

CONSUMER HEALTHCARE UP 24% IN 2013

FOURTH QUARTER OF 2013

- **NET SALES** amounted to MSEK 26.2 (26.2).
- **OPERATING PROFIT** totalled MSEK 3.1 (2.6).
- **PROFIT AFTER TAX** amounted to MSEK 2.6 (2.1).
- **PROFIT AFTER TAX PER SHARE** was SEK 0.29 (0.24).
- **Cash flow** amounted to a negative MSEK 0.1 (pos: 1.2)

FULL-YEAR 2013

- **NET SALES** amounted to MSEK 102.2 (99.6).
- **OPERATING PROFIT** totalled MSEK 18.1 (17.2).
- **PROFIT AFTER TAX** amounted to MSEK 15.0 (13.5).
- **PROFIT AFTER TAX PER SHARE** was SEK 1.65 (1.48).
- **CASH FLOW** amounted to MSEK 4.0 (11.1). Probi paid dividends of MSEK 6.8 (6.8).

INFORMATION FOR COMPARATIVE PURPOSES:

The comparative figures for the year-earlier period are impacted by two contractual changes, which totalled MSEK 7.0, pertaining to NextFoods and Danone. Adjusted for these changes net sales increased MSEK 9.6, from MSEK 92.6 to MSEK 102.2, and operating profit increased MSEK 7.9, from MSEK 10.2 to MSEK 18.1.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER:

- Probi recruited Peter Nählstedt as the company's new CEO, and he assumed his new position on 7 January 2014.
- Probi's bacterial diversity patent for *Lactobacillus plantarum* 299v was approved by patent authorities in both the US and Europe.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD:

- Symrise has increased its shareholding in Probi to more than 30%, thus requiring Symrise to make a mandatory offer to acquire all of Probi's shares.
- The Board of Directors proposes a total dividend of MSEK 6.8 (6.8), corresponding to SEK 0.75 (0.75) per share.

CEO'S COMMENTS:

"During the year, net sales in Consumer Healthcare rose 24% to slightly more than MSEK 60, which is very gratifying in view of our investment in this business area. Growth was largely driven by a positive trend in our key North American market. Overall, this increase offset the decline in Functional Food, where lower royalty revenue was mainly due to contractual changes. Adjusted for the effect of these changes, our operating profit improved MSEK 7.9 compared with 2012. We also signed new agreements in Asia and Eastern Europe during the year, and a number of new distributors were added in North America who will conduct launches during the first six months of 2014. These markets have been prioritised to enable continued growth. Probi is therefore well positioned for continued positive growth through international expansion during 2014," 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 January 23, 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 is a leading player in probiotic research and development of effective and well-documented probiotics. The research areas are: the gastrointestinal tract, immune system, metabolic syndrome and stress and recovery. Probi's customers are leading companies in the Functional Food and Consumer Healthcare segments. Total revenue for 2013 was MSEK 103.6. Probi's share is listed on Nasdaq OMX Stockholm, Small Cap. Probi has about 4,000 shareholders. Read more on www.probi.se



ABOUT THE OPERATIONS

Net sales for 2013 rose MSEK 2.6, or 3%, to MSEK 102.2 (99.6). The year-on-year comparison was impacted by two contractual changes pertaining to NextFoods and Danone, which are described below. When the comparative figures for the year-earlier period are adjusted for these changes, which totalled MSEK 7.0, net sales increased MSEK 9.6, from MSEK 92.6 to MSEK 102.2. All growth is attributable to Consumer Healthcare, which grew 24% compared with full-year 2012.

Net sales for 2012 included royalties of MSEK 3.8 from NextFoods under the agreement that was applicable at the time, which entitled NextFoods to retain the rights to *Lactobacillus plantarum* 299v (DSM 9843) in the North American market. Under the new agreement signed with NextFoods in the first quarter of 2013, the minimum royalty amount has been replaced by an exit fee, which is payable if NextFoods terminates the agreement prior to 2020. The new agreement also entails that Probi will have higher royalty levels as of mid-2014.

As Probi previously announced, the calculation of royalties for ProViva sales in Sweden has been changed as of 2013 in accordance with the agreements signed with Danone in 2010. Probi's royalty revenue from ProViva for full-year 2013 was MSEK 3.2 lower than it would have been based on the royalty level that applied until the end of 2012.

In 2013, Probi's revenue in the key North American market totalled MSEK 18.3. Excluding royalty of MSEK 3.8 from NextFoods, as described above, this represents a two-fold increase compared with 2012. Pharmavite, which launched Probi's digestive health capsules in 2012, accounted for a significant portion of this growth. Various opportunities for further development of the partnership are being discussed with Pharmavite. In 2012, Probi also signed a business development agreement with the US-based probiotics specialist Viva 5. The first launch within the framework of this agreement was conducted in September when Wakunaga, a leading player in the Health Food channel, launched digestive health capsules under the ProBiata brand. At the end of 2013, Probi made additional deliveries through the Viva 5 partnership to a number of new distributors, prior to launches scheduled for the first quarter of 2014 in North America. NextFoods' sales revenue from Good Belly, based on Probi's bacteria, also rose slightly more than 20% in 2013, year-on-year.

During the year, Probi initiated new customer partnerships and strengthened its partnerships with existing customers. New agreements were signed with AlenMed for the distribution of Probi Digestis[®] and Probi Defendum[®] in Belarus, and with Bio-Life in Malaysia and Botanic Pharma in Morocco for the distribution of Probi Digestis[®] in each market. Probi's long-standing partnerships with companies including NextFoods in the US, Sanum Polska in Poland and Health World in Australia were also strengthened and broadened through revisions of existing agreements. Business development was intensified in a number of markets throughout Asia and Eastern Europe and discussions are ongoing in regard to new distribution solutions in these regions.

In 2013, the main focus of Probi's research and development was to continue strengthening the clinical documentation for Probi Digestis[®] and Probi Defendum[®], and a number of clinical trials commenced. In parallel, a project to define Probi's long-term research strategy was initiated.

During the year, Bundesamt für Gesundheit (BAG), the authority responsible for health claims in Switzerland, approved a specific health claim for Probi Digestis[®]. This approval is highly significant for Probi, since BAG largely complies with the same regulations as the EU and, apart from the approval of Probi Digestis[®], has only approved two other health claims for probiotics to date, both related to probiotic food. During the second half of 2013, Probi Digestis[®] was launched in Switzerland under the product name of Probi Intestis[®] through Probi's partnership with Vifor Pharma.

Probi's LP299V[®] protection was strengthened in 2013 when patent authorities in both the US and Europe approved Probi's patent application for the increased bacterial diversity observed when *Lactobacillus Plantarum* 299v (DSM 9843) is given to individuals.

Probi has recruited Peter Nählstedt as the company's new CEO. Peter Nählstedt has extensive experience in the international Life Science industry from his various executive positions involving strategy, marketing and sales at GE Healthcare Life Science. Peter Nählstedt joins us from Trelleborg Marine Systems, where he was responsible for operations in Europe, South America and North Africa. Peter Nählstedt assumed his position on 7 January 2014. Gun-Britt Fransson, who had been Interim CEO since the end of May 2013 when Michael Oredsson stepped down, continues in her role of Head of Research and Development and member of Probi's Management Group.

SALES AND COSTS

Full-year, 2013

Probi's net sales during the year amounted to MSEK 102.2 (99.6).

Net sales in the Functional Food business area totalled MSEK 41.3 (50.5). The comparative figure for the year-earlier period would have been MSEK 43.5 had the impact of the contractual changes pertaining to Danone and NextFoods described above been excluded. Royalty revenue from ProViva totalled MSEK 38.3 (42.7). MSEK 3.2 of this decline derived from a change in the royalty rate calculation, which became applicable at the end of 2012. The remaining portion of the decline was due to changes in the product mix.

Net sales in the Consumer Healthcare business area rose MSEK 11.8, or 24%, to MSEK 60.9 (49.1). This growth derived primarily from deliveries to Pharmavite in the US, which reported a very positive sales trend, and to Vifor in Switzerland and Wakunaga in the US, which launched Probi's digestive health capsules during the autumn.

Operating expenses totalled MSEK 85.4 (83.2), up MSEK 2.2. Deliveries rose 30% year-on-year, entailing a corresponding increase in product costs. Personnel expenses were 2.0 MSEK higher, due to factors such as strengthening the organisation, which was implemented during the year. Other costs were MSEK 5.7 lower than in 2012, with the decline mainly attributable to sales and management costs.

Fourth quarter October – December 2013

Probi's net sales for the fourth quarter amounted to MSEK 26.2 (26.2).

Net sales in Functional Food declined from MSEK 11.7 to MSEK 9.5. Royalty from ProViva declined MSEK 1.7 in the fourth quarter, of which MSEK 0.7 was due to the changed royalty rate calculation. Net sales in Consumer Healthcare rose MSEK 2.2 to MSEK 16.7 (14.5). Deliveries to Proton Systems in Serbia and to distributors within the Viva5 partnership accounted for the largest portion of this increase.

Operating expenses declined MSEK 0.4 compared with the fourth quarter of 2012 to MSEK 23.3 (23.7).

Distribution of operating revenue:

KSEK	Q4 2013	Q4 2012	Full-year 2013	Full-year 2012
Sales, goods	15,103	12,321	53,446	41,120
Royalty, licenses, etc.	11,054	13,852	48,764	58,442
Net sales	26,157	26,173	102,210	99,562
Other operating income	247	169	1,344	830
Total operating revenue	26,404	26,342	103,554	100,392

Profit after tax

Profit after tax for the year amounted to MSEK 15.0 (13.5). Tax expense was MSEK 4.4 (4.8), of which MSEK 5.5 (3.7) was current tax. Deferred tax on appropriations accounted for the difference between recognised tax expense and current tax.

Earnings per share

Earnings per share for the year amounted to SEK 1.65 (1.48).

Cash flow

Cash and cash equivalents increased MSEK 4.0 during the year to MSEK 91.3 (87.3) at year-end. Cash flow from operating activities during the year rose MSEK 0.5 compared with 2012 to MSEK 24.7 (24.2).

Investments

During the year, investments in intangible fixed assets totalled MSEK 13.4 (5.5), of which patents accounted for MSEK 2.5 (2.4) and capitalisation of development costs for MSEK 10.9 (3.1). Capitalised development expenditure primarily pertains to clinical trials in the area of immune and gastrointestinal health, which are intended to provide supplementary information for health claim applications in the EU. Investments in tangible fixed assets totalled MSEK 0.5 (1.1).

Probi invests in 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% (31). Including development expenditure capitalised during the year, this figure increased to 46% (35).

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 beneficial health effects. This development is conducted in partnership with leading food companies in order to commercialise and market products with a 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:

KSEK	Q4 2013			Q4 2012		
	FF	CHC	Total	FF	CHC	Total
Operating revenue	9,549	16,855	26,404	11,731	14,611	26,342
Operating expenses	-7,157	-16,192	-23,349	-7,799	-15,942	-23,741
Operating profit/loss	2,392	663	3,055	3,932	-1,331	2,601

KSEK	Full-year, 2013			Full-year, 2012		
	FF	CHC	Total	FF	CHC	Total
Operating revenue	41,640	61,914	103,554	50,573	49,819	100,392
Operating expenses	-25,782	-59,629	-85,411	-31,496	-51,687	-83,183
Operating profit/loss	15,858	2,285	18,143	19,077	-1,868	17,209

FF= Functional Food CHC= Consumer Healthcare

Probi's growth strategy comprises increased investment to develop the Consumer Healthcare business area. Such investment includes new distribution solutions, the establishment of proprietary brands and more intensive business development primarily in the US, as well as in selected markets throughout Asia and Eastern Europe. In line with the growth strategy, new resources have been allocated to Consumer Healthcare in recent years, leading to higher personnel costs. Some existing resources have also been transferred, resulting in a comparable decrease in operating expenses in Functional Food. Of the total year-on-year cost

increase of MSEK 7.9 in Consumer Healthcare, however, MSEK 7.3 was due to product costs resulting from the higher sales volume.

Operating revenue distributed by geographic market:

KSEK	Q4 2013	Q4 2012	Full-year 2013	Full-year 2012
Sweden	13,872	16,752	59,073	64,749
Rest of Europe	3,578	3,755	14,585	11,347
North America	5,024	2,457	18,250	12,969
Rest of the world	3,930	3,378	11,646	11,327
Total	26,404	26,342	103,554	100,392

The revenue decline in Sweden was primarily due to an MSEK 4.4 decrease in royalty revenue from ProViva sales, of which MSEK 3.2 derived from the contractual change in the royalty rate calculation that became effective at the end of 2012. The remaining portion of the decline was due to changes in the product mix. Higher revenue in the rest of Europe derived from deliveries to Vifor in Switzerland, which launched Probi's digestive health capsules in September 2013. The increase in North America resulted from deliveries to Pharmavite, which reported a very positive sales trend, and initial deliveries through the Viva5 partnership. The comparative figure for North America in the year-earlier period includes minimum royalty payments of MSEK 3.8 from NextFoods in accordance with the agreement applicable at the time, which entitled NextFoods to retain the rights to *Lactobacillus plantarum* 299v (DSM 9843) in the North American market.

Functional Food

Since its launch in 1994, the ProViva range has been continuously developed with new flavours and product varieties. In May 2013, Danone/Proviva AB launched ProViva 50 to meet the growing demand for products with low sugar content. The new ProViva fruit beverages do not contain any added sugar, only the natural sugars found in the beverage's berries and fruits. Stevia is used as a sweetener to maintain a pleasant flavour. ProViva 50 contains 50% less sugar than juice and other fruit juice drinks. The products received a positive consumer response and are available in the following flavours: Orange Mango, Raspberry Blackberry and Tropical.

Probi has collaborated with NextFoods in the North American market since 2007. The partnership has now been further strengthened by a revised agreement that was signed in the first quarter of 2013. The new agreement will remain valid until 2020 and includes an option for extension. For Probi, the agreement entails higher royalty levels from mid-2014, and clear exposure of Probi's brand on packaging and advertising in one of the world's most exciting markets. During the 2007-2012 period, Probi generated revenue from NextFoods in the form of minimum royalty payments. In 2013, minimum royalty payments were replaced by an exit fee, which is paid if NextFoods terminates the agreement prior to 2020. NextFoods' sales of the Good Belly range in the North American market continue to show a positive trend. Sales revenue in local currency rose 20% compared with full-year 2012.

During the fourth quarter of 2013, Heinz in Australia discontinued sales of the probiotic juice *Golden Circle Healthy Life*, which is based on Probi's product platform Probi Defendum®. Probi's revenue was only marginally impacted by this decision.

Consumer Healthcare

The resource strengthening in Consumer Healthcare has generated conditions for more intense business development primarily in the US and selected markets throughout Asia and Eastern Europe. During 2013, this began to generate results in the form of higher revenue, new customer agreements and renegotiation of existing agreements.

Probi reported a highly positive trend in the growing and key Consumer Healthcare market in North America in 2013. Pharmavite, which launched Probi's digestive health capsules in 2012, accounted for a significant portion of this growth. In 2012, Probi signed a business development agreement with the leading US-based probiotics specialist, Viva 5. In September 2013, the first launch within the framework of this agreement was implemented. Wakunaga, a leading player in the Health Food channel, launched digestive health capsules under the ProBiata brand at the Natural Products Expo East convention in Baltimore in the US. In late 2013, Probi made additional deliveries through the Viva 5 partnership to a number of new distributors, prior to launches scheduled for the first quarter of 2014 in North America.

In 2010, Probi entered into a partnership with Bringwell for the marketing and sales of Probi Mage[®] and Probi Frisk[®] in the Nordic market. These products now account for a market share of about 50% in the Swedish market for probiotic dietary supplements. Probi's revenue from this partnership declined marginally during 2013 in pace with a total market decline driven by lower levels of activity primarily in the various pharmacy channels. Probi deems that pressure on activity in the various sales channels, including a number of major campaigns, will increase during 2014. In early 2014, Probi Mage was also launched in a new packaging size, Travel Pack, containing 20 digestive health capsules in a blister pack.

In September 2013, Probi's digestive health capsules based on *Lactobacillus plantarum* 299v (DSM 9843) were launched in Switzerland. The launch was a result of the agreement signed in 2012 with Vifor Pharma, one of the leading consumer healthcare companies in the Swiss market. The product is marketed under the Vitafor[®] brand, with Probi Intestis[®] as the product name. The launch was successful and Probi received new orders for deliveries.

In 2013, Probi signed three agreements in Consumer Healthcare concerning launches in new markets:

In June, Probi signed a distribution agreement with AlenMed Promotion SIA in Latvia concerning the launch of Probi Digestis[®] and Probi Defendum[®] in Belarus. The launch is scheduled for the second quarter of 2014 and the products will be registered under the Probi brands – Probi Digestis[®] and Probi Defendum[®]. The Agreement with AlenMed is considered highly strategic for Probi's future expansion into other markets in the region.

In July, an agreement was signed with Bio-Life Marketing Sdn. Bhd in Malaysia. The launch was conducted in leading pharmacies throughout Malaysia in the second half of 2013, under the Bio-Life brand with the product name PROBI LP299V[®]. Bio-Life is an expansive healthcare company with extensive experience in the introduction of probiotic products. The company is part of the Swiss DKSH Group, a leading global player with a focus on market expansion in Asia in multiple product areas. This will provide conditions for expanding launches of Probi's products to additional markets throughout Southeast Asia at a later stage.

In August, Probi also signed an agreement with Botanic Pharma to launch Probi Digestis in Morocco during the first quarter of 2014. The market for gastrointestinal-health products in Morocco is growing and amounts to about MEUR 35. The launch will be directed toward general practitioners, gastroenterologists and consumers through pharmacies and health food stores.

Probi has a long-standing partnership with Health World Ltd., one of the leading probiotic players in Australia. Health World has successfully marketed Probi Digestis[®] over the past eight years. In September, the companies signed an agreement to expand their partnership with Probi's immune product, Probi Defendum[®]. The launch is scheduled for the first quarter of 2014 under the Inner Health Immune brand.

The agreements that Probi signed with Sanum Polska in Poland in 2008 have also been renegotiated and extended. The revised agreement with Sanum Polska also includes broadening the range that is marketed in Poland.

RESEARCH AND DEVELOPMENT

Regulatory confidence in the clinical effects of Probi Digestis[®] increased during the year, when Bundesamt für Gesundheit (BAG), the authority responsible for health claims in Switzerland, approved a specific health claim for Probi Digestis[®]. This approval is highly significant for Probi, since BAG largely complies with the same regulations as the EU and, apart from the approval of Probi Digestis[®], has only approved two other health claims for probiotics to date, both related to probiotic food.

New technology and major international research strategies are beginning to explain the significance of the intestinal microflora for various diseases. Research has shown that low microbiological diversity is associated with increased risk for various diseases and is also a side effect of antibiotic treatment. This has also led to a growing interest in how probiotics can influence/increase this diversity.

Probi submitted one of the first patent applications in this area. The application is based on observed effects following the intake of *Lactobacillus plantarum* 299v (DSM 9843) and pertains to increased bacterial diversity in the microbiota. This could be applied in treatment, or for prophylactic treatment, of low bacterial diversity, small and large intestinal bacterial overgrowth and translocation – the movement of bacteria across intestinal tissue into other tissue. The results are unique, and this was also confirmed during the year when patent authorities in both Europe and the US approved the patent.

In 2013, the main focus of Probi's research and development was to continue strengthening the clinical documentation for Probi Digestis[®] and Probi Defendum[®].

Early in the year, major resources were dedicated to the identification of suitable Contract Research Organisations (CRO) and to approaches for clinical trial designs in areas related to the immune system and gastrointestinal health. The main objectives were to design trials that could, should the results be positive, provide supplementary documentation for health claim applications for the European market, and to design trials that strengthen clinical documentation for children and subsequently broaden Probi's market offering.

An initiation and implementation period was introduced during the second half of the year, following commencement of the practical work involved in the scheduled trials. A project to define Probi's long-term research focus was also initiated. Resources in the R&D organisation were strengthened in conjunction with this initiative.

The partnership with Symrise in the field of oral health, which commenced at the end of 2012, has progressed according to plan.

Several articles based on studies of Probi's probiotic strains were published in 2013. Three of these have been mentioned previously: One of the articles, by Rask, C., I. Adlerberth, et al. "Differential effect on cell-mediated immunity in human volunteers after intake of different lactobacilli." Clin Exp Immunol 172(2): 321-332, studied the effects of daily doses of six different strains of lactobacilli on the immune system. The results of the study suggest that doses of probiotic bacteria may improve the immune system's response to virus infections and tumours, for example.

Another article by Xu, J., I. L. Ahren, et al. "Intake of Blueberry Fermented by *Lactobacillus plantarum* Affects the Gut Microbiota of L-NAME Treated Rats." Evidence-Based Complementary and Alternative Medicine 2013:9, describes how blueberries fermented with *Lactobacillus plantarum* HEAL19 (DSM 15313) provided protection against liver-cell damage and altered microflora, to varying degrees, in rats with induced high blood pressure.

The third article, "Differential effect on cell-mediated immunity in human volunteers after intake of different lactobacilli," which was published in the scientific journal Clinical and Experimental Immunology (2013 May; 172 (2): 321-32), described some of the screening process used by Probi to produce the combination of bacterial strains for Probi Defendum[®]. This was one of the most downloaded articles from Clinical and Experimental Immunology, thus indicating the high degree of scientific interest.

EMPLOYEES

At the end of the period, Probi had 26 (24) employees, of whom 18 (15) were women and eight (9) men. The average number of employees was 25 (23).

Probi has recruited Peter Nählstedt as the company's new CEO. Peter Nählstedt assumed his position on 7 January 2014. Gun-Britt Fransson, who has been Interim CEO since the end of May 2013 when Michael Oredsson stepped down, continues in her role of Head of Research and Development and member of Probi's Management Group.

During the year, Probi's research and development organisation was bolstered by the employment of Anna-Karin Robertson, who is leading the project to define the company's long-term research focus. Anna-Lena Karlsson has been appointed Head of Regulatory Affairs and will manage the registration of Probi's products in connection with launches in new markets.

RELATED-PARTY TRANSACTIONS

During the reporting period, Jan Nilsson, Board member, invoiced fees of SEK 90,000 (60,000) via Atherioco AB pertaining to Probi's Scientific Advisory Board and Mats Lidgard, Board member, invoiced consulting fees of SEK 39,000 (0) via Lavindia AB pertaining to legal issues during the reporting period. No additional significant related-party transactions occurred during 2013.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE REPORTING PERIOD

On 10 January 2014, Probi's largest owner, German Symrise, acquired additional shares in Probi, which means that the company's shareholding now exceeds 30% of the share capital and voting rights. Symrise is thus required to make a mandatory offer to acquire all of Probi's shares. Symrise intends to make an announcement regarding a possible mandatory offer not later than Friday, 7 February 2014.

SIGNIFICANT RISKS AND UNCERTAINTIES

The risks and uncertainties to which Probi's operations are exposed are described on pages 31-32 of the 2012 Annual Report. At 31 December 2013, no significant changes to these risks or uncertainties were considered to have occurred.

PROPOSAL FOR APPROPRIATION OF PROFIT

The Board of Directors proposes to the 2014 Annual General Meeting that the company, in accordance with the applicable dividend policy, pay a dividend totalling MSEK 6.8 (6.8), comprising SEK 0.75 (0.75) per share.

CALENDAR

Interim report Q1, 2014	29 April 2014
2013 Annual General Meeting	29 April 2014, at 3:00 p.m.
Interim report Q2, 2014	19 August 2014
Interim report Q3, 2014	29 October 2014
Year-end report, 2014	28 January 2015

ANNUAL GENERAL MEETING

The Annual General Meeting for 2013 will be held on Wednesday 29 April 2014 at 3:00 p.m. at Elite Hotel, Ideon Gateway, Scheelevägen 27, Lund.

Shareholders wishing to have matters considered at the Annual General Meeting are requested to submit proposals to the Chairman of the Board not later than Friday, 14 March 2014. Such proposals are to be e-mailed to sofie.forsman@probi.se or sent by mail to "Annual General Meeting, Probi AB, Att: Sofie Forsman, Ideon Gamma 1, SE-223 70 Lund."

The 2013 Annual Report is scheduled for publication on Probi's website www.probi.se on 28 March 2014.

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 2013, and the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. This year-end report was prepared in compliance with IAS 34 "Interim Reporting" and the Swedish Annual Accounts Act.

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 48-51 of the 2012 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 2013." The year-end 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 year-end 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, 23 January 2014

Per Lundin
Chairman of the Board

Benedicte Fossum
Board member

Mats Lidgard
Board member

Declan MacFadden
Board member

Jan Nilsson
Board member

Eva Redhe Ridderstad
Board member

Peter Nählstedt
CEO



Auditor's review report of the interim financial information in summary (year-end report) 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 2013 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 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 23 January 2014

Deloitte AB

Per-Arne Pettersson

Authorised Public Accountant

Probi AB (publ)

Statement of comprehensive income (Group)

	Q4 2013	Q4 2012	Full-year 2013	Full-year 2012
Currency: KSEK				
Operating revenue				
Net sales	26,157	26,173	102,210	99,562
Other revenue	<u>247</u>	<u>169</u>	<u>1 344</u>	<u>830</u>
Total operating revenue	26,404	26,342	103,554	100,392
Operating expenses				
Cost of goods sold	-7,885	-6,495	-25,792	-18,477
Employee benefit expenses	-7,142	-6,890	-27,639	-25,659
Other external costs	-6,984	-8,743	-27,046	-32,696
Depreciation of fixed assets	<u>-1,338</u>	<u>-1,613</u>	<u>-4,934</u>	<u>-6,351</u>
Total operating expenses	-23,349	-23,741	-85,411	-83,183
Operating profit	3,055	2,601	18,143	17,209
Financial income	434	321	1,645	2,000
Financial expenses	<u>-16</u>	<u>-1</u>	<u>-297</u>	<u>-887</u>
Profit before tax	3,473	2,921	19,491	18,322
Tax for the period	<u>-858</u>	<u>-774</u>	<u>-4,446</u>	<u>-4,817</u>
Profit for the period	2,615	2,147	15,045	13,505
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	2,615	2,147	15,045	13,505
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	0,29	0,24	1,65	1,48

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 2013	Q4 2012	Full-year 2013	Full-year 2012
Currency: KSEK				
Operating revenue				
Net sales	26,157	26,173	102,210	99,562
Other revenue	<u>247</u>	<u>169</u>	<u>1 344</u>	<u>830</u>
Total operating revenue	26,404	26,342	103,554	100,392
Operating expenses				
Cost of goods sold	-7,885	-6,495	-25,792	-18,477
Employee benefit expenses	-7,142	-6,890	-27,639	-25,659
Other external costs	-6,984	-8,743	-27,046	-32,696
Depreciation of fixed assets	<u>-1,338</u>	<u>-1,613</u>	<u>-4,934</u>	<u>-6,351</u>
Total operating expenses	-23,349	-23,741	-85,411	-83,183
Operating profit	3,055	2,601	18,143	17,209
Financial income	434	321	1,645	2,000
Financial expenses	-16	-1	-297	-887
Appropriations	<u>4,595</u>	<u>-5,193</u>	<u>4,595</u>	<u>-5,193</u>
Profit before tax	8,068	-2,272	24,086	13,129
Tax for the period	<u>-1,869</u>	<u>368</u>	<u>-5,457</u>	<u>-3,675</u>
Profit for the period	6,199	-1,904	18,629	9,454
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	6,199	-1,904	18,629	9,454

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

	31 Dec. 2013	31 Dec. 2012
Assets		
Fixed assets		
Capitalised development expenses	16,611	7,969
Patents and licenses	8,818	7,888
Goodwill	2,762	2,762
Equipment, tools and fixtures	<u>2,359</u>	<u>3,021</u>
Total fixed assets	30,550	21,640
Current liabilities		
Inventories	2,679	2,466
Current receivables	25,185	25,337
Cash and cash equivalents	<u>91,301</u>	<u>87,285</u>
Total current assets	119,165	115,088
Total assets	149,715	136,728
Equity and liabilities		
Equity	131,025	122,816
Deferred tax	132	1,142
Current liabilities	<u>18,558</u>	<u>12,770</u>
Total equity and liabilities	149,715	136,728

Balance sheet (Parent Company)

	31 Dec. 2013	31 Dec. 2012
Assets		
Fixed assets		
Capitalised development expenses	16,611	7,969
Patents and licenses	8,818	7,888
Equipment, tools and fixtures	2,359	3,021
Participation in Group Companies	<u>4,031</u>	<u>4,031</u>
Total fixed assets	31,819	22,909
Current liabilities		
Inventories	2,679	2,466
Current receivables	25,185	25,337
Cash and cash equivalents	<u>91,301</u>	<u>87,285</u>
Total current assets	119,165	115,088
Total assets	150,984	137,997
Equity and liabilities		
Equity	127,791	115,998
Untaxed reserves	598	5,193
Long-term liabilities	4,036	4,036
Current liabilities	<u>18,559</u>	<u>12,770</u>
Total equity and liabilities	150,984	137,997

Probi AB (publ), koncernen

Currency: KSEK

Changes in equity (Group)

Reporting period, 1 Jan. 2012 - 30 Sep. 2012	Share capital	Other contributions received	Result brought forward	Total equity
Opening balance, 1 Jan 2012	46,827	71,578	-2,256	116,149
Total comprehensive income for the period			13,505	13,505
Dividends for 2011		-6,837		-6,837
Equity, 30 Sep. 2012	46,827	64,740	11,249	122,816

Reporting period, 1 Jan. 2013 - 30 Sep. 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, 30 Sep. 2013	46,827	57,904	26,294	131,025

Statement of cash flows

	Full-year 2013	Full-year 2012
Operating activities		
Profit before tax	19,491	18,322
Depreciation/amortisation	4,934	6,351
Capital gains/losses from disposal of tangible fixed assets	-	-31
Income tax paid	-4,151	-4,264
Cash flow from operating activities before changes in	20,274	20,378
Change in inventories	-213	1,938
Change in operating receivables	152	1,808
Change in operating liabilities	4,483	77
Cash flow from operating activities	24,696	24,201
Investing activities		
Acquisition of intangible fixed assets	-13,373	-5,446
Acquisition of tangible fixed assets	-471	-1,102
Divestment of tangible fixed assets	-	267
Cash flow from investing activities	-13,844	-6,281
Change in cash and cash equivalents		
Dividend to shareholders	-6,836	-6,837
Cash flow from financing activities	-6,836	-6,837
Change in cash and cash equivalents	4,016	11,083
Cash and cash equivalents at the beginning of the year	87,285	76,202
Cash and cash equivalents at the end of the period	91,301	87,285
Interest paid and received		
Interest received	1,196	1,615
Interest paid	-	-

Currency: KSEK

Key ratios		2013				2012			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Def.								
Net sales Functional Food, quarterly		9 461	9 685	10 087	12 032	11 704	10 814	11 406	16 518
Net sales Consumer Healthcare, quarterly		16 696	14 453	16 434	13 362	14 469	10 029	10 504	14 118
Total net sales, quarterly		26 157	24 138	26 521	25 394	26 173	20 843	21 910	30 636
Operating profit		3 055	4 522	4 555	6 010	2 601	3 966	2 167	8 475
Growth, accumulated, %	1	2,7	3,6	-1,2	-17,1	5,5	5,1	9,7	28,4
R&D expenses as part of operating income, %		19	17	19	18	18	18	18	15
Operating margin, %	2	17,8	19,8	20,4	23,7	17,3	19,9	20,3	27,7
Net margin, %	3	19,1	21,1	21,7	24,9	18,4	21,0	21,7	28,7
Average no. of employees		25	24	24	24	23	23	22	21
Assets		149 715	145 110	140 517	142 233	136 728	132 719	130 642	137 348
Working capital	4	100 606	101 527	100 339	106 506	103 011	99 097	95 632	100 375
Liquid ratio, %	5	628	722	756	879	933	893	813	755
Equity ratio, %	6	87,5	88,5	88,8	89,8	89,8	90,9	90,1	89,3
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	13,7	11,4	8,1	4,5	14,1	12,1	8,8	6,7
Return on equity, %	9	15,4	12,9	9,1	5,0	15,3	13,0	9,7	7,4
Equity per share, SEK		14,37	14,09	13,68	14,01	13,47	13,24	12,91	13,45
Cash flow per share, SEK		0,44	0,45	0,00	0,95	1,22	1,09	0,79	1,07
Share price, SEK		39,50	41,10	40,50	39,20	44,40	49,80	58,00	62,00
Market cap		360 054	374 639	369 170	357 320	404 719	453 942	528 687	565 149

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