 | 103 011 | 99 097 |
| Liquid ratio, % | 5 | 569 | 708 | 628 | 722 | 756 | 879 | 933 | 893 |
| Equity ratio, % | 6 | 86,4 | 88,9 | 87,5 | 88,5 | 88,8 | 89,8 | 89,8 | 90,9 |
| Debt/equity ratio, % | 7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Return on total assets, % | 8 | 8,0 | 4,3 | 13,7 | 11,4 | 8,1 | 4,5 | 14,1 | 12,1 |
| Return on equity, % | 9 | 9,1 | 4,9 | 15,4 | 12,9 | 9,1 | 5,0 | 15,3 | 13,0 |
| Equity per share, SEK | | 14,65 | 14,93 | 14,37 | 14,09 | 13,68 | 14,01 | 13,47 | 13,24 |
| Cash flow per share, SEK | | 0,33 | 0,39 | 0,44 | 0,45 | 0,00 | 0,95 | 1,22 | 1,09 |
| Share price, SEK | | 50,50 | 40,50 | 39,50 | 41,10 | 40,50 | 39,20 | 44,40 | 49,80 |
| Market cap | | 460 323 | 369 170 | 360 054 | 374 639 | 369 170 | 357 320 | 404 719 | 453 942 |

Definitions of key ratios

1. Change in net sales
2. Operating income as a percentage of net sales
3. Profit before tax as a percentage of net sales
4. Total current assets less current liabilities
5. Total current assets excluding inventories as a percentage of current liabilities
6. Equity as a percentage of balance sheet total
7. Interest-bearing liabilities as a percentage of equity
8. Operating income and interest income as a percentage of average total assets
9. Profit before tax as a percentage of average equity