

# PROBI AB INTERIM REPORT

## 1 January 2016 – 30 June 2016

## CONTINUED HEALTHY GROWTH AND A TRANSFORMING ACQUISITION

### SECOND QUARTER OF 2016

- **NET SALES** amounted to MSEK 73.3 (59.0).
- **OPERATING PROFIT** totalled MSEK 20.7 (15.7). Operating profit includes acquisition costs in the amount of 7.5 MSEK
- **PROFIT AFTER TAX** amounted to MSEK 17.1 (10.8).
- **PROFIT AFTER TAX PER SHARE** was SEK 1.87 (1.19).
- **CHANGES IN CASH AND CASH EQUIVALENTS** amounted to MSEK 16.4 (neg: 5.1). Probi paid dividends of MSEK 9.1 (7.7).

### ACCUMULATED 2016

- **NET SALES** amounted to MSEK 160.3 (127.9).
- **OPERATING PROFIT** totalled MSEK 56.0 (43.0). Operating profit includes acquisition costs in the amount of 7.5 MSEK
- **PROFIT AFTER TAX** amounted to MSEK 44.0 (33.2).
- **PROFIT AFTER TAX PER SHARE** was SEK 4.83 (3.64).
- **CHANGES IN CASH AND CASH EQUIVALENTS** amounted to MSEK 26.4 (13.4). Probi paid dividends of MSEK 9.1 (7.7).

### SIGNIFICANT EVENTS DURING THE SECOND QUARTER:

- Probi signed an agreement to acquire Nutraceutix and strongly expand its North American presence
- Resolution on rights issue of approximately MSEK 600 at an Extraordinary General Meeting
- New agreement with Ipsen Pharma for the launch of Probi's digestive health capsules in 18 markets
- Agreement on launch of Probi FerroSorb® in the first market outside Scandinavia

### CEO COMMENTS ON THE OPERATIONS:

I am very pleased that we succeeded in signing an agreement regarding this major and transforming acquisition of Nutraceutix. The companies have highly complementary business models and customers, as well as strong entrepreneurial values. I envisage an excellent combination for continuing the development of Probi by working on merging Probi's strong R&D expertise with Nutraceutix's know-how in technologies and manufacturing in the future. This acquisition also creates a strong platform for pursuing growth in the US and in the global market. The approved rights issue will ensure financing of the acquisition at a very healthy financial level.

While much energy has been invested in the acquisition, it is, of course, highly satisfying to note that we succeeded in retaining Probi's healthy organic sales growth during the quarter, at the same time as we also expanded our operating margin. Net sales for the first six months totalled MSEK 160.3, corresponding to a 25% increase year-on-year. The operating margin of 34.9% (33.6%) for the first half of the year was an improvement compared to the same period previous year. Excluding acquisition costs of MSEK 7.5, the operating margin was 39.6%.

We laid the foundation for stable future performance in new markets and new fields of application with a number of new agreements and product development projects during the period.

### 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 15 July 2016 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. Probi had sales of MSEK 216 in 2015. The Probi share is listed on Nasdaq Stockholm, Small Cap. Probi has about 4,000 shareholders. For more information, please visit [www.probi.se](http://www.probi.se).



## ABOUT THE OPERATIONS

During the period, Probi signed an asset purchase agreement via its recently formed US subsidiary Probi USA Inc, under which Probi will acquire the operations of the US probiotic company TNTGamble, Inc., doing business as Nutraceutix, for a preliminary cash purchase price of MUSD 105 (corresponding to MSEK 873 million at the exchange rate on 3 June 2016) on a cash and debt free basis. North America is the largest and fastest growing probiotic dietary supplements market in the world. In a proforma income statement for 2015 the acquisition would have entailed total net sales of approximately 506 MSEK, thus more than double Probi's current size. Probi will also increase its market share in the North American market more than three-fold. In addition, the acquisition will add important new technologies, manufacturing capabilities and customers, and create a strong platform for further acquisitions in the future.

The cash purchase price is financed through available cash reserves, a credit facility and a bridge facility. The bridge facility will be repaid by proceeds from a new share issue of approximately MSEK 600. The acquisition is expected to be completed no later than 3 October 2016. The US Federal Trade Commission has granted early termination of the waiting period. Thereby there are no regulatory obstacles for completing the acquisition

Nutraceutix is a leading, highly regarded and customer service focused US manufacturer and supplier of probiotics. The company has its headquarters and fermentation plant in Redmond, near Seattle in the State of Washington, and operates a packaging facility in Lafayette, near Denver in Colorado. Both manufacturing sites are audited and registered as GMP-compliant. The company had in 2015 net sales of approximately MUSD 34 (MSEK 290) and EBITDA of approximately MUSD 8 (MSEK 70) and produced 340 million tablets and 4.3 million bottles of products. The company employs about 145 people.

Nutraceutix has more than 30 different industrialized probiotic strains and has patented delivery technology BIO-tract®, which is a key differentiator and loyalty creating product feature that protects the probiotic from being broken down and ensures that it reaches the intended parts of the gastrointestinal tract. The customer base consists of 173 active customer relationships, comprising global brand distribution companies, retailers and direct-sellers, mainly in the dietary supplement area.

An Extraordinary General Meeting held on 29 July 2016 resolved to authorise the Board of Directors to resolve on the issue of new shares with preferential right for the company's shareholders during the period up to the 2017 Annual General Meeting. The purpose of the authorisation is to enable financing of the company's acquisition of Nutraceutix's operation.

The planning of the integration process has commenced and the integration is expected to impact the fourth quarter results by approximately MSEK 10.

During the reporting period, Probi signed a licence and distribution agreement with the French company Ipsen Pharma. The agreement applies to Probi's patented digestive health capsule, which contains the bacterial strain *Lactobacillus plantarum* 299v (LP299V®), and to 18 markets, primarily markets within the EU and a number of emerging markets. It is expected to be launched in the first half of 2017 as a food supplement in the European markets, and then, in other key markets such as Russia and China, depending on regulatory approval. The agreement covers in total 18 markets, many with high growth potential, with an option to include additional countries. The product will be marketed under Ipsen's key brand and Probi's trademark LP299V.

We see growing interest in probiotics in Europe in both Functional Food and Consumer Healthcare. Probi has signed several new agreements with local players in different European markets, both within the Functional Food and Consumer Healthcare segments. These include Probi's new iron absorption product Probi FerroSorb®, which will be launched in Austria, as the second market after the launch in Sweden earlier this year. In addition, a new innovative functional food application – plant-based vegan ice cream, including Probi's well-documented strain LP299V – will be introduced to several European markets.

## SALES AND COSTS

### Reporting period, January – June 2016

During the first six months of the year, Probi's net sales amounted to MSEK 160.3 (127.9). The overall increase was MSEK 32.4, or 25%. Most of Probi's sales are denominated in foreign currencies, mainly USD and EUR. Exchange rates have had insignificant effect compared with the same period last year, .

Net sales in Consumer Healthcare rose MSEK 33.4, or 31%, to MSEK 142.2 (108.8). North America remains the driver behind this growth trend. The other geographical regions also reported double-digit growth rates in the first half of the year compared with the year-earlier period. Net sales in Functional Food totalled MSEK 18.1 (19.1). Overall increased volume was adversely affected by lower royalty fee levels in one contract.

During the first six months, operating expenses amounted to MSEK 107.0 (88.5), up MSEK 18.5 compared with the first six months of 2015. Operating expenses include costs of MSEK 7.5 for the acquisition of Nutraceutix. During the period, the organisation was strengthened to meet the healthy expansion and support ventures in new markets and fields of application. Cost of goods sold increased MSEK 6.3, due to an increase in goods sold. Personnel costs were MSEK 2.5 higher year-on-year. The number of employees has risen by seven since year-end 2015. Other external costs rose MSEK 9.4. Most of the cost increase comprised acquisition costs.

Operating profit for the first six months amounted to MSEK 56.0 (43.0). Adjusted for currency effects, operating profit amounted to MSEK 60.8.

### **Second quarter, April – June 2016**

Probi's net sales for the quarter amounted to MSEK 73.3 (59.0). The overall increase was MSEK 14.3, or 24%. Most of Probi's sales are denominated in foreign currencies, mainly USD and EUR. At constant exchange rates compared with the second quarter of 2015, net sales would have been MEK 2.0 higher, representing growth of 28%.

Net sales in Consumer Healthcare rose MSEK 15.0, or 30%, to MSEK 64.8 (49.8). Sales of goods and royalty revenue in the North American market rose MSEK 21.4. In addition, sales to other regions increased at double-digit growth rates. Net sales in Functional Food totalled MSEK 8.5 (9.1).

Operating expenses amounted to MSEK 54.1 (44.1) during the quarter, up MSEK 10.0 year-on-year. Cost of goods sold increased MSEK 3.9, due to an increase in goods sold. Personnel costs were MSEK 1.7 higher year-on-year. Compared with the year-earlier period, the average number of employees increased by nine. Other external costs rose MSEK 4.3. Acquisition costs of MSEK 7.5 impacted the quarter.

Operating profit for the quarter totalled MSEK 20.7 (15.7). Adjusted for currency effects, operating profit amounted to MSEK 21.6.

### **Profit after tax**

Profit after tax for the first six months amounted to MSEK 44.0 (33.2). Tax expense was MSEK 12.5 (9.5).

### **Earnings per share**

Earnings per share for the first six months amounted to SEK 4.83 (3,64).

### **Changes of Cash and Cash Equivalents**

Cash and cash equivalents rose MSEK 26.4 (13.4) during the first six months, and amounted to MSEK 169.4 (121.5) at the end of the reporting period. The main reason for the improved cash flow was the higher earnings. Dividend has been paid out with 9.1 MSEK (7.7) during the reporting period.

### **Investments**

During the first six months, investments in intangible assets amounted to MSEK 10.4 (11.6) of which MSEK 0.7 (1.3) pertained to patents, MSEK 7.9 (10.3) to capitalised development expenditure and MSEK 1.8 to a license for bacterial strains acquired from Swedish company Probac. Capitalised development expenditure mainly pertained to clinical trials in immune and digestive health. Investments in tangible assets amounted to MSEK 0.3 (0.9).

Probi conducts prioritised research and development projects to ensure long-term growth. The R&D proportion of total operating expenses, excluding goods for resale and depreciation, was 28% (31). If development expenditure capitalised during the period was included, this figure would increase to 37% (44).

Probi founded a subsidiary in the US – Probi USA Inc. – during the quarter.

**SEGMENT INFORMATION****General information**

Probi's business operations are organised in two business segments, each with its own operational manager: Consumer Healthcare and Functional Food. The Consumer Healthcare segment focuses on developing, marketing and selling Probi's probiotics in cooperation with healthcare companies and other companies that specialise in probiotics and health and wellness products under Probi's proprietary brands or those of its partners. The Functional Food segment develops foods that generate positive health benefits. Development in this segment is conducted in partnership with leading food companies, with the aim of commercialising and marketing products with high volume potential.

No business transactions are conducted between the two segments.

**Operating revenue and profit per segment:**

SEK 000s	Q2 2016			Q2 2015		
	CHC	FF	Total	CHC	FF	Total
Sales, goods	62,829	300	<b>63,129</b>	47,770	306	<b>48,076</b>
Royalty, licenses, etc.	1,962	8,186	<b>10,148</b>	2,060	8,842	<b>10,902</b>
<b>Net sales</b>	<b>64,791</b>	<b>8,486</b>	<b>73,277</b>	<b>49,830</b>	<b>9,148</b>	<b>58,978</b>
Other revenue	1,391	77	<b>1,468</b>	715	61	<b>776</b>
<b>Operating revenue</b>	<b>66,182</b>	<b>8,563</b>	<b>74,745</b>	<b>50,545</b>	<b>9,209</b>	<b>59,754</b>
Operating expense	-38,860	-7,734	<b>-46,594</b>	-36,946	-7,114	<b>-44,060</b>
<b>Operating profit</b>	<b>27,322</b>	<b>829</b>	<b>28,151</b>	<b>13,599</b>	<b>2,095</b>	<b>15,694</b>

SEK 000s	Q1-Q2 2016			Q1-Q2 2015			Full-year, 2015		
	CHC	FF	Total	CHC	FF	Total	CHC	FF	Total
Sales, goods	138,236	614	<b>138,850</b>	103,474	660	<b>104,134</b>	167,537	2,558	<b>170,095</b>
Royalty, licenses, etc.	3,924	17,514	<b>21,438</b>	5,308	18,467	<b>23,775</b>	10,030	35,586	<b>45,616</b>
<b>Net sales</b>	<b>142,160</b>	<b>18,128</b>	<b>160,288</b>	<b>108,782</b>	<b>19,127</b>	<b>127,909</b>	<b>177,567</b>	<b>38,144</b>	<b>215,711</b>
Other revenue	2,563	177	<b>2,740</b>	3,437	151	<b>3,588</b>	4,648	325	<b>4,973</b>
<b>Operating revenue</b>	<b>144,723</b>	<b>18,305</b>	<b>163,028</b>	<b>112,219</b>	<b>19,278</b>	<b>131,497</b>	<b>182,215</b>	<b>38,469</b>	<b>220,684</b>
Operating expense	-84,209	-15,327	<b>-99,536</b>	-74,497	-13,962	<b>-88,459</b>	-129,949	-27,667	<b>-157,616</b>
<b>Operating profit</b>	<b>60,514</b>	<b>2,978</b>	<b>63,492</b>	<b>37,722</b>	<b>5,316</b>	<b>43,038</b>	<b>52,266</b>	<b>10,802</b>	<b>63,068</b>

CHC = Consumer Healthcare FF = Functional Food

Acquisition costs of MSEK 7.5 are not included in the segment reporting.

The revenue increase within Consumer Healthcare during the first half of 2016 continued to derive mainly from the positive trend in North American market. Significant investments were made in R&D in Functional Food to support the agreements regarding new markets and applications signed during the first six months of the year.

**Operating income distributed by geographic market:**

SEK 000s	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
Sweden	13,331	12,377	28,194	25,035	50,670
Rest of Europe	5,189	4,567	9,339	8,466	18,640
North America	48,602	34,736	108,331	87,615	132,128
Rest of world	7,623	8,074	17,164	10,381	19,246
<b>Total</b>	<b>74,745</b>	<b>59,754</b>	<b>163,028</b>	<b>131,497</b>	<b>220,684</b>

Growth in the US remained highly favourable. The increase in the first half of the year was 24% and in the second quarter was 40% year-on-year. Other regions also reported stable growth during the first six months.

**RESEARCH AND DEVELOPMENT**

Probi is pursuing two major trials to improve clinical documentation for Probi's product platform for digestive health (Probi Digestis®) and Probi's immune health platform (Probi Defendum®). The clinical phase for both of these trials has been concluded and the clinical data is now being analysed. In addition to clinical data, Probi has also gathered large volumes of other relevant information, such as biomarkers and various types of samples. Work is currently under way to analyse this large volume of information to draw correct conclusions from the clinical data. Probi believes the results of these two trials will be available towards the end of 2016.

The three new trials started during the year in the areas of bone and gastrointestinal health, and the previously ongoing trial in a new indication area are progressing according to plan.

Probi's investments in business development in functional food have resulted in a number of new product development projects. For examples, NextFoods expanded its offering of GoodBelly during the year with protein shakes and sparkling drinks, and BoFood produced a probiotic soy ice cream. Probi contributed bacterium and formulation expertise to these product development projects.

The partnership projects with Symrise, in areas such as oral health and skin care, and the research collaboration with Professor Michiel Kleerebezem from Host-Microbe Interactomics at Wageningen University in the Netherlands, are progressing as planned.

**EMPLOYEES**

At the end of the period, Probi had 40 (33) employees, of whom 26 (21) were women and 14 (12) men. The average number of employees during the reporting period was 37 (28).

**RELATED-PARTY TRANSACTIONS**

During the first six months, Probi's principal owner, Symrise AG, invoiced SEK 30,000 pertaining to laboratory material. Board member Jan Nilsson invoiced fees totalling SEK 30,000 (30 000) for Probi's Scientific Advisory Board via Atherioco AB. Purchases and sales of goods and services from and to related parties occur on market-based terms. No other significant related-party transactions took place during the first six months of 2016.

**SIGNIFICANT RISKS AND UNCERTAINTIES**

The risks and uncertainties to which Probi's operations are exposed are described on pages 51-52 of the printed 2015 Annual Report. At 30 June 2016, no significant changes are considered to have occurred in these risks or uncertainties.



## CALENDAR

Interim report Q3, 2016	25 October 2016
Year-end report, 2016	24 January 2017

## ACCOUNTING AND MEASUREMENT POLICIES

### The Group

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups – January 2016, 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 has been prepared in accordance with IAS 34 “Interim Reporting” and the Swedish Annual Accounts Act. The condensed financial statements in the interim report encompass pages 8-11. Disclosures according to IAS 34 Interim Financial Reporting are provided both here and elsewhere in the interim report. From this interim report on EMSAS’s guidelines for alternative key ratios are applied.

The accounting policies that were 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 60-63 of the printed 2015 Annual Report.

The Parent Company’s functional currency is the Swedish krona, 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 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 2016. 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 risks and uncertainties facing the Parent Company and the Group.

Lund, 15 July 2016

Jean-Yves Parisot  
*Chairman of the Board*

Jörn Andreas  
*Board member*

Benedicte Fossum  
*Board member*

Jan Nilsson  
*Board member*

Jonny Olsson  
*Board member*

Eva Redhe  
*Board member*

Peter Nählstedt  
*CEO*

# Deloitte.

Auditor's review report of the interim financial information in summary (interim 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 interim report for Probi AB (publ) as of 30 June 2016 and the three-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, 15 July 2016

Deloitte AB

Per-Arne Pettersson

Authorized Public Accountant

**Statement of comprehensive income (Group)**

	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
<b>Currency: KSEK</b>					
<b>Operating revenue</b>					
Net sales	73,277	58,978	160,288	127,909	215,711
Other revenue	<u>1,468</u>	<u>776</u>	<u>2,740</u>	<u>3,588</u>	<u>4,973</u>
<b>Total operating revenue</b>	<b>74,745</b>	<b>59,754</b>	<b>163,028</b>	<b>131,497</b>	<b>220,684</b>
<b>Operating expenses</b>					
Cost of goods sold	-21,493	-17,614	-46,257	-39,992	-63,120
Employee benefit expenses	-12,174	-10,509	-23,946	-21,430	-41,251
Other external costs	-18,728	-14,392	-33,536	-24,112	-47,069
Depreciation of fixed assets	-1,687	-1,545	-3,285	-2,925	-6,070
Discarding of fixed assets	-	-	-	-	<u>-106</u>
<b>Total operating expenses</b>	<b>-54,082</b>	<b>-44,060</b>	<b>-107,024</b>	<b>-88,459</b>	<b>-157,616</b>
<b>Operating profit</b>	<b>20,663</b>	<b>15,694</b>	<b>56,004</b>	<b>43,038</b>	<b>63,068</b>
Financial income	1,428	193	1,780	2,205	3,248
Financial expenses	<u>-153</u>	<u>-1,971</u>	<u>-1,277</u>	<u>-2,602</u>	<u>-3,226</u>
<b>Profit before tax</b>	<b>21,938</b>	<b>13,916</b>	<b>56,507</b>	<b>42,641</b>	<b>63,090</b>
Tax for the period	<u>-4,854</u>	<u>-3,109</u>	<u>-12,493</u>	<u>-9,467</u>	<u>-14,051</u>
<b>Profit for the period</b>	<b>17,084</b>	<b>10,807</b>	<b>44,014</b>	<b>33,174</b>	<b>49,039</b>
<b>Other comprehensive income</b>					
Currency translation difference in the group	<u>16</u>	-	<u>23</u>	-	<u>-4</u>
<b>Total comprehensive income for the period</b>	<b>17,100</b>	<b>10,807</b>	<b>44,037</b>	<b>33,174</b>	<b>49,035</b>
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	1,87	1,19	4,83	3,64	5,38
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 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
<b>Currency: KSEK</b>					
<b>Operating revenue</b>					
Net sales	73,278	58,978	160,289	127,909	215,711
Other revenue	<u>1,457</u>	<u>776</u>	<u>2,719</u>	<u>3,588</u>	<u>4,973</u>
<b>Total operating revenue</b>	<b>74,735</b>	<b>59,754</b>	<b>163,008</b>	<b>131,497</b>	<b>220,684</b>
<b>Operating expenses</b>					
Cost of goods sold	-21,493	-17,614	-46,257	-39,992	-63,120
Employee benefit expenses	-12,174	-10,509	-23,946	-21,430	-41,251
Other external costs	-13,875	-14,392	-26,139	-24,112	-47,142
Depreciation of fixed assets	-1,687	-1,545	-3,285	-2,925	-6,070
Discarding of fixed assets	-	-	-	-	<u>-106</u>
<b>Total operating expenses</b>	<b>-49,229</b>	<b>-44,060</b>	<b>-99,627</b>	<b>-88,459</b>	<b>-157,689</b>
<b>Operating profit</b>	<b>25,506</b>	<b>15,694</b>	<b>63,381</b>	<b>43,038</b>	<b>62,995</b>
Financial income	1,428	193	1,780	2,205	3,248
Financial expenses	-154	-2,651	-1,278	-2,797	-3,422
Appropriations	-	-	-	-	<u>105</u>
<b>Profit before tax</b>	<b>26,780</b>	<b>13,236</b>	<b>63,883</b>	<b>42,446</b>	<b>62,926</b>
Tax for the period	<u>-5,930</u>	<u>-2,959</u>	<u>-14,140</u>	<u>-9,424</u>	<u>-14,031</u>
<b>Profit for the period</b>	<b>20,850</b>	<b>10,277</b>	<b>49,743</b>	<b>33,022</b>	<b>48,895</b>

**Statement of comprehensive income (Parent Company)**

<b>Profit for the period</b>	<b>20,850</b>	<b>10,277</b>	<b>49,743</b>	<b>33,022</b>	<b>48,895</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>20,850</b>	<b>10,277</b>	<b>49,743</b>	<b>33,022</b>	<b>48,895</b>



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

	30 Jun. 2016	30 Jun. 2015	31 Dec. 2015
<b>Assets</b>			
<b>Fixed assets</b>			
Capitalised development expenses	37,731	27,290	31,250
Patents and licenses	10,993	9,377	9,570
Goodwill	2,762	2,762	2,762
Equipment, tools and fixtures	<u>3,940</u>	<u>5,038</u>	<u>4,581</u>
<b>Total fixed assets</b>	<b>55,426</b>	<b>44,467</b>	<b>48,163</b>
<b>Current assets</b>			
Inventories	7,597	5,540	4,468
Current receivables	26,337	39,305	32,229
Cash and cash equivalents	<u>169,426</u>	<u>121,549</u>	<u>143,024</u>
<b>Total current assets</b>	<b>203,360</b>	<b>166,394</b>	<b>179,721</b>
<b>Total assets</b>	<b>258,786</b>	<b>210,861</b>	<b>227,884</b>
<b>Equity and liabilities</b>			
Equity	222,113	171,378	187,239
Deferred tax	122	145	122
Current liabilities	<u>36,551</u>	<u>39,338</u>	<u>40,523</u>
<b>Total equity and liabilities</b>	<b>258,786</b>	<b>210,861</b>	<b>227,884</b>

**Balance sheet (Parent Company)**

	30 Jun. 2016	30 Jun. 2015	31 Dec. 2015
<b>Assets</b>			
<b>Fixed assets</b>			
Capitalised development expenses	37,731	27,290	31,250
Patents and licenses	10,993	9,377	9,570
Equipment, tools and fixtures	3,940	5,038	4,581
Participation in Group Companies	<u>4,329</u>	<u>4,031</u>	<u>4,329</u>
<b>Total fixed assets</b>	<b>56,993</b>	<b>45,736</b>	<b>49,730</b>
<b>Current assets</b>			
Inventories	7,597	5,540	4,468
Current receivables	35,007	39,305	32,423
Cash and cash equivalents	<u>169,094</u>	<u>121,549</u>	<u>142,718</u>
<b>Total current assets</b>	<b>211,698</b>	<b>166,394</b>	<b>179,609</b>
<b>Total assets</b>	<b>268,691</b>	<b>212,130</b>	<b>229,339</b>
<b>Equity and liabilities</b>			
Equity	224,597	168,096	183,970
Untaxed reserves	555	660	555
Long-term liabilities to group companies	4,036	4,036	4,036
Current liabilities	<u>39,503</u>	<u>39,338</u>	<u>40,778</u>
<b>Total equity and liabilities</b>	<b>268,691</b>	<b>212,130</b>	<b>229,339</b>

**Changes in equity (Group)**

Currency: KSEK

Reporting period, 1 Jan. 2015 - 30 Jun. 2015	Share capital	Other contributions received	Reserves	Result brought forward	Total equity
Opening balance, 1 Jan. 2015	46,827	64,740	-	34,386	145,953
Profit for the year				33,174	33,174
Dividends for 2014			-	-7,749	-7,749
<b>Equity, 30 Jun. 2015</b>	<b>46,827</b>	<b>64,740</b>	<b>-</b>	<b>59,811</b>	<b>171,378</b>

Reporting period, 1 Jan. 2016 - 30 Jun. 2016	Share capital	Other contributions received	Reserves	Result brought forward	Total equity
Opening balance, 1 Jan. 2016	46,827	64,740	-4	75,676	187,239
Profit for the year				44,014	44,014
Other comprehensive income			-23		-23
Dividends for 2015				-9,116	-9,116
<b>Equity, 30 Jun. 2016</b>	<b>46,827</b>	<b>64,740</b>	<b>-27</b>	<b>110,574</b>	<b>222,113</b>

**Statement of cash flows**

	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
<b>Operating activities</b>			
Profit before tax	56,507	42,641	63,090
Depreciation and discarding of fixed assets	3,285	2,925	6,176
Capital gains/losses from disposal of tangible fixed assets	21	31	31
Income tax paid	<u>-8,658</u>	<u>-5,340</u>	<u>-16,689</u>
<b>Cash flow from operating activities before changes in working capital</b>	<b>51,155</b>	<b>40,257</b>	<b>52,608</b>
Change in inventories	-3,129	-1,979	-907
Change in operating receivables	5,856	-9,977	-2,901
Change in operating liabilities	<u>-7,816</u>	<u>5,364</u>	<u>13,286</u>
<b>Cash flow from operating activities</b>	<b>46,066</b>	<b>33,665</b>	<b>62,086</b>
<b>Investing activities</b>			
Acquisition of intangible fixed assets	-10,426	-11,628	-18,256
Acquisition of tangible fixed assets	-256	-920	-1,238
Divestment of tangible fixed assets	<u>134</u>	-	-
<b>Cash flow from investing activities</b>	<b>-10,548</b>	<b>-12,548</b>	<b>-19,494</b>
<b>Change in cash and cash equivalents</b>			
Dividend to shareholders	<u>-9,116</u>	<u>-7,749</u>	<u>-7,749</u>
<b>Cash flow from financing activities</b>	<b>-9,116</b>	<b>-7,749</b>	<b>-7,749</b>
<b>Change in cash and cash equivalents</b>	<b>26,402</b>	<b>13,368</b>	<b>34,843</b>
Cash and cash equivalents at the beginning of the year	143,024	108,181	108,181
Cash and cash equivalents at the end of the period	169,426	121,549	143,024
<b>Interest paid and received</b>			
Interest received	2	95	128
Interest paid	-	-19	-19

Currency: KSEK

Key ratios	Def.	2016		2015				2014	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales Functional Food, quarterly		8 486	9 642	10 600	8 417	9 148	9 979	8 360	8 641
Net sales Consumer Healthcare, quarterly		64 791	77 369	25 339	43 446	49 830	58 952	31 560	28 415
Total net sales, quarterly		73 277	87 011	35 939	51 863	58 978	68 931	39 920	37 056
Operating profit, quarterly*	1	20 663	35 341	3 683	16 347	15 694	27 344	6 567	9 025
EBITDA, quarterly*	2	22 350	36 939	5 290	17 991	17 239	28 724	11 687	10 377
Growth, accumulated, %*	3	25,3	26,2	59,5	88,6	119,5	161,3	32,3	25,3
R&D expenses as part of operating income, %*	4	10	8	13	12	11	10	16	18
Operating margin, %*	5	28,2	40,6	10,2	31,5	26,6	39,7	16,5	24,4
EBITDA margin, %*	6	30,5	42,5	14,7	34,7	29,2	41,7	29,3	28,0
Net margin, %*	7	35,3	39,7	29,2	33,1	33,3	41,7	20,8	22,1
Average no. of employees		37	36	32	31	28	26	26	25
Total assets		258 786	255 068	221 697	220 060	210 861	213 564	175 989	167 203
Working capital*	8	166 809	161 232	139 198	139 137	127 056	125 454	111 179	105 920
Liquid ratio, %*	9	536	482	432	483	409	260	460	491
Equity ratio, %*	10	85,8	84,0	82,2	83,8	81,3	78,8	82,9	84,0
Return on total assets, %*	11	23,0	14,6	31,3	30,1	22,3	14,1	17,2	13,5
Return on equity, %*	12	27,6	17,2	37,9	36,0	26,9	18,3	20,3	15,5
Equity per share, SEK*	13	24,37	23,50	20,54	20,24	18,80	18,47	16,01	15,42
Cash flow per share, SEK*	14	2,90	1,10	3,82	3,82	1,47	2,03	1,85	0,69
Share price, SEK		248,00	121,00	141,50	138,50	131,00	108,75	61,50	46,80
Market cap		2 260 594	1 102 951	1 289 815	1 262 469	1 194 104	991 289	560 591	426 596

\* Key ratios not defined according to IFRS.

The company presents certain financial key ratios in the interim report that are not defined according to IFRS. The company believes that these key ratios provide valuable supplementary information to investors and company management. Since companies do not all calculate financial key ratios in the same way, these ratios are not always comparable with those used by other companies. Accordingly, these financial key ratios are not to be considered to replace key ratios as defined according to IFRS.

**Definitions of key ratios**

- Total operating revenue less costs for goods for resale, employee benefit expenses, other external costs, depreciation/amortisation and disposal of assets
- Operating profit before depreciation, impairment, financial incomes and expenses and tax for the period
- Annual change in accumulated net sales
- Annual accumulated R&D expenses as a percentage of operating revenue
- Operating profit as a percentage of net sales, quarterly
- EBITDA as a percentage of net sales, quarterly
- Profit before tax as a percentage of net sales
- Total current assets less current liabilities
- Total current assets excluding inventories as a percentage of current liabilities
- Equity as a percentage of total equity and liabilities
- Operating profit plus interest income as a percentage of average total equity and liabilities
- Profit before tax as a percentage of average equity
- Equity in relation to the number of shares outstanding
- Change in cash and cash equivalents in relation to the number of shares outstanding

**Reconciliation of key ratios not defined according to IFRS**

		Q2 2016	Q2 2015	Q4 2015
1. Operating profit	Total operating revenue	74 745	163 028	220 684
	Goods for resale	-21 493	-46 257	-63 120
	Employee benefit expenses	-12 174	-23 946	-41 251
	Other external costs	-18 728	-33 536	-47 069
	Depreciation of non-current assets	-1 687	-3 285	-6 070
	Disposal of non-current assets	-	-	-106
	<b>Operating profit</b>	<b>20 663</b>	<b>56 004</b>	<b>63 068</b>
4. Annual accumulated R&D expenses as a percentage of total operating revenue	R&D expenses	16 040	14 278	28 132
	Operating profit	163 028	131 497	220 684
		<b>10%</b>	<b>11%</b>	<b>13%</b>
11. Return on total capital, %	Interest income	2	118	128
	Average total capital	243 335	193 425	201 887,5
12. Return on equity, %	Average equity	204 676	158 665,5	166 596