

32% GROWTH AND HIGHER OPERATING MARGIN FOR FULL-YEAR 2014

FOURTH QUARTER OF 2014

- **NET SALES** amounted to MSEK 39.9 (26.2).
- **OPERATING PROFIT** totalled MSEK 6.6 (3.1).
- **PROFIT AFTER TAX** amounted to MSEK 5.4 (2.6).
- **PROFIT AFTER TAX PER SHARE** was SEK 0.59 (0.29).
- **CASH FLOW** amounted to MSEK 10.6 (neg: 0.1).

ACCUMULATED 2014

- **NET SALES** amounted to MSEK 135.2 (102.2).
- **OPERATING PROFIT** totalled MSEK 27.0 (18.1).
- **PROFIT AFTER TAX** amounted to MSEK 21.8 (15.0).
- **PROFIT AFTER TAX PER SHARE** was SEK 2.39 (1.65).
- **CASH FLOW** amounted to MSEK 16.9 (4.0). Probi paid dividends of MSEK 6.8 (6.8).

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER:

- Probi signed a distribution agreement with Laboratório Daudt for the launch of Probi Digestis® in Brazil.
- Capitalised development expenditure of MSEK 3.7 was discarded due to the bankruptcy of a contracted research company.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD:

- Probi secured a record order valued at MSEK 17 from US company NBTY
- The Board of Directors proposes a total dividend of MSEK 7.7 (6.8), corresponding to SEK 0.85 (0.75) per share.

CEO'S COMMENTS:

"In 2014, Probi's sales more than doubled in the US and amounted to MSEK 44, a result of our partnerships with Pharmavite and NBTY. Combined with our launch in South Korea, this led to sharp growth. Net sales rose 32% to MSEK 135. In the fourth quarter net sales rose 52% to MSEK 40. We have grown with increased profitability. The operating margin increased from just under 18% in 2013 to 20%. Our clinical trials have also been successful. We now have the documentation required to launch a product in 2015 that increases the body's ability to absorb iron. To meet the strong global demand for our products, we are now increasing our resources in both Consumer Healthcare and Functional Food. We are recruiting more employees to our sales and marketing organisation and will also strengthen other functions during the year. We estimate the prospects for continued positive growth in 2015 as favourable. The year started well with a record order of MSEK 17 from US company NBTY." says Peter Nählstedt, CEO for Probi.

INVITATION TO TELECONFERENCE (SWEDISH):

Time: Wednesday, 28 January 2015 at 9.00 a.m. Phone number: +46 (0)8-566 42 690. Participants from Probi: Peter Nählstedt, CEO and Niklas Brandt, CFO. The presentation is available at www.probi.se and www.financialhearings.com

FOR FURTHER INFORMATION, PLEASE CONTACT:

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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 28 January 2015 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 2014, Probi had sales of MSEK 135. The Probi share is listed on NASDAQ OMX Stockholm, Small Cap. Probi has about 3,000 shareholders. Read more at www.probi.se.



ABOUT THE OPERATIONS

In 2014, a number of Probi's products experienced highly successful launches in two key growth markets, the US and South Korea. In recent years, the growth of probiotic dietary supplements in these markets has been between 15 and 20%. In the US, NBTY and Pharmavite conducted several launches of Probi's probiotic products in various sales channels. In South Korea, Sanofi launched Probi's digestive health capsules in the second quarter. These launches led to sharp growth for Probi. In 2014, net sales amounted to MSEK 135.2, up MSEK 33.0, or 32% compared with the preceding year.

NBTY, the largest US player in the VMS segment (Vitamins, Minerals and Supplements), launched products in the Health Food channel in early 2014 through its subsidiary Solgar. In the third quarter, products based on Probi Digestis[®] were also launched in the retail market under the Nature's Bounty and Sundown Naturals brands. During the year, Solgar also launched Probi's digestive health capsules in the UK market.

In January 2015, Probi announced that the company had secured its largest-ever order from NBTY, through its US business partner Viva 5. The order is valued at MSEK 17, and Probi's digestive and immune health products are scheduled for delivery in early 2015. Probi's bacterial strains will be included in a product that is already sold through retailers in the US under the Nature's Bounty brand, and is one of the six largest probiotic products in that market.

Probi entered into partnership with Pharmavite in the US in 2011, and the company accounted for a major proportion of Probi's growth in that market in 2013. In the third quarter 2014, this partnership was deepened by a new long-term agreement for the distribution and marketing of Probi's products. Pharmavite is broadening its distribution to include more sales channels in the US market. The Nature Made[®] range will also be expanded and comprise more probiotic products from Probi. Pharmavite will also launch Probi Digestis[®] in markets outside the US, in which products are currently sold under the Nature Made[®] brand. The first international launch was conducted in the United Arab Emirates in the fourth quarter of 2014.

In 2014, Probi signed four new agreements to launch Probi Digestis[®] in growth markets such as South Korea, Turkey and Brazil. Agreements were signed with Sanofi and Dongkook for South Korea. Sanofi Consumer Healthcare conducted a comprehensive launch of Probi Digestis[®] in the second quarter. Prior to 2015, Dongkook placed significant orders for deliveries of Probi's digestive health product, which is expected to lead to further growth for Probi in the South Korean market. An agreement was signed with Impexia for the Turkish market and, in the fourth quarter, a distribution agreement was signed with Laboratório Daudt for the launch of Probi Digestis[®] in Brazil. Launches are planned for Turkey and Brazil during 2015.

In 2014, two launches of Probi's immune product Probi Defendum[®] were also conducted. In the third quarter, Vifor launched under the Probi Immun[®] brand through pharmacies and health food stores in the Swiss market. Since 2012, Probi has partnered with Vifor, which also markets Probi's digestive health capsules in Switzerland under the Probi Intestis[®] brand. In late 2014, Probi Defendum[®] was launched for the first time in the North American market. Probi's business partner, Metagenics, has launched Probi's immunity booster product to the market for physicians and the prescribing chain. Since Probi initiated a partnership with Metagenics in 2007, the US company has been marketing the Probi Digestis[®] digestive health capsules directly to medical practitioners.

Bringwell has been marketing Probi Mage[®] and Probi Frisk[®] in the Nordic market since 2010. After a short time, the products established a market-leading position and have consolidated their market share of about 50%. The range has been extended with additional pack sizes since the first launch and, in early 2015, Probi Mage Junior will be launched for children and adolescents. Probi's revenue from the Bringwell partnership matches the year-earlier level.

In the Functional Food business area, Probi initiated a marketing collaboration with Symrise in 2014. This has led to ongoing discussions with a number of potential customers, primarily in Asia, pertaining to business development in Functional Food. Probi's current revenue in this business area mainly comprises royalty revenue from ProViva. In 2014, a launch in Denmark increased ProViva's market penetration. A number of vegetable-based flavour varieties were also added to the range. ProViva's sales volumes declined during the year, a change that tracked the total market decline for chilled juices and fruit drinks.

In 2014, Probi conducted more clinical trials than ever before. A number of larger studies are in progress, focused on further strengthening the clinical documentation for Probi Digestis[®] and Probi Defendum[®]. These studies will continue in 2015.

The clinical trials completed in 2014 demonstrate the health benefits of Probi's probiotics. Two studies

showing that Probi's probiotics can increase iron absorption in women of child-bearing age were concluded. The findings of another study have also 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 considerable market potential. In collaboration with its distributors, Probi is preparing for the launch of an iron product in 2015.

A study of the effects of probiotics on children treated with antibiotics was conducted in Poland during the year. The findings show that Probi's probiotics were well tolerated by all children in the study. However, no significant difference in the frequency of diarrhoea was observed between the active group and the placebo group.

In 2013, a study of common colds in children commenced, based on Probi's immune product, Probi Defendum[®]. In 2014, the research company contracted to perform the study was declared bankrupt and therefore the study could not be completed. Accordingly, Probi discarded capitalised development expenditure of MSEK 3.7 in the fourth quarter. When the study was terminated, about one-third of the estimated number of children had been included in the study. The findings from this group showed positive trends regarding the effects of Probi Defendum[®] on upper respiratory tract infections in children from one year of age. The findings also showed that Probi Defendum[®] is well tolerated by children. In light of this, Probi is evaluating further clinical trials in this area.

Towards the end of 2014, Probi introduced a recruitment programme to secure resources for leveraging the market opportunities arising from increased global demand for high-quality probiotic products. In the first stage, the sales and marketing organisation will be strengthened with 4-5 individuals. More functions within the organisation will be strengthened during 2015.

SALES AND COSTS

Full-year, 2014

In 2014, Probi's net sales amounted to MSEK 135.2 (102.2), up MSEK 33.0 or 32%.

Net sales in the Consumer Healthcare business area rose MSEK 38.2, or 63%, to MSEK 99.1 (60.9). This sharp growth is attributable to the launches conducted in the US and South Korea. Vifor also showed a positive trend in the Swiss market.

Net sales in the Functional Food business area amounted to MSEK 36.1 (41.3). Royalty revenue from ProViva declined year-on-year, due to a combination of lower sales volumes and changes in the royalty rate under agreements signed with Danone in 2010. The volume change for ProViva tracked the total market decline for chilled juices and fruit drinks.

Operating expenses rose MSEK 25.3 to MSEK 110.7 (85.4). Most of this increase, MSEK 15.9, was due to higher product costs resulting from increased supplies. Personnel costs rose MSEK 4.3. The number of employees increased, and the allocation of variable remuneration to personnel was higher year-on-year. Capitalised development expenditure of MSEK 3.7 was also discarded.

Fourth quarter, October-December 2014

Probi's net sales for the fourth quarter amounted to MSEK 39.9 (26.2). The overall increase was MSEK 13.7, or 52%.

Net sales in the Consumer Healthcare business area rose, by MSEK 14.9, or 89%, to MSEK 31.6 (16.7). The increase mainly consists of deliveries to US company Pharmavite.

Net sales in Functional Food amounted to MSEK 8.4, down MSEK 1.1 compared with the fourth quarter of 2013. Royalty revenue from ProViva declined due to lower sales volumes and changes in the royalty rate under agreements signed with Danone in 2010.

Operating expenses in the fourth quarter amounted to MSEK 34.4 (23.3), up MSEK 11.1 year-on-year. Product costs attributable to increased sales accounted for MSEK 5.4 of this increase. Capitalised development expenditure of MSEK 3.7 was also discarded in the fourth quarter. Personnel costs accounted for the remaining increase, mainly comprising allocation of variable remuneration to personnel.

Distribution of operating revenue:

SEK 000s	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Sales, goods	29,222	15,103	91,718	53,446
Royalty, licenses, etc.	10,698	11,054	43,524	48,764
Net sales	39,920	26,157	135,242	102,210
Other operating revenue	1,026	247	2,510	1,344
Total operating revenue	40,946	26,404	137,752	103,554

Profit after tax

Profit after tax for the year amounted to MSEK 21.8 (15.0). Tax expense was MSEK 6.3 (4.4).

Earnings per share

Earnings per share for the year amounted to SEK 2.39 (1.65).

Cash flow

Cash and cash equivalents rose MSEK 16.9 (4.0) during the year to MSEK 108.2 (91.3) at year-end. Cash flow from operating activities increased MSEK 12.5 compared with 2013 to MSEK 37.2 (24.7). Other operating liabilities rose MSEK 5.6 to MSEK 10.1 (4.5), mainly due to accounts payable to suppliers.

Investments

During the year, investments in intangible fixed assets amounted to MSEK 9.8 (13.4), of which patents accounted for MSEK 1.9 (2.5) and capitalised development expenditure for MSEK 7.9 (10.9). Capitalised development expenditure for the year includes MSEK 1.6, which was part of the amount discarded in the fourth quarter. Capitalised development expenditure mainly pertains to clinical trials in the immune and gastrointestinal health area. Investments in tangible fixed assets amounted to MSEK 3.8 (0.5).

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 44% (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 brand and those of its partners.

No business transactions are conducted between the two segments.

Operating profit per segment:

SEK 000s	Q4 2014			Q4 2013		
	FF	CHC	Total	FF	CHC	Total
Operating revenue	8,445	32,501	40,946	9,549	16,855	26,404
Operating expenses	-7,665	-26,714	-34,379	-7,157	-16,192	-23,349
Operating profit	780	5,787	6,567	2,392	663	3,055

SEK 000s	Full-year, 2014			Full-year 2013		
	FF	CHC	Total	FF	CHC	Total
Operating revenue	36,400	101,352	137,752	41,640	61,914	103,554
Operating expenses	-27,224	-83,479	-110,703	-25,782	-59,629	-85,411
Operating profit	9,176	17,873	27,049	15,858	2,285	18,143

FF= Functional Food CHC= Consumer Healthcare

The strengthening of resources in Consumer Healthcare in recent years led to a sharp increase in Probi's revenue and earnings in 2014. The business area's revenue during 2014 rose 63% year-on-year, mainly a result of successful launches in the US and South Korea. This also led to a considerable improvement in operating profit. The business area's operating margin increased from 4% in 2013 to 18% in 2014.

Operating revenue distributed by geographic market:

SEK 000s	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Sweden	13,771	13,872	52,685	59,073
Rest of Europe	2,277	3,578	15,854	14,585
North America	20,260	5,024	44,455	18,250
Rest of the world	4,638	3,930	24,758	11,646
Total	40,946	26,404	137,752	103,554

Probi's royalty revenue from ProViva declined year-on-year, resulting in a revenue decline in Sweden. Some of this decline was also due to contractual changes to the royalty rate for ProViva under agreements signed with Danone in 2010. Probi's sales to the North American market rose 143% year-on-year due to increased supplies to Pharmavite and NBTY. The revenue increase in Rest of the World was mainly attributable to deliveries to Sanofi, which launched Probi Digestis[®] in South Korea during the second quarter of 2014.

RESEARCH AND DEVELOPMENT**Iron deficiency**

Iron deficiency and low iron status are common in children, adolescents and women of child-bearing age, both in the Western World and in 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 can 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.

In 2014, Probi concluded two clinical trials showing that Probi's probiotics can increase iron absorption in women of child-bearing age. The trials were conducted by a research team led by Lena Hulthén, Professor of

Clinical Nutrition at the University of Gothenburg. Women of child-bearing age were given 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 two different radioactive 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.

Osteoporosis

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 significantly higher 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.

A study published in the second quarter of 2014 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.

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, Movérare-Skrtic S, Islander U, Sjögren K. PLoS One. 2014 Mar 17;9(3):e92368. doi: 10.1371/journal.pone.0092368.

Scientific Advisory Board

In 2014, Probi appointed Glenn Gibson, Maria Rescigno and Henrik Vestergaard as new members of its Scientific Advisory Board. The aim is to further strengthen Probi's operations through increased understanding of the human microbiome and its impact on human health.

Glenn Gibson is Professor of Food Microbiology and Head of Food Microbial Sciences at the University of Reading in the UK. Glenn is currently researching acute and chronic gut disease, autism, obesity, novel prebiotics and human metabolomics. His other fields of expertise include probiotics, gastroenteritis in sportspersons, metabolic syndrome and gut flora development with age.

Professor Maria Rescigno is head of the unit for Immunobiology of Dendritic Cells and Immunotherapy at the European Institute of Oncology in Milano, Italy. Her main area of interest is mucosal immunology, particularly antigen-presenting dendritic cells and bacterial processes in the intestine. Her research also includes studies of host-microbe interactions in the gut mucosa.

Henrik Vestergaard is Associate Professor at the Novo Nordisk Foundation Center for Basic Metabolic Research in Copenhagen, Denmark. As a specialist in internal medicine and endocrinology, Henrik has clinical experience and expertise in the field of metabolic diseases. His current research includes the role of genomics in cardiovascular disease, glycemic control, pre-diabetes and type 2-diabetes.

The other members of Probi's Scientific Advisory Board are:

Hans Wigzell, Professor of Immunology at the Department of Microbiology, Tumor and Cell Biology at Karolinska University Hospital, Stockholm, Sweden.

Lars Gatenbeck, MD, PhD, Founder and Chairman of Life Equity Group, Stockholm, Sweden.

Jan Nilsson, Professor of Experimental Cardiovascular Research at Lund University, Sweden

EMPLOYEES

At the end of the period, Probi had 27 (26) employees, of whom 19 (18) were women and 8 (8) men. The average number of employees during the year was 26 (25).

RELATED-PARTY TRANSACTIONS

During the year, Jan Nilsson, Board member, invoiced fees of SEK 60,000 (90,000) via Atherioco AB pertaining to Probi's Scientific Advisory Board and Mats Lidgard, Board member, invoiced SEK 13,000 (39,000) via Lavindia AB for consulting fees regarding legal issues.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

Probi secured its largest-ever order, valued at MSEK 17, from US company NBTY, scheduled for delivery in early 2015. For more information, please refer to the About the operations section on page 2.

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 31 December 2014, no significant changes to these risks or uncertainties were considered to have occurred.

PROPOSAL FOR APPROPRIATION OF PROFIT

The Board of Directors and the CEO propose to the 2015 Annual General Meeting that the company, in accordance with the applicable dividend policy, pay a dividend totalling MSEK 7.7 (6.8) for 2014, corresponding to SEK 0.85 (0.75) per share.

CALENDAR

Interim report Q1, 2015	23 April 2015
2014 Annual General Meeting	23 April 2015
Interim report Q2, 2015	16 July 2015
Interim report Q3, 2015	22 October 2015
Year-end report, 2015	26 January 2016

ANNUAL GENERAL MEETING

The Annual General Meeting for 2014 will be held in Lund on Thursday, 23 April 2015 at 3:00 p.m. at the Elite Hotel, Ideon Gateway, Scheelevägen 27, Lund, Sweden.

Shareholders who wish to have matters considered at the Annual General Meeting are requested to notify the Chairman of the Board no later than Friday, 6 March 2015. Such proposals are to be e-mailed to sofie.forsman@probi.se or posted to: Annual General Meeting, Probi AB, Att: Sofie Forsman, Ideon Gamma 1, SE-223 70 Lund, Sweden

The 2014 Annual Report is scheduled for publication on Probi's website www.probi.se on 27 March 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.

As of the second quarter of 2014, forward contracts have been signed to cover the risk of exchange-rate fluctuations. Since Probi does not apply hedge accounting, these forward exchange contracts pertain to the hedging of future cash 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 SEK, unless otherwise stated.

Amounts and figures in parentheses pertain to comparative figures for the year-earlier period. Amounts are expressed in Swedish kronor (SEK), thousands of Swedish kronor (TSEK) 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, 28 January 2015

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



The auditor's review report of the condensed interim financial information (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 year-end report (interim report) for Probi AB (publ) as of 31 December 2014 and the 12-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 28 January 2015

Deloitte AB

Per-Arne Pettersson

Authorised Public Accountant

Statement of comprehensive income (Group)

	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Currency: KSEK				
Operating revenue				
Net sales	39,920	26,157	135,242	102,210
Other revenue	<u>1,026</u>	<u>247</u>	<u>2,510</u>	<u>1,344</u>
Total operating revenue	40,946	26,404	137,752	103,554
Operating expenses				
Cost of goods sold	-13,271	-7,885	-41,677	-25,792
Employee benefit expenses	-8,906	-7,142	-31,937	-27,639
Other external costs	-7,082	-6,984	-27,930	-27,046
Depreciation of fixed assets	-1,380	-1,338	-5,419	-4,934
Discarding of fixed assets	<u>-3,740</u>	-	<u>-3,740</u>	-
Total operating expenses	-34,379	-23,349	-110,703	-85,411
Operating profit	6,567	3,055	27,049	18,143
Financial income	698	434	1,648	1,645
Financial expenses	<u>-269</u>	<u>-16</u>	<u>-607</u>	<u>-297</u>
Profit before tax	6,996	3,473	28,090	19,491
Tax for the period	<u>-1,630</u>	<u>-858</u>	<u>-6,325</u>	<u>-4,446</u>
Profit for the period	5,366	2,615	21,765	15,045
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,366	2,615	21,765	15,045

Number of shares at end of the reporting period	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
Earnings per share before and after dilution	0,59	0,29	2,39	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)

	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Currency: KSEK				
Operating revenue				
Net sales	39,920	26,157	135,242	102,210
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Total operating expenses	-34,379	-23,349	-110,703	-85,411
Operating profit	6,567	3,055	27,049	18,143
Financial income	893	434	1,648	1,645
Financial expenses	-269	-16	-412	-297
Appropriations	<u>-62</u>	<u>4,595</u>	<u>-62</u>	<u>4,595</u>
Profit before tax	7,129	8,068	28,223	24,086
Tax for the period	<u>-1,660</u>	<u>-1,869</u>	<u>-6,355</u>	<u>-5,457</u>
Profit for the period	5,469	6,199	21,868	18,629
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,469	6,199	21,868	18,629

**Consolidated statement of
financial position (Group)**

	31 Dec. 2014	31 Dec. 2013
Assets		
Fixed assets		
Capitalised development expenses	18,340	16,611
Patents and licenses	8,910	8,818
Goodwill	2,762	2,762
Equipment, tools and fixtures	4,864	2,359
Deferred tax	<u>43</u>	-
Total fixed assets	34,919	30,550
Current liabilities		
Inventories	3,561	2,679
Current receivables	29,328	25,185
Cash and cash equivalents	<u>108,181</u>	<u>91,301</u>
Total current assets	141,070	119,165
Total assets	175,989	149,715
Equity and liabilities		
Equity	145,953	131,025
Deferred tax	145	132
Current liabilities	<u>29,891</u>	<u>18,558</u>
Total equity and liabilities	175,989	149,715

Balance sheet (Parent Company)

	31 Dec. 2014	31 Dec. 2013
Assets		
Fixed assets		
Capitalised development expenses	18,340	16,611
Patents and licenses	8,910	8,818
Equipment, tools and fixtures	4,864	2,359
Participation in Group Companies	<u>4,031</u>	<u>4,031</u>
Total fixed assets	36,145	31,819
Current liabilities		
Inventories	3,561	2,679
Current receivables	29,189	25,185
Cash and cash equivalents	<u>108,181</u>	<u>91,301</u>
Total current assets	140,931	119,165
Total assets	177,076	150,984
Equity and liabilities		
Equity	142,822	127,791
Untaxed reserves	660	598
Long-term liabilities	4,036	4,036
Current liabilities	<u>29,558</u>	<u>18,559</u>
Total equity and liabilities	177,076	150,984

Changes in equity (Group)

Reporting period, 1 Jan. 2013 - 31 Dec. 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			15,045	15,045
Dividends for 2012			-6,836	-6,836
Equity, 31 Dec. 2013	46,827	64,740	19,458	131,025

Reporting period, 1 Jan. 2014 - 31 Dec. 2014	Share capital	Other contributions received	Result brought forward	Total equity
Opening balance, 1 Jan. 2014	46,827	64,740	19,458	131,025
Total comprehensive income for the period			21,765	21,765
Dividends for 2013			-6,837	-6,837
Equity, 31 Dec. 2014	46,827	64,740	34,386	145,953

Statement of cash flows

	Full-year 2014	Full-year 2013
Operating activities		
Profit before tax	28,090	19,491
Depreciation and discarding of fixed assets	9,159	4,934
Capital gains/losses from disposal of tangible fixed assets	30	-
Income tax paid	-5,147	-4,151
Cash flow from operating activities before changes in working capital	32,132	20,274
Change in inventories	-882	-213
Change in operating receivables	-4,143	152
Change in operating liabilities	10,125	4,483
Cash flow from operating activities	37,232	24,696
Investing activities		
Acquisition of intangible fixed assets	-9,824	-13,373
Acquisition of tangible fixed assets	-3,823	-471
Divestment of tangible fixed assets	131	-
Cash flow from investing activities	-13,516	-13,844
Change in cash and cash equivalents		
Dividend to shareholders	-6,836	-6,836
Cash flow from financing activities	-6,836	-6,836
Change in cash and cash equivalents	16,880	4,016
Cash and cash equivalents at the beginning of the year	91,301	87,285
Cash and cash equivalents at the end of the period	108,181	91,301
Interest paid and received		
Interest received	1 219	1,196
Interest paid	-	-

Currency: KSEK

Key ratios		2014				2013			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Def.								
Net sales Functional Food, quarterly		8 360	8 641	9 296	9 802	9 461	9 685	10 087	12 032
Net sales Consumer Healthcare, quarterly		31 560	28 415	22 586	16 582	16 696	14 453	16 434	13 362
Total net sales, quarterly		39 920	37 056	31 882	26 384	26 157	24 138	26 521	25 394
Operating profit		6 567	9 025	5 329	6 128	3 055	4 522	4 555	6 010
Growth, accumulated, %	1	32,3	25,3	12,2	3,9	2,7	3,6	-1,2	-17,1
R&D expenses as part of operating income, %		16	18	18	19	19	17	19	18
Operating margin, %	2	20,0	21,5	19,7	23,2	17,8	19,8	20,4	23,7
Net margin, %	3	20,8	22	20,7	24,5	19,1	21,1	21,7	24,9
Average no. of employees		26	25	25	25	25	24	24	24
Assets		175 989	167 203	154 464	152 919	149 715	145 110	140 517	142 233
Working capital	4	111 179	105 920	100 839	104 337	100 606	101 527	100 339	106 506
Liquid ratio, %	5	460	491	569	708	628	722	756	879
Equity ratio, %	6	82,9	84,0	86,4	88,9	87,5	88,5	88,8	89,8
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	17,2	13,5	8,0	4,3	13,7	11,4	8,1	4,5
Return on equity, %	9	20,3	15,5	9,1	4,9	15,4	12,9	9,1	5,0
Equity per share, SEK		16,01	15,42	14,65	14,93	14,37	14,09	13,68	14,01
Cash flow per share, SEK		1,85	0,69	0,33	0,39	0,44	0,45	0,00	0,95
Share price, SEK		61,50	46,80	50,50	40,50	39,50	41,10	40,50	39,20
Market cap		560 591	426 596	460 323	369 170	360 054	374 639	369 170	357 320

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