



Invitation to subscribe for shares in Probi AB (publ)

Please note that the subscription rights may have an economic value.

In order not to lose the value of the subscription rights, the holder must either:

- Exercise obtained subscription rights to subscribe for new shares no later than 21 October 2016, or
- Sell obtained subscription rights, which the holder does not intend to exercise to subscribe for new shares, no later than 19 October 2016.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their nominee.

The distribution of this prospectus and the subscription for new shares are subject to restrictions in certain jurisdictions (see "Important information").

IMPORTANT INFORMATION

For definitions of certain terms used in this prospectus, see "Certain definitions" on the next page.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "SFSA") in accordance with Chapter 2, sections 25 and 26 of the Swedish Financial Instruments Trading Act (lagen (1991:980) om handel med finansiella instrument). Approval and registration does not imply that the SFSA guarantees that the information in the prospectus is accurate or complete.

The prospectus and the offering hereunder are governed by Swedish law. Disputes arising in connection with this prospectus, the offering and related legal matters shall be settled exclusively by Swedish courts.

The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

Probi has not taken, and will not take any actions to allow a public offering in any jurisdiction other than Sweden. The offering in the rights issue is not being made to persons resident in the United States, Canada, Japan, Australia, or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish law. Consequently, the prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the offering in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations.

Investing in shares is associated with risks (see "Risk factors"). When an investor makes an investment decision, he or she must rely on his or her own analysis of Probi and the offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorized to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made it should not be considered to have been approved by Probi, and Probi is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Probi's business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Swedish Financial Instruments Trading Act.

As a condition for subscription of shares under the offering in this prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by Probi and its advisors. Probi reserves the right to declare null and void any subscription of shares that Probi and its advisors believe may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

Important information to investors in the United States

No subscription rights, paid subscription shares (betalda tecknade aktier, "BTA") or new shares in Probi ("Securities") have been, or will, be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities legislation of any state or other jurisdiction of the United States and may not be offered, subscribed for, exercised, pledged, sold, resold, granted, delivered or otherwise transferred, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. A public offering will not be made in the United States. Any offering of the Securities made in the United States will be made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of investors that (i) are qualified institutional buyers as defined in Rule 144A under the Securities Act ("QIBS"), and (ii) have executed and delivered an investor letter, in form and substance acceptable, to Probi.

Up until 40 days after the initiating of the rights issue, an offer or a transfer of Securities within the United States made by a securities broker (regardless of whether such securities broker participates in the rights issue or not) may imply a breach of the registration requirements of the Securities Act.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Important information to investors in the EEA

No public offering of Securities is made to any countries within the European Economic Area ("EEA") other than Sweden. In other member states of the EEA which have implemented European Parliament and Council Directive 2003/71/EC (the "Prospectus Directive"), such offering may be made only under an exemption in the Prospectus Directive as well as every relevant implementation measure (including measures to implement European Parliament and Council Directive 2010/73/EU).

Forward-looking statements

The prospectus contains certain forward-looking information that reflects Probi's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may cause Probi's future results and development to differ from the forward-looking information include, but are not limited to, those described in "Risk factors". The forward looking information contained in this prospectus applies only as at the date of this prospectus. Probi does not undertake any obligation to publicly announce any update or change in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

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THE RIGHTS ISSUE IN BRIEF

Preferential right

Each existing share in Probi entitles to one (1) subscription right. Four (4) subscription rights entitles to subscription for one (1) new share. Shares not subscribed for with preferential right shall be offered for subscription to shareholders and other investors.

Subscription price

SEK 264 per share

Record date for participation in the rights issue

6 October 2016

Subscription period

7 October–21 October 2016

Trading in subscription rights

7 October–19 October 2016

Trading in BTA

7 October–26 October 2016

Subscription and payment with preferential right

Subscription through the exercise of subscription rights is made during the subscription period through simultaneous cash payment.

Subscription and payment without preferential right

Application for subscription without preferential right shall be made to Handelsbanken no later than 21 October 2016 on a separate application form that can be obtained from Handelsbanken and is available on www.handelsbanken.se/investeringserbjudande. Payment for allotted shares shall be made in accordance with instructions on the notice of allotment. Nominee registered holders shall instead apply with, and in accordance with instructions from, the nominee.

Other information

Ticker:.....PROB
ISIN Code share:.....SE0001280355
ISIN Code subscription right:.....SE0009164023
ISIN Code BTA:.....SE0009164031

Financial information

Interim report January-September 2016:.....18 October 2016
Year-end report 2016:.....24 January 2017

CERTAIN DEFINITIONS

In this prospectus, the following definitions are used:

“**Probi**” or the “**Company**” refers to, depending on the context, Probi Aktiebolag (publ) (corporate ID No. 556417-7540) or the group in which Probi is the parent company.

The “**Group**” refers to Probi AB (publ) and its subsidiaries.

“**Nutraceutix**” refers to the business acquired by Probi from TNTGamble in accordance with an asset purchase agreement dated 6 June 2016.

“**Handelsbanken**” refers to Handelsbanken Capital Markets, a business area within Svenska Handelsbanken AB (publ), or Svenska Handelsbanken AB (publ), as applicable.

“**Euroclear**” refers to Euroclear Sweden AB.

“**Nasdaq Stockholm**” refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

“**SEK**”, “**EUR**” and “**USD**” refers to Swedish kronor, Euro and U.S. dollars, respectively, **M** indicate millions and **T** indicate thousands.

“**TNTGamble**” refers to TNTGamble, Inc., dba¹ Nutraceutix®, which has operated under the name Nutraceutix.

¹ The abbreviation stands for doing business as.

Summary

Prospectus summaries consist of information requirements presented in “items”. The items are numbered in sections A–E (A.1–E.7).

The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.

Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication “not applicable”.

Section A – Introductions and warnings

A.1	Introduction and warnings	<p>This summary should be read as an introduction to the prospectus.</p> <p>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor.</p> <p>Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability may attach to those persons who produced the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent with other parts of the prospectus or if, together with other parts of the prospectus, it fails to provide key information to help investors when considering investing in such securities.</p>
A.2	Consent to use the prospectus	<p>Not applicable. Financial intermediaries are not entitled to use the prospectus for subsequent resale or final placement of securities.</p>

Section B – Issuer

B.1	Legal and commercial name	<p>The legal (and commercial) name of the Company is Probi Aktiebolag (publ).</p>
B.2	Domicile and legal form	<p>The registered office of the Board of Directors is situated in the municipality of Lund, Sweden. The Company was formed in Sweden and is a Swedish public limited liability company governed by the Swedish Companies Act (2005:551).</p>
B.3	Nature of operations and principal activities	<p>Probi is a Swedish biotechnology company, with headquarter at Ideon in Lund, that develops effective and well-documented probiotics. Through its research, Probi has created a strong product portfolio in the areas of gastrointestinal health and the immune system, which was expanded in 2015 with a product for improved iron uptake. The products are available to consumers in more than 30 countries worldwide. Customers comprise of leading food, health and pharmaceutical companies within the Group’s two business areas: Consumer Healthcare and Functional Food. In 2015, net sales increased to MSEK 216 (135) and total revenue to MSEK 221 (138).</p>
B.4a	Recent trends	<p>The growth in the global probiotics market is stable and the Company sees no signs of a slowdown. Probi’s net sales have increased more than the market and this trend continues in all geographical regions. North America is the largest and fastest growing market for consumer healthcare products in the world. This is even more accentuated for Probi and it is North America’s sales development that drives growth, even though sales on the other markets are also seeing double digits growths.</p> <p>All other parameters within the business are stable with respect to costs of raw materials, customer and supplier relationships and the regulatory and legal environments the Company operates in.</p>
B.5	Group	<p>Probi is the ultimate parent company of the Group, which in addition to Probi comprises four legal entities in three countries.</p>

B.6 Major shareholders, etc.

In Sweden, the lowest threshold for mandatory reporting of changes in shareholdings (so-called flagging) is five percent of all shares or voting rights in respect of all shares. The table below shows the shareholders of the Company who has a holding giving rise to mandatory reporting of changes in shareholdings, and other shareholders' holdings in relation to the total number of shares and votes in the Company, all as of 31 August 2016.

Major shareholders as of 31 August 2016¹

Shareholder/nominee/custodian	Number of shares	Shares, %	Votes ² , %
Symrise AG	4,684,840	50.0	51.4
Swedbank Robur fonder	729,436	7.8	8.0
Fjärde AP-fonden	541,318	5.8	5.9
Total ten largest shareholders	7,046,942	75.2	74.3
Other shareholders	2,318,358	24.8	25.7
Treasury shares held by Probi ³	250,000	2.7	-
Total	9,365,300	100.0	100.0

Source: Euroclear.

¹ With thereafter known changes.² Taking into consideration Probi's holding of 250,000 treasury shares.³ May not be represented at general meetings and do not entitle to participate in the rights issue.**B.7 Selected historical key financial information****CONDENSED FINANCIAL INFORMATION REGARDING PROBI**

The condensed financial statements presented below (as well as measures defined under IFRS) pertaining to full years have been derived from Probi's annual reports for the financial years 2014-2015, which have been prepared in accordance with IFRS as adopted by the EU, and have been audited by the Company's auditor. The condensed financial statements (as well as measures defined under IFRS) pertaining to the first six months of 2016 and 2015 have been derived from Probi's interim report for the period January-June 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has, as regards January-June 2016, been reviewed by the Company's auditor.

The prospectus also presents certain key ratios, or performance measures that are not defined under IFRS. These measures have not been reviewed or audited by the Company's auditor. Probi believes these measures are commonly used by investors, securities analysts and other interested parties as supplementary measure of earnings trend and financial position.

Condensed and consolidated income statement

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Net sales	160,288	127,909	215,711	135,242
Other revenue	2,740	3,588	4,973	2,510
Total operating revenue	163,028	131,497	220,684	137,752
Raw materials	-46,257	-39,992	-63,120	-41,677
Employee benefit expenses	-23,946	-21,430	-41,251	-31,937
Other external costs	-33,536	-24,112	-47,069	-27,930
Depreciation of non-current assets	-3,285	-2,925	-6,070	-5,419
Disposal of non-current assets	-	-	-106	-3,740
Operating profit	56,004	43,038	63,068	27,049
Financial income	1,780	2,205	3,248	1,648
Financial expenses	-1,277	-2,602	-3,226	-607
Profit before tax	56,507	42,641	63,090	28,090
Tax for the period	-12,493	-9,467	-14,051	-6,325
Income for the year	44,014	33,174	49,039	21,765
Translation differences in translation of foreign operations	23	-	-4	-
Total comprehensive income for the year	44,037	33,174	49,035	21,765

B.7 Selected historical key financial information, continued
Condensed consolidated balance sheet

TSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015	31 Dec 2014
Fixed assets:				
Capitalized development expenses	37,731	27,290	31,250	18,340
Patents and licenses	10,993	9,377	9,570	8,910
Goodwill	2,762	2,762	2,762	2,762
Equipment, tools and fixtures	3,940	5,038	4,581	4,864
Deferred tax assets			–	43
Total fixed assets	55,426	44,467	48,163	34,919
Current assets:				
Inventories	7,597	5,540	4,468	3,561
Accounts receivable	19,028	38,848	26,930	25,323
Other current receivables	1,510	1,386	1,473	1,936
Prepaid expenses and accrued income	5,799	3,071	3,826	2,069
Cash and cash equivalents	169,426	121,549	143,024	108,181
Total current assets	203,360	166,394	179,721	141,070
Total assets	258,786	210,861	227,884	175,989
Equity and liabilities				
Equity	222,113	171,378	187,239	145,953
Total long-term liabilities	122	145	122	145
Total current liabilities	36,551	39,338	40,523	29,891
Total equity and liabilities	258,786	210,861	227,884	175,989

Condensed consolidated cash flow statement

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Cash flow from operating activities	46,066	33,665	62,086	37,233
Cash flow from investing activities	-10,548	-12,548	-19,494	-13,516
Cash flow from financing activities	-9,116	-7,749	-7,749	-6,837
Changes in cash and cash equivalents	26,402	13,368	34,843	16,880
Cash and cash equivalents at the beginning of the year	143,024	108,181	108,181	91,301
Cash and cash equivalents at the end of the period	169,426	121,549	143,024	108,181

Selected key ratios and data per share

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
EBITDA margin, % ¹	37.0	35.9	32.1	26.8
Operating margin, % ¹	34.9	33.6	29.2	20.0
Equity ratio, % ¹	85.8	81.3	82.2	82.9
Return on total assets, % ¹	23.0	22.3	31.3	17.2
Return on equity, % ¹	27.6	26.9	37.9	20.3
R&D expenses as a part of operating income, % ¹	10	11	13	16
No. of shares at end of period, thousands ²	9,365	9,365	9,365	9,365
Earnings per share, SEK ²	4.83	3.64	5.38	2.39
Dividend per share, SEK ¹	0.00	1.00	1.00	0.85
Market capitalizations at the end of period, SEK, thousand ¹	2,260,594	1,194,104	1,289,815	560,591

Key ratios for the interim periods January-June 2016 and for 2014 and 2015, respectively, are not audited.

¹ Non-IFRS measure, not audited.

² IFRS measure, audited.

B.7 Selected historical key financial information, continued
DEFINITIONS

R&D expenses as a part of operating income, %	Activated research and development expenses as a percentage of operating income.
No. of shares at end of period, thousands	Total number of shares at end of the period in thousands.
Return on equity, %	Profit before tax as a percentage of average equity.
Return on total assets, %	Operating profit plus interest income as a percentage of average balance sheet total.
Market capitalizations at the end of period, SEK thousand	Share price at end of the period multiplied with number of shares outstanding.
EBITDA margin, %	Operating profit before interests, taxes, depreciations and impairments as a percentage of net sales.
Earnings per share, SEK	Income for the year divided by number of shares outstanding at year-end.
Operating margin, %	Operating profit as a percentage of net sales.
Equity ratio, %	Equity as a percentage of balance sheet total.
Dividend per share, SEK	Dividend in SEK per share outstanding.

SIGNIFICANT CHANGES

During the first six months of 2016, Probi's net sales amounted to MSEK 160.3 (127.9), representing an increase of 25.3 percent. The North American market, in particular, continued to show significant growth in the Consumer Healthcare business area. Adjusting for currency effects, the increase would have been insignificant.

In 2015, Probi's net sales amounted to MSEK 215.7 (135.2), representing an increase of 59.5 percent. The North American market, in particular, showed significant growth in the Consumer Healthcare business area. Adjusting for currency effects, the increase would have been 42.1 percent.

Since 30 June 2016, the following significant changes in the financial or trading position of Probi have occurred. On 28 September 2016, the Board of Directors of Probi resolved, based on the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through the forthcoming new share issue with preferential right for Probi's shareholders. The rights issue resolution entails that Probi's share capital will increase by a maximum of SEK 11,394,125 through the issuance of not more than 2,278,825 new shares. Further, on 3 October 2016, Probi announced that the Company had completed the acquisition of Nutraceutix, implying the payment of a cash purchase price of MUSD 105 (corresponding to approximately MSEK 900¹).

CONDENSED FINANCIAL INFORMATION REGARDING NUTRACEUTIX

The following summary of financial statements has been obtained from TNTGamble's financial statements for the financial years 2014-2015 and has been prepared in accordance with U.S. GAAP and audited by TNTGamble's auditor (Falco Sult).

Statement of income in summary

	2015		2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Sales, net of returns and allowances	34,390	290,082	39,323	269,665
Cost of sales	-24,005	-202,482	-23,435	-160,710
Gross profit	10,385	87,600	15,888	108,955
Operating expenses				
Marketing	-1,686	-14,221	-1,825	-12,515
Administration	-2,231	-18,818	-2,352	-16,129
Income from operations	6,468	54,560	11,711	80,311
Other income/expenses				
Other income	8	70	14	96
Officer salary	-363	-3,062	-356	-2,441
Interest expense	-420	-3,543	-443	-3,038
Gain on sale and disposal of assets	29	245	12	82
Other expenses	-10,180	-85,868	-4,960	-34,014
Total other income/expenses	-10,926	-92,158	-5,733	-39,315
Net income/loss	-4,457	-37,598	5,979	40,995

¹ Based on average exchange rate for the period, USD/SEK 8.4350.

² Based on average exchange rate for the period, USD/SEK 6.8577.

¹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

B.7 Selected historical key financial information, continued
Balance sheet in summary

	31 Dec 2015		31 Dec 2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Current assets				
Cash and cash equivalents	616	5,145	28	219
Accounts receivable	4,966	41,478	4,753	37,129
Inventory	6,514	54,408	7,720	60,306
Prepaid expenses	301	2,514	85	664
Other receivables	182	1,520	283	2,211
Total current assets	12,579	105,065	12,869	100,529
Tangible fixed assets, at cost				
Furniture and fixtures	42	351	42	328
Machinery and equipment	6,606	55,176	6,465	50,503
Vehicles	1	6	1	10
Leasehold improvements	436	3,642	398	3,111
Accumulated depreciation	-2,745	-22,930	-1,737	-13,569
Total tangible fixed assets	4,339	36,244	5,170	40,383
Other assets				
Deposits	68	568	62	484
Goodwill	1,834	15,318	2,096	16,373
Loan fees	120	1,002	99	773
Patents	4,626	38,638	5,304	41,430
Total other assets	6,648	55,527	7,561	59,061
Total assets	23,566	196,836	25,599	199,973
Equity and liabilities				
Current liabilities	5,836	48,746	5,895	46,051
Long-term debt, net of current position	15,093	126,064	10,950	85,541
Other liabilities	181	1,512	215	1,683
Total shareholder's equity	2,456	20,514	8,538	66,697
Total liabilities and shareholder's equity	23,566	196,836	25,599	199,973

¹ Based on the exchange rate at 31 December 2015, USD/SEK 8.3524.

² Based on the exchange rate at 31 December 2014, USD/SEK 7.8117.

Statement of cash flow in summary

	2015		2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Cash flow (net) from operating activities	-1,440	-12,143	5,962	40,888
Cash flow (net) from investing activities	-330	-2,792	-2,011	-13,788
Cash flow (net) from financing activities	2,358	19,890	-4,018	-27,554
Net increase/decrease in in cash and cash equivalents	588	4,960	-67	-459
Cash and cash equivalents at the beginning of the year	28	236	95	651
Cash and cash equivalents at year-end	616	5,196	28	192

¹ Based on average exchange rate for the period, USD/SEK 8.4350.

² Based on average exchange rate for the period, USD/SEK 6.8577.

SIGNIFICANT CHANGES

In 2015 Nutraceutix's net sales amounted to MUS\$ 34.4 (39.3), representing a decrease of 12.5 percent. The decline was mainly due to the termination of a customer's market investment in a product that was significant for Nutraceutix.

B.8 Selected key pro forma financial information

On 6 June 2016, Probi announced that its US subsidiary, Probi USA Inc., had signed an asset purchase agreement of the US probiotics company TNTGamble, which has operated under the name of Nutraceutix. The acquisition was completed on 3 October 2016.

The purpose of the pro forma financial information is to present the hypothetical impact that the acquisition of Nutraceutix and the rights issue could have had on the Group's consolidated income statement and balance sheet for the financial year ended 31 December 2015. The pro forma income statement has been prepared as if the acquisition of Nutraceutix and the rights issue had occurred on 1 January 2015, while the pro forma balance sheet has been prepared as if the acquisition and rights issue had occurred on 31 December 2015. The information presented does not therefore reflect the earnings or the financial position that the companies would have had if they had carried out their operations as a unit during the specified period, nor does the information provide any indication of the new Group's future earnings or financial position. No benefits resulting from synergies or the costs of any integration activities are included in the pro forma financial information.

Pro forma financial information is only intended to inform and illustrate facts. The Pro forma financial information is intended to illustrate a hypothetical situation and does not serve as a description of Probi's actual financial position or earnings.

Pro forma income statement for the 2015 financial year

SEK, thousand	Pro forma adjustments				Full-year 2015, Pro forma
	Full-year 2015, Probi ¹	Full-year 2015, Nutraceutix ²	U.S. GAAP conversion to IFRS ³	Acquisition and financing, Nutraceutix ^{4,5}	
Net sales	215,711	290,082			505,793
Other revenue	4,973	315			5,288
Total operating revenue	220,684	290,397	0	0	511,081
Raw materials	-63,120	-107,163			-170,283
Employee benefit expenses	-41,251	-62,526			-103,777
Other external costs	-47,069	-51,116			-98,185
Depreciation and impairment of non-current assets	-6,070	-17,784			-23,854
Other operating expenses	-106	-85,868	85,868		-106
Operating profit	63,068	-34,060	85,868	0	114,876
Financial income	3,248	0			3,248
Financial expenses	-3,226	-3,540		-2,332	-9,098
Profit/loss before tax	63,090	-37,600	85,868	-2,332	109,206
Tax for the period	-14,051	0	-18,347	-53	-32,451
Profit/loss for the year	49,039	-37,600	67,521	-2,385	76,575

¹ Based on Probi's audited annual report for the 2015 financial year.

² Based on TNTGamble's audited annual report for the 2015 financial year, prepared in accordance with U.S. GAAP. Converted using the average exchange rate in 2015 of SEK/USD 8,4350.

³ Adjustment of the additional purchase price of TSEK 85,868, in line with Probi's accounting principles. TNTGamble's earnings under IFRS were charged with US federal corporation tax of 38 percent, entailing a tax expense of TSEK 18,347.

⁴ TNTGamble's current interest expense of TSEK 3,540 is eliminated, since corresponding loans are not included in the asset purchase agreement. Tax expense is calculated as 38 percent of the interest rate, corresponding to TSEK 1,345.

⁵ Adjustment of interest expense for raising loans of TSEK 226,925 to 2.21 percent interest, corresponding to TSEK 5,872, including the allocation of arrangement fees. Tax income is calculated as 22 percent of interest expense, including the allocation of arrangement fees, corresponding to TSEK 1,292.

All pro forma adjustments are expected to have a lasting effect.

B.8 Selected key pro forma financial information, continued**Pro forma balance sheet at 31 December 2015**

SEK, thousand	Pro forma adjustments				31 Dec 2015, Pro forma
	31 Dec 2015, Probi ¹	31 Dec 2015, Nutraceutix ²	Acquisition and financing, Nutraceutix ³	Rights issue ⁴	
Intangible fixed assets	43,582	53,958	704,961		802,501
Tangible fixed assets	4,581	36,243			40,825
Long-term receivables	0	1,569	-1,000		569
Fixed assets	48,163	91,770	703,961	0	843,894
Inventories	4,468	54,408	0	0	58,877
Current receivables	32,228	45,507	0	0	77,735
Cash and cash equivalents	143,024	5,149	-80,616	0	67,558
Current assets	179,721	105,064	-80,616	0	204,169
Assets	227,884	196,834	623,345	0	1,048,063
Equity	187,239	20,514	-37,514	593,810	764,049
Deferred tax liabilities	122	0	0	0	122
Other provisions	0	1,511	0	0	1,511
Other long-term liabilities	0	126,062	166,272	-65,409	226,925
Long-term liabilities⁵	122	127,572	166,272	-65,409	228,558
Current liabilities	40,523	48,748	494,586	-528,401	55,456
Current liabilities⁵	40,523	48,748	494,586	-528,401	55,456
Liabilities	40,645	176,320	660,858	-593,810	284,014
Equity and liabilities	227,884	196,834	623,345	0	1,048,063

¹ Based on Probi's audited annual report for the 2015 financial year.

² Based on TNTGamble's audited annual report for the 2015 financial year, prepared in accordance with U.S. GAAP. Translation to the prevailing rate on 31 December 2015, SEK/USD 8.3524.

³ The purchase price for the acquisition of Nutraceutix was TSEK 877,001, according to the assumption presented below. Consolidated surplus value amounts preliminarily to TSEK 720,278, which has not yet been allocated. Acquisition-related expenses reduced equity and cash and cash equivalents by an amount of TSEK 17,000. According to the agreement, the acquisition of Nutraceutix only includes certain assets and liabilities. Adjustments have therefore been made to reflect this as below.

Preliminary acquisition cost estimate, SEK, thousand

Nutraceutix's net assets on the acquisition date	Real value	Assets/liabilities not acquired	Assets/liabilities acquired
Intangible fixed assets	53,958	-15,317	38,641
Tangible fixed assets	36,243		36,243
Long-term receivables	1,569	-1,000	569
Inventories	54,408		54,408
Current receivables	45,507		45,507
Cash and cash equivalents	5,149	-5,149	-
Other provisions	-1,511		-1,511
Other long-term liabilities	-126,062	126,062	-
Current liabilities	-48,748	31,613	-17,135
Total	20,514	136,209	156,723
Unallocated consolidated surplus values			720,278
Total			877,001
Purchase price			877,001

The acquisition was financed on the transfer date through new long-term loans and revolving facilities totaling TSEK 292,334, a bridge facility of TSEK 526,201 and existing funds of TSEK 58,467. Amounts were translated at the prevailing rate on 31 December 2015, SEK/USD 8.3524.

⁴ A rights issue of TSEK 591,610, less calculated issue expenses of TSEK 10,000 and estimated tax income of 22 percent (TSEK 2,200), according to the assumptions presented. The proceeds from the rights issue will be used to repay the bridge facility of TSEK 526,201, and TSEK 65,409 of the revolving facilities.

⁵ All long-term liabilities are interest-bearing. No current liabilities are interest-bearing.

B.9 Profit forecast or estimate

Not applicable. The prospectus contains no profit forecast or estimate.

B.10	Audit report qualifications	Not applicable. There are no qualifications in the audit report on the historical financial information.
B.11	Insufficient working capital	<p>It is Probi's assessment that the Company's working capital is not sufficient for the present requirements during the next twelve months since Probi, within one year from the conclusion of the acquisition of Nutraceutix, need to repay the bridge financing of approximately MUSD 63 (corresponding to approximately MSEK 540²) which during a transitional period finances a part of the purchase price in the acquisition of Nutraceutix. The total purchase price in the acquisition amounted to MUSD 105 (corresponding to approximately MSEK 900³), and the acquisition has in addition to the bridge financing been financed through available funds and a credit facility of approximately MUSD 35 (corresponding to approximately MSEK 300⁴).</p> <p>Probi's intention is to repay the bridge financing and a part of the credit facility with proceeds from the present rights issue. Through the shareholders Symrise, Fourth Swedish National Pension Fund, Swedbank Robur Funds and Handelsbanken Funds, Probi has received subscription commitments and indications of intent to subscribe for respective pro rata shares of the rights issue, in aggregate corresponding to approximately 69.5⁶ percent of the outstanding share capital and votes in Probi. If the rights issue, notwithstanding these subscription commitments and indications of intent, does not generate a sufficient amount to repay the bridge financing, Probi may have a working capital deficiency of up to MSEK 540 at the end of the twelve month period. If this should occur, Probi may have to seek alternative financing, such as additional share capital or other bank financing, for the outstanding amount or may be forced to renegotiate the terms of the bridge financing. If Probi does not succeed in obtaining alternative financing or in reaching an agreement regarding the bridge financing, it could ultimately mean that the Company is forced to sell part of its business.</p>

Section C – Securities

C.1	Securities offered/admitted to trading	Shares in Probi (ISIN code SE0001280355).
C.2	Currency	The currency of the shares is SEK.
C.3	Number of shares issued	As of the date of this prospectus, the Company's registered share capital amounted to SEK 46,826,500, represented by 9,365,300 shares (no changed since 1 January 2015), each with a quota value of SEK 5.
C.4	Rights attached to the securities	Each share carries one vote. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers. Should the Company decide to issue shares, warrants or convertibles (Sw. <i>konvertibler</i>) by way of a cash issue or a set-off issue (Sw. <i>kvittningsemission</i>), shareholders shall have preferential right to subscribe in proportion to their existing shareholdings. There are, however, no provisions in the Company's articles of association restricting the Company's ability to decide to, in accordance with the rules set out in the Swedish Companies Act (2005:551), issue new shares, warrants or convertibles with deviation from the shareholders' preferential right. All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation. On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear will be entitled to receive dividends.
C.5	Restrictions on the free transferability	Not applicable. The shares are not subject to any restrictions on the free transferability.
C.6	Admission to trading	The new shares will be traded on Nasdaq Stockholm.
C.7	Dividend policy	Probi's dividend policy entails that future dividends will be based on Probi's earnings level, financial position and requirements for the financing of investment opportunities. On an annual basis, the Board of Directors will evaluate the potential to pay a dividend and, in so doing, balance the shareholders' expectations of a reasonable dividend yield with the company's needs to self-finance its continued growth and expansion.

² Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

³ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁴ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁵ Based on ownership percentages as of 31 August 2016.

Section D – Risks

D.1 Key risks specific to the issuer or its industry

An investment in securities is associated with risks. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to the Company and the future performance of the shares. Set out below is a summary of the key risks specific to Probi and the industry:

A decline or change in interest in health and health products among consumers could have a material negative impact on Probi

There is a risk that the prevailing health trend will decline or change, or that other trends will gain greater attention at the expense of, for example, probiotic products, which could in turn lead to a reduction or decline in demand for Probi's products. Probi's sales could correspondingly be affected by other material changes to consumer preferences and patterns. If demand for Probi's products were to decline or stop increasing it would negatively affect the Company's operations, financial position and earnings.

Probi is dependent on agreements with customers, licensees and sales partners and lower revenue from these parties may have a material negative effect on Probi

Probi is dependent on agreements with other companies for the sale of the Company's products and product concepts. There is a risk that the companies with which Probi has entered into licensing or sales agreements will not fulfill their commitments under such agreements. There is also a risk that Probi will not continue to receive revenue from its licensees or sales partners at the same level as today, that existing agreements will be terminated or that other negative changes are made to existing agreements. In summary, lower revenues from Probi's customers, licensees or sales partners could entail a significantly negative effect on Probi's operations, financial position and earnings.

Probi is dependent on partnerships with other players for manufacturing of the Company's products and any obstruction or discontinuation of such partnerships could have a negative effect on the Company

A significant portion of Probi's revenue is based on the sale of ready-made probiotic products in the form of powder, capsules and tablets. For this reason Probi is dependent on partnerships with other players for delivery of ingredients and manufacturing of products. If manufacturer and suppliers cannot live up to the quality standards, or if manufacturing partnerships were otherwise obstructed or terminated, it could have a negative impact on the Company's operations, financial position and earnings.

The acquisition of Nutraceutix is associated with, for example, due-diligence related risks, risks regarding limited guarantee protection and integration risks

The Company carried out various due diligence audits to identify the risks to which Nutraceutix's operations are subject. However, there is a risk that these due diligence audits have not been sufficient. Furthermore, in the acquisition agreement, the Company received certain representations and warranties regarding Nutraceutix. The representations and warranties are not comprehensive and there is a risk that material parts of Nutraceutix and its operations are not encompassed by any representation or warranty. The Company's acquisition of Nutraceutix implies that Nutraceutix's organization is to be integrated within Probi's organization. There is a risk that uncertainty surrounding potential organizational changes may lead to key individuals leaving and that the integration process is delayed or so time-consuming that it interferes on the ongoing operations. Should any of these risks materialize it could have a material negative impact on Probi's operations, financial position and earnings.

Clinical trials regarding new products are associated with great uncertainty and risks regarding delays and the results of the studies

A significant part of the development of new products consists of the clinical trials to document whether the bacteria provide the desired health benefits. Clinical trials are associated with great uncertainty and risks regarding delays and the results of the studies. The effect of this could be that the planned commercialization of new products is hindered or rendered impossible, which could have a negative effect on the Company's operations, financial position and earnings.

Probi's continued development is dependent on its ability to obtain and maintain the necessary intellectual property rights protection

Probi's continued development is largely dependent on continued research and intellectual property rights protection. Thus, it is critical that granted patents can be maintained and that newly developed products and application areas can be patented or protected in some other way. There is a risk that existing and future patents, trademarks and other intellectual property rights held by Probi will not provide full commercial protection from infringement and competition. Other companies' patents can also limit opportunities for Probi or the Company's licensees to freely use a certain product or production method.

Exchange-rate changes could have a negative effect on Probi

Probi is active internationally and thus has revenue and costs in various currencies. If Probi's other measures to manage the effects of exchange-rate movements do not prove to be sufficiently effective, Probi's operations, financial position and earnings could be negatively affected.

D.3 Key risks specific to the securities

Set out below is a summary of the key risks specific to the shares and the rights issue.

The share price can be volatile and share price development is dependent on a number of factors

Risk and risk-taking are inevitable aspects of owning shares. Since a share investment can decrease in value, an investor might not be able to recover the invested capital.

Shareholders who do not participate in the rights issue will experience dilution and further issues can also result in dilution and affect the share price

Holder of shares who, fully or partially, choose not to exercise their subscription rights in connection with the rights issue will experience dilution of their proportional holdings of shares and votes in the Company. Issuance of additional securities could result in dilution for existing shareholders if the issue is carried out with deviation from the shareholders' preferential right or if a shareholder chooses not to exercise its preferential right. There is also a risk that potential future issues will cause the market value of the shares to decrease, in the short or the long term.

Probi's ability to pay potential dividends in the future is dependent on several factors

In accordance with Probi's new dividend policy future dividends will be based on Probi's earnings, financial position, and financing requirements of available investment opportunities. The dividend proposal and payment during a given year cannot be predicted since Probi may not have sufficient distributable funds and since Probi's shareholders may decide not to pay out dividends.

Larger shareholders can exercise a significant influence over Probi

On the date of the prospectus, approximately 51.4 percent of the share capital and votes in Probi⁶ are controlled by Symrise, which has undertaken to subscribe for shares in the rights issue corresponding to its pro rata share. Symrise will thus continue to be able to exercise a significant influence over the outcome of matters that shareholders decide on. There is a risk that Symrise's interests are not aligned with, or significantly deviate from or conflict with Probi's interests and the interests of other shareholders. These circumstances could have a material negative effect on Probi's operations, financial position and earnings.

Section E – Offer

E.1 Net proceeds and expenses

Assuming that the rights issue is fully subscribed for, the gross proceeds from the right issue will amount to approximately MSEK 602. Probi's issue costs are expected to amount to approximately MSEK 10.

E.2a Reasons for the offer and use of proceeds

On June 6, 2016, Probi announced that its US subsidiary Probi USA, Inc. had entered into an asset purchase agreement under which Probi acquired the operations of the US probiotics company TNTGamble, doing business as Nutraceutix, for a cash purchase price of MUSD 105 (corresponding to MSEK 900⁷) on a cash and debt free basis. Nutraceutix's assets were transferred to Probi and the acquisition was completed on 3 October 2016.

Nutraceutix has its operations in North America, which is the largest and fastest growing market for consumer healthcare products in the world. The acquisition of Nutraceutix is highly in line with Probi's strategic priorities as it will strongly enhance Probi's presence in the attractive North American probiotics market, add important new technologies, manufacturing capabilities and customer relationships, and create a platform for further acquisitions. The acquisition also provides significant synergy opportunities.

The cash purchase price was financed through available cash reserves, a credit facility of approximately MUSD 35 (corresponding to approximately MSEK 300⁸), and a bridge facility of approximately MUSD 63 (corresponding to approximately MSEK 540⁹). As part of the financing of the acquisition, the Board of Directors resolved on 28 September 2016, with the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through a new share issue with preferential right for the shareholders in Probi.

Since Probi, within one year from the conclusion of the acquisition of Nutraceutix, need to repay the bridge financing it is Probi's assessment that the Company's working capital is not sufficient for the present requirements during the next twelve months (see further item B.11). Proceeds from the rights issue will hence be used to repay the bridge facility and a part of the credit facility.

E.3 Terms and conditions of the offer

On 28 September 2016, the Board of Directors of Probi resolved, based on the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through a new share issue with preferential right for Probi's shareholders.

The rights issue resolution entails that Probi's share capital will increase by a maximum of SEK 11,394,125 through the issuance of not more than 2,278,825 new shares. The subscription price has been set at SEK 264 per share. The Company's shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the rights issue is 6 October 2016. Those who are registered as shareholders of Probi on the record date are entitled to subscribe for one (1) new share for each four (4) existing shares held in Probi. To the extent that new shares are not subscribed for with preferential right, they shall be allotted to shareholders and other investors who have subscribed for shares without preferential right in accordance with the principles set out in "Terms and conditions". Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from 7 October 2016 up to and including 21 October 2016, or such later date as determined by the Board of Directors per 21 October 2016 at the latest.

⁶ Based on ownership percentages as of 31 August 2016, with thereafter known changes and taking into account Probi's holdings of 250,000 treasury shares, which may not be represented at the general meeting and do not entitle to participate in the rights issue.

⁷ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁸ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

E.4	Interests material to the offer	Handelsbanken provides financial advice to Probi in conjunction with the rights issue. Handelsbanken (and their affiliates) have provided, and may in the future provide, various banking, financial, investment, commercial and other services to Probi for which Handelsbanken have received, and may receive, compensation. Furthermore, Handelsbanken is lender and/or broker of loans granted to Probi.
E.5	Person/entity offering to sell the security, lock-up agreements	Shareholders having entered into subscription commitments have undertaken not to reduce their holdings in the Company up until the date the rights issue is fully registered by the Swedish Companies Registration Office.
E.6	Dilution	The rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 9,365,300 to 11,644,125 shares, representing an increase of 24 percent. Shareholders who decline to subscribe for shares in the rights issue will experience a dilution by a maximum of 2,278,825 new shares, representing approximately 20 percent of the total shares in the Company after the rights issue.
E.7	Expenses charged to the investor	Not applicable. The issuer will not impose any charges or taxes on investors.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Probi and the future performance of the shares. The risks currently considered to be of importance to Probi are described below, in no particular order. There are risks both regarding circumstances attributable to Probi and/or the industry and those that are of a more general nature as well as risks associated with the shares and the rights issue. Some risks lie beyond Probi's control. The description below does not purport to be complete and, naturally, all risk factors cannot be predicted or described in detail. Therefore, an overall assessment must also include the other information in the prospectus, as well as a general assessment of extraneous factors. The below risks and uncertainty factors may have a material adverse effect on Probi's operations, financial position and/or results. They may also cause the shares in Probi to decrease in value, which may result in Probi's shareholders losing all or part of their invested capital. Additional factors of which Probi is currently unaware, or which currently are not deemed to be risks, may also have corresponding negative effects.

RISKS RELATED TO THE INDUSTRY AND THE OPERATIONS

A decline or change in interest in health and health products among consumers could have a material negative impact on Probi

A general trend in society in many geographical markets, including Europe, North America and Asia, is a growing interest in health, health products and a healthy lifestyle among consumers. People are becoming increasingly health conscious and interested in preventive health care. An attractive market will be created if more and more people perceive certain products, for example probiotics, as having positive health benefits. The prevailing health trend has in this way resulted in a positive effect on customer demand for e.g. probiotics. Sustained interest in health and health products among consumers is important for Probi's ability to grow further. There is a risk that the prevailing health trend will decline or change, or that other trends will gain greater attention at the expense of, for example, the interest for probiotic products, regardless of whether these trends are based on true facts. This would in turn lead to a reduction or decline in demand for Probi's products, which would have a material negative effect on Probi's operations, financial position and earnings.

Probi's sales could correspondingly be affected by other material changes to consumer preferences and patterns for example regarding type of food. The Company's ability to predict and react to changes in consumer trends, including Probi's ability to develop new products and applications for its bacteria strains, is essential in order to maintain and increase interest in probiotics and in the Company's products. Consumer preferences can fluctuate due to a wide range of factors, many of which lie outside the Company's control. If demand for Probi's products were to decline or stop increasing due to the Company or its customers failing to adapt their products quickly enough to changing consumer preferences, it would negatively affect the Company's operations, financial position and earnings.

Probi is dependent on agreements with customers, licensees and sales partners and lower revenue from these parties may have a material negative effect on Probi

In order for Probi to maintain and improve its earnings, it is important that Probi can maintain and renew agreements with its existing customers and that Probi succeeds in entering into agreements with new customers. Probi's customers are under no obligation to extend their existing agreements once they expire and there is a risk that Probi may lose important customers in the future. This may be the result of several factors such as the customers' degree of satisfaction with Probi's products, the effectiveness of the products, Probi's pricing, the prices of competing products, mergers and acquisitions that impact Probi's customer base or global economic conditions. Such a development could entail serious consequences for Probi and would, particularly as regards the Company's largest customers, have a significantly negative effect on Probi's operations, financial position and earnings.

Furthermore, Probi is, and is expected in the future to remain, dependent on agreements with other companies for the sale of the Company's products and product concepts. Probi has agreements with a number of licensees and sales partners and expects a not insignificant share of revenue in the foreseeable future to come from license, royalty and/or sales-based revenue from these licensees and sales partners.

There is a risk that the companies with which Probi has entered into or will enter into licensing or sales agreements will not fulfill their commitments under such agreements. Nor can Probi control the customer's or partner's choice of launch rate or marketing or sales activities. Furthermore, there is a risk that Probi will be unsuccessful in entering into more licensing and sales agreements than the agreements currently in place, or that new agreements cannot be entered into on commercially attractive conditions. There is also a risk that Probi will not continue to receive revenue from its licensees or sales partners at the same level as today, that existing agreements will be terminated or that other negative changes are made to existing agreements. Moreover, although Probi's licensees and sales partners may meet their obligations according to these agreements there is always a risk that they will not be successful in their respective

markets. In summary, lower revenues from Probi's customers, licensees or sales partners could entail a significantly negative effect on Probi's operations, financial position and earnings.

Probi is dependent on partnerships with other players for manufacturing of the Company's products and any obstruction or discontinuation of such partnerships could have a negative effect on the Company

A significant portion of Probi's revenue is based on the sale of ready-made probiotic products in the form of powder, capsules and tablets. For this reason Probi is, and in the future will be, dependent on partnerships with other players for delivery of ingredients and manufacturing of the Company's products. A limited number of manufacturers and suppliers can meet the quality requirements set out by Probi. Probi currently has partnerships with a number of manufacturers and suppliers, and if these parties do not meet, for example, their quality, volume and delivery-time commitments or if agreements are terminated or not extended, the Company may be forced to replace manufacturers and suppliers, which may be both time-consuming and costly. Probi has on previous occasions been affected by manufacturing partners not being able to meet the established quality requirements. If Probi were to be affected by such quality problems in the future, or if the Company's existing manufacturing partnerships were otherwise obstructed or terminated, it could have a negative impact on the Company's operations, financial position and earnings.

Probi operates in a competitive market and increased competition could negatively affect the Company

The growing interest in probiotics entails that Probi faces increased international competition from ingredient companies and suppliers of probiotic products. Competition also arises from other products with equivalent health benefits. If a competitor were to succeed in developing and launching similar or more effective products than the Company's products, it could lead to fewer sales opportunities for the Company. Furthermore, companies that currently work in closely associated areas could decide to establish business activities within the Company's field of operations. Increased competition could lead to lower sales and thus negatively affect the Company's operations, financial position and earnings.

The opportunity to grow through acquisitions is dependent on Probi's ability to identify suitable acquisition targets, complete acquisitions and successfully integrate them

Part of Probi's business strategy is to consider joint ventures, strategic business relationships and acquisitions that the Company believes would complement the existing operations. The opportunity to grow through acquisitions is dependent on the Company's ability to identify suitable acquisition targets, carry out the necessary due diligence, negotiate acquisitions on favorable terms for Probi, obtain the necessary licenses and permits, ultimately complete the acquisitions and successfully integrate them into the Group. There is a risk that the Company will be unable to find suitable acquisition targets or that it will not be possible to carry out acquisitions on favorable terms for Probi. If the Company is unsuccessful in completing acquisitions or is unable to carry them out on sufficiently favorable terms, it could have a negative effect on the Company's future growth. Future acquisitions may also lead to a number of risks for the Company's operations, including:

- Changes to the debt/equity ratio, contingent liabilities, capital structure and operating profit;
- Potential future impairment of goodwill or other intangible assets arising in connection with the acquisitions;
- Difficulties in integrating acquired operations, software, technology or personnel;
- Significant unforeseen integration costs;
- Integration work could divert significant management focus and significant financial resources from the Company's existing operations and thus disrupt the ongoing operations;

- The larger size of the Group's operations and personnel imposes requirements on Probi's ability to develop its organization and its control, governance, finance and accounting and information systems;
- Loss of key personnel, particularly in the acquired operations;
- Difficulties in retaining or further developing the relationship with the acquired operations' customers and business partners;
- Cost savings or other financial and/or strategic advantages and synergies not materializing; and
- Payment liability and other requirements through the acquired operations that are not encompassed by indemnity undertakings.

If acquisitions do not give rise to expected synergies or if the integration of acquired operations cannot be successfully implemented, it could have a material negative impact on Probi's operations, financial position and earnings.

The acquisition of Nutraceutix is associated with, for example, due-diligence related risks, risks regarding limited guarantee protection and integration risks

Prior to the Company's acquisition of Nutraceutix, the Company carried out various due diligence audits to identify and investigate the risks to which Nutraceutix's operations are subject. However, there is a risk that these due diligence audits have not been sufficient or suffer from shortcomings, and that the assumptions made by the Company about Nutraceutix are therefore erroneous. Such errors may result in, among other things, that expected synergies in the form of, for example, additional sales, production assurance or cost savings do not reach expected levels or do not materialize at all. Potential errors may also lead to the Company needing to take costly development or modification measures. Should any of these risks materialize it could have a material negative impact on Probi's operations, financial position and earnings.

In the acquisition agreement, the Company received certain representations and warranties regarding Nutraceutix and its operations, and related indemnification obligations, from the seller. Neither the representations and warranties nor the indemnification obligations are comprehensive, and there is a risk that material parts of Nutraceutix and its operations are not encompassed by any representation or warranty or by the indemnification obligations. If it were to emerge that such a material part was associated with an error, the Company would not, in such a case, be able to make a claim for compensation and thus would incur damage that could not be compensated. The seller's indemnification obligations are also limited in time and subject to various thresholds and other qualifications. Accordingly, there is also a risk that damages do not entail any or full compensation, even though the error that resulted in the damage is encompassed by a representation or warranty that is indemnified. A particular risk associated with an asset purchase acquisition, as in the case of the acquisition of Nutraceutix, is that not all of the assets that are encompassed by the asset purchase agreement and used in the operations are transferred to the buyer. Furthermore, in the acquisition agreement, Probi undertook to compensate the seller up to an amount of USD 5,000,000 for any additional tax that the seller might be levied due to the transaction being executed as an asset purchase instead of as a share transfer. Should any of these risks materialize it could have a material negative impact on Probi's operations, financial position and earnings.

The Company's acquisition of Nutraceutix implies that Nutraceutix's organization is to be integrated within Probi's organization. Such an integration may entail difficulties due to factors such as differences in corporate culture. Uncertainty surrounding potential organizational changes may also lead to key individuals leaving Nutraceutix or Probi and to the loss of customers. To minimize these risks, both Probi's and Nutraceutix's management must participate in the integration process. Such work is time-consuming and can be subject to delays, entailing a risk that relevant managers may not be able to devote the time necessary to conduct the ongoing operations and focus on the issues arising in these

operations. Should any of these risks materialize it could have a material negative impact on Probi's operations, financial position and earnings.

Nutraceutix is also subject to all of the risks to which Probi is subject, particularly the risks described herein. Should any of these risks in relation to Nutraceutix materialize it could have a material negative impact on Probi's operations, financial position and earnings.

Clinical trials regarding new products are associated with great uncertainty and risks regarding delays and the results of the studies

Research and development of probiotic bacterial strains and their health benefits is the basis of Probi's commercial success. A significant part of the development of new products consists of the clinical trials to document whether the bacteria provide the desired health benefits. Clinical trials are associated with great uncertainty and risks regarding delays and the results of the studies. There is a risk that results from earlier preclinical and clinical trials do not correspond to the results of later and more extensive studies. There is also the risk that Probi's ongoing and planned clinical trials will not indicate a sufficient effect for the Company to obtain government approvals or for sufficient market acceptance to enable sales of new products. The effect of this could be that the planned commercialization of new products is hindered or rendered impossible, which could have a negative effect on the Company's operations, financial position and earnings.

Obtaining regulatory permits and approvals can be time-consuming and can delay, raise the price of or hinder further development and commercialization of a product; the rules on the use of health claims for probiotic products are continuously being changed

In order to start and run clinical trials and to market and sell a probiotic product permits and approvals for the use of health claims, among other things, must be obtained from the relevant authorities in each country and region. Obtaining regulatory permits and approvals can be time-consuming and can delay, raise the price of or hinder further development and commercialization of a product, for example, due to different opinions regarding the clinical trials required for approval or to the manufacturing not being deemed to meet the applicable requirements. The authorities' assessments may differ from Probi's, for example regarding interpretation of data from studies or the quality of data. Changes to authorities' practices and procedures, and new or amended regulations or reclassification of existing products, may require additional work or ultimately entail that the necessary permits cannot be obtained or are withdrawn. Regulatory requirements and practices differ between various jurisdictions. Probi securing a necessary permit in one jurisdiction is no guarantee that an equivalent permit will be obtained in another jurisdiction. If necessary permits and approvals are not obtained or are associated with unpredictable conditions, there is a risk that the product cannot be launched, that the launch will be postponed and thus incur increased costs, or that sales of the product will decline if a health claim cannot be used. This could in turn entail a material negative impact on Probi's revenue opportunities and thus on its operations, financial position and earnings.

The requirements and regulations on the use of health claims for inter alia probiotic products are continuously being changed. Since 1 July 2007, nutritional and health claims are regulated by an EU directive (1924/2006) that applies in all EU countries, which entails considerable restrictions on the possibilities to communicate health-related benefits of products to consumers. A sharpening of regulatory processes is also under way in other geographic markets. In the US, for example, discussions are focusing on quality and number of clinical studies required to substantiate a health claim for products containing probiotics. Since Probi's continued expansion assumes product launches in an increasing number of geographic markets in and outside Europe, a sharpening of regulatory processes in various markets could entail a risk that products cannot be launched at all, product launches are postponed incurring increased costs, sales decline since health claims may not be used, previ-

ously launched products must be recalled resulting in a loss of sales and increased costs, or that costs increase in another manner. Should any of these risks materialize it could entail a material negative effect on the Company's operations, financial position and earnings.

Probi's continued development is dependent on its ability to obtain and maintain the necessary intellectual property rights protection

Probi's continued development is largely dependent on continued successful research and the ability to protect future revenue streams through the Company's products obtaining extensive intellectual property rights protection. Thus, it is critical that granted patents can be maintained and that newly developed products and application areas can be patented or protected in some other way.

There is a risk that existing and future patents, trademarks and other intellectual property rights held by Probi will not provide full commercial protection from infringement and competition. For example, competitors may develop new products and application areas that could mean that Probi's current and future intellectual property rights for products and application areas could be circumvented or replaced. Patents are also, by their nature, limited in time. A particular risk is that Probi's license partners, by virtue of the license agreements, have certain rights to patents regarding the products subject to the agreement. How these patents are used and managed on the applicable market is thus not always or fully under Probi's direct control.

Other companies' patents can also limit opportunities for Probi or the Company's licensees to freely use a certain product or production method. Since patent applications are confidential until they are published, it could be the case that Probi's patent applications are not prioritized in relation to previously unknown patent applications and patents. Furthermore, it is not certain that Probi's patent applications will result in patents being granted or that the granted patent protection has the same scope as in the original application. There is also a risk that granted patents are declared null and void, for example, in a dispute with a third party, or that Probi unintentionally is deemed to infringe other parties' intellectual property rights.

There is a risk that the measures taken by Probi to protect its patents, trademarks and other intellectual property rights will not be successful or sufficient. Laws and practice regarding the protection of intellectual property rights vary extensively between countries and Probi's rights may thus be more vulnerable in some countries than in others. If Probi is forced to defend its patents, trademarks and other intellectual property rights, this could entail significant costs and delays in product development.

In addition, there is a risk that for unknown reasons Probi becomes involved in court cases for alleged infringement of other parties' rights. Companies may also be subject to baseless lawsuits regarding patent infringement. Infringement disputes can, similar to other types of disputes, be costly and time-consuming and thus have an adverse effect on Probi's operations, financial positions and earnings.

Manufacturing and production may require permits and entail a risk of pollution, emissions or other form of impact on the environment

With the acquisition of Nutraceutix, the Company will conduct its own manufacturing of probiotic products. Manufacturing and production always entail a risk of pollution, emissions or other form of impact on the environment. Any potential environment-related liability could have a negative impact on Probi's operations, financial position and earnings.

Probi conducts reviews in conjunction with acquisitions of companies to investigate whether any historic liability under the Swedish Environmental Code or under corresponding foreign legislation exists. There is a risk that not all potential obligations or liabilities are identified prior to the acquisition or are covered by the necessary contractual protection, which could have a negative effect on Probi's operations, financial position and earnings.

After the acquisition of Nutraceutix, the Group conducts operations subject to permit obligations under environmental legislation in the US. Although Probi currently holds the permits required for the operations in the US, there is a risk that the Company in the future cannot meet the applicable conditions for such permits, or that regulations are changed so that further operations would be subject to permit obligations without Probi having the possibility to obtain applicable permits. If Probi in the future would lack necessary permits for a part of its operations, it could have a negative effect on Probi's operations, financial position and earnings.

Unforeseen development and/or results of studies in conjunction with product development could result in concepts, studies or products needing to be re-examined or redesigned

Probi works continuously to further develop products within its Functional Food and Consumer Healthcare business areas. Probi's research and development encompasses both proprietary projects and partnerships with external Swedish and international researchers and organizations. There is a risk related to product development entailing that unforeseen development and/or study results could result in the need to re-examine or redesign used concepts, studies or products. This could entail that new, supplementary studies and/or further development may need to be performed at significant cost or that the performed studies, concepts and products may be completely discontinued. Increased costs, delays or disruptions related to the Company's product development may entail that Probi is forced to report extensive impairment losses on capitalized development expenditure, or that the Company's operations, financial position and earnings are otherwise negatively affected.

Establishing operations in new markets could entail problems and risks that are difficult to predict, including the risk that such establishments are more time-consuming and costly than expected

Part of Probi's strategy is to continue to investigate opportunities to establish operations in new geographical markets and the Company sees significant growth opportunities in, for example, Asia and North America. However, establishing operations in new markets could entail problems and risks that are difficult to predict, including the risks that such establishments are more time-consuming and costly than expected and that expected sales partially or completely fail to materialize. The risks may be both company specific and related to geography, for example, the risk of exposure to various, potentially overlapping, legal systems and the costs for complying with these systems. Geographic expansion and a growing workforce may also entail major organizational challenges and there is a risk that, for example, Probi may not be able to manage corporate governance and internal risk control as effectively as previously. If operations cannot successfully be established in new markets, or entail that the Company's risk management is impaired, it could have a negative effect on Probi's operations, financial position and earnings.

Probi's operations are subject to various forms of liability risks, including the risk of product liability

Probi's operations are subject to various forms of liability risks that are normal for operations that carry out research, development, manufacturing and sale of probiotic products. These include a risk that product liability claims may arise in connection with volunteers and patients participating in clinical trials or consumers using the product suffering from side effects or being injured. Although Probi normally, to the extent possible, discharges itself from product liability towards customers and sales partners and takes out insurances to the extent that is commercially warranted to cover its own liability, the amount and the scope of insurance coverage are limited. There is a risk that applicable insurance policies do not provide sufficient coverage in the event of a potential claim, which could have a negative effect on Probi's operations, financial position and earnings.

Probi is dependent on the ability to retain and recruit qualified employees

Probi's ability to retain and recruit qualified employees is of great importance to Probi's future success and growth potential and there is significant competition from, for example, other industry companies, universities and other institutions. If a key individual would leave their employment with the Company, this could have a short and long-term adverse effect on the Company's operations, financial position and earnings.

IT failures or other problems with IT systems could adversely affect Probi's operations

Probi's ability to effectively and securely manage and store project-related information, results and reports from clinical trials, and other business-critical activities is dependent on its IT systems and related processes working efficiently and without interruption. Such systems can be disrupted by, for example, software and hardware problems, computer viruses, data intrusion, sabotage and physical damage. There is a risk that IT failures or other problems with IT systems, depending on their length, extent and severity, could adversely affect Probi's operations, financial position and earnings.

Possible disputes and claims could disrupt day-to-day operations and involve considerable amounts

Probi may from time to time be the subject of legal proceedings related to its day-to-day operations. Such legal proceedings may, in addition to the disputes regarding intellectual property infringement and validity of certain patents, also include commercial disputes. Disputes and claims can be time-consuming, disrupt day-to-day operations, involve considerable amounts or principally important issues and entail significant costs, and thus negatively affect the Company's operations, financial position and earnings.

Probi is subject to risks relating to corporate governance and internal control

Probi is subject to the risk that executives may make decisions that are not consistent with Probi's strategies, internal guidelines and policy documents. Further, employees within Probi and other persons related to Probi, as well as its partners, may perform acts that are considered unethical, are criminal (e.g. violation of applicable bribery and anti-corruption legislation) or otherwise contrary to applicable laws and regulations or Probi's internal guidelines and policy documents. If Probi's internal controls and other measures to ensure compliance with laws, regulations, internal guidelines and policy documents prove to be insufficient, Probi's reputation may be harmed or the Company may be affected by public law sanctions, which could result in a negative effect on its operations, financial position and earnings.

Changes to tax rules and the tax authorities' interpretations of applicable rules may have material negative impact on Probi

In recent years, Probi has expanded its operations geographically and the Group now conducts operations in several different jurisdictions. A subsidiary was established in Singapore in 2015 and Probi's presence in the US was strengthened with the acquisition of Nutraceutix. Transactions between Group companies take place in accordance with Probi's understanding and interpretation of applicable tax legislation, taxation agreements, other tax rules and the requirements of relevant tax authorities. Companies in the Group may be subject to tax audits in the future. The tax authorities in the countries in question could also make assessments and take decisions that differ from Probi's understanding or interpretation of applicable laws, agreements and other rules. These decisions or changes, which may potentially have a retroactive effect, could have a material negative impact on Probi's operations, financial position and earnings.

Swedish corporate tax and other public levies are often changed. The Swedish Committee on Corporate Taxation ("the Committee") presented its proposal on a new Swedish corporation-taxation system to the Government on 12 June 2014. The main proposal from the Committee was that deductions for financial net expenses, such as interest expenses and other financial expenses, are to be abolished and a standard deduction of 25 percent is to be introduced on a company's entire taxable profit. The Committee also proposed that tax losses that are recognized in a company's accounts are to be reduced by 50 percent on a single occasion. The proposal is currently being circulated for comments and is then expected to be considered by the Swedish Government. The Government is subsequently expected to submit a proposal to the Swedish parliament. However, the Minister for Finance has stated that the proposal will probably be changed and the final text is thus uncertain. The Minister for Finance has also said that the earliest date for the new rules to come into effect is 1 January 2017. Since corporate tax and other public levies often change, there is a risk that future changes in tax rates could lead to increased costs for Probi and impact the conditions for Probi's operations. Changes in corporate tax and other public levies could have a negative impact on Probi's operations, financial position and earnings.

Exchange-rate changes could have a negative effect on Probi

Probi is active internationally and thus has revenue and costs in various currencies. Most of Probi's revenue (71 percent 2015) is invoiced in USD or EUR. During 2015, Probi's Board of Directors decided on changes to the financial policy entailing that future net flows are not to be hedged through currency-forward contracts. The reason for the decision was mainly difficulty in making forecasts for periods of six to twelve months concerning future net flows. If Probi's other measures to manage the effects of exchange-rate movements do not prove to be sufficiently effective, Probi's operations, financial position and earnings could be negatively affected.

Probi is subject to credit risk

Credit risk refers to the risk that Probi's counterparties cannot meet their payment obligations and thereby create a loss for Probi. The credit risk is related to the contracting party's creditworthiness and requires an assessment whether it can meet its commitments. If Probi's measures to manage credit risk are inadequate, this may adversely affect Probi's operations, financial position and earnings.

There is a risk that Probi, when necessary, may not be able to obtain further financing on satisfactory terms

Acquisitions and other measures deemed necessary to achieve strategic objectives may require additional financial resources. Probi may therefore also in the future need to raise additional capital to finance its operations as planned. The same may apply for Probi to fulfill its obligations as they fall due or for Probi not having to fulfill its obligations to an increased cost. There is a risk that the Company cannot get access to further financing on satisfactory terms, or that additional capital cannot be obtained at all. This would mean that the Company cannot operate and develop its business as planned, which could result in a negative effect on the Company's operations, financial position and earnings.

RISKS RELATED TO THE SHARE AND THE RIGHTS ISSUE

The share price can be volatile and share price development is dependent on a number of factors

Risk and risk-taking are inevitable aspects of owning shares. Since a share investment can decrease in value, an investor might not be able to recover the invested capital. The share price for listed companies can be very volatile and its development is dependent on a number of factors, some of which are company-specific while others are tied to the stock market as a whole. It is impossible for an individual company to control

all of the factors that may affect its share price, and consequently any investment in shares should be preceded by a careful analysis.

There is a risk that active trading in subscription rights and paid subscribed shares (BTAs) will not develop, or that sufficient liquidity will not exist

Subscription rights and BTAs, respectively, will be traded on Nasdaq Stockholm during the period from 7 October 2016 up to and including 19 October and 26 October 2016, respectively. There is a risk that an active trading in subscription rights and BTAs will not develop or that sufficient liquidity will not exist. If such a market develops, the trading price on the subscription rights and BTAs will, among other things, depend upon the development of the price of currently outstanding shares in the Company and the trading price on the subscription rights and BTAs may be subject to greater price volatility than the trading price of the Company's shares.

Shareholders who do not participate in the rights issue will experience dilution and further issues can also result in dilution and affect the share price

Holders of shares who, fully or partially, choose not to exercise their subscription rights in connection with the rights issue will experience dilution of their proportional holdings of shares and votes in the Company. Probi may also in the future need to raise additional capital to finance its operations by issuing new shares or other securities. Issuance of additional securities could result in dilution for existing shareholders if the issue is carried out with deviation from the shareholders' preferential right or if a shareholder chooses not to exercise its preferential right. There is also a risk that potential future issues will cause the market value of the shares to decrease, in the short or the long term.

Probi's ability to pay potential dividends in the future is dependent on several factors

In accordance with Probi's new dividend policy, applicable from the 2016 financial year, future dividends will be based on Probi's earnings, financial position, and financing requirements of available investment opportunities. On an annual basis, the Board will evaluate the potential for dividends and, in so doing, will balance the shareholders' expectations of a reasonable dividend yield with the Company's need to self-finance its continued growth and expansion. The dividend proposal and payment during a given year cannot be predicted since Probi may not have sufficient distributable funds and since Probi's shareholders may decide not to pay out dividends.

Future sales of large shareholdings can affect Probi's share price negatively

Substantial sales of shares by major shareholders, as well as a general market expectation that additional sales will be made, may affect Probi's share price negatively.

Subscription commitments are not guaranteed and may have a negative impact on the rights issue if they are not fulfilled¹

Symrise AG ("Symrise"), which controls approximately 51.4 percent of the outstanding capital and votes in Probi, and Fourth Swedish National Pension Fund, which controls 5.9 percent of the outstanding capital and votes, jointly hold approximately 57.3 percent of the shares and votes in the Company and have committed to, subject to customary conditions, subscribe for their pro rata shares in the rights issue. However, these subscription commitments are not guaranteed. Accordingly, there is a risk that the parties that have provided subscription commitments are unable to fulfill their commitments.

In addition, Swedbank Robur Fonder and Handelsbanken Fonder, which jointly control approximately 12.1 percent of the outstanding capital and votes in the Company, have indicated their intention to subscribe

¹ The ownership percentages are stated as of 31 August 2016, with thereafter known changes and taking into account Probi's holdings of 250,000 treasury shares which may not be represented at general meetings and does not entitle to participate in the rights issue.

their pro rata shares in the rights issue. If the subscription commitments or intentions to subscribe are not fulfilled, it could have a negative effect on Probi's possibility to raise approximately MSEK 602 before issue expenses, in the rights issue, which could have a material negative impact on the Group's operations, financial position and earnings, since, for example, a lack of financing from the rights issue could entail that the Company risks not being able to repay its bridge facility regarding the acquisition of Nutraceutix.

Probi could be forced to seek alternative financing for the acquisition of Nutraceutix and the Company's new financing agreement could limit Probi's financial flexibility if the rights issue is not fully subscribed for

The cash purchase price for the Company's acquisition of Nutraceutix is financed through available cash reserves, a credit facility of approximately MUSD 35 and a bridge facility of approximately MUSD 63. The bridge facility will be repaid by proceeds from the present rights issue of approximately MSEK 602. If the rights issue is not fully subscribed for or is delayed, additional financing costs will be incurred to maintain the bridge facility, or the Company could be forced to seek alternative financing. There is a risk that such alternative financing cannot be secured or can only be secured on unfavorable terms for the Company. Should any of these risks materialize it could have a material negative effect on Probi's operations, financial position and earnings.

There is also the risk that the financing agreement Probi has signed with its lender to finance the acquisition of Nutraceutix limits the Company's commercial and financial flexibility due to the financial conditions and restrictions stipulated in the agreement. Furthermore, there is a risk that the Company contravenes one or more of the financial conditions and restrictions, which could entail that the Company has to pay specific fees and in another way incurs additional costs or is ultimately forced to seek alternative funding. In both cases Probi's operations, financial position and earnings could be materially negatively affected.

Larger shareholders can exercise a significant influence over Probi

On the date of the prospectus, approximately 51.4 percent of the share capital and votes in Probi² are controlled by Symrise. Symrise has undertaken to subscribe for shares in the rights issue corresponding to its pro rata share, meaning approximately 51.4 percent of the rights issue. Accordingly, Symrise will thus continue to be able to exercise a significant influence over the outcome of matters that shareholders decide on, including the election of board members, merger and sale of all or significant parts of Probi's assets. These matters also include the issue of additional shares or other securities in Probi, which could dilute shareholders' holdings in Probi and future dividends. Symrise can also indirectly, through board representation, influence the direction chosen by the board for Probi's operations and other affairs. Symrise also has collaboration agreements with Probi within research and development. As a

result of Symrise's subscription commitments in conjunction with the rights issue, Symrise could further strengthen its influence in matters in which shareholders have voting rights. Following the fulfillment of a mandatory offer that Symrise presented to Probi's shareholders in February 2014, Symrise is no longer subject to the provisions on mandatory offers stipulated in the Swedish Stock Market (Takeover Bids) Act (2006:451). As a result, Symrise could further strengthen its influence through additional acquisitions of shares. There is a risk that Symrise's interests are not aligned with, or significantly deviate from or conflict with Probi's interests and the interests of other shareholders. These circumstances could have a material negative effect on Probi's operations, financial position and earnings.

Shareholders in the United States and other jurisdictions outside Sweden are subject to certain share related risks

Probi's shares are only quoted in SEK and potential dividends will be paid in SEK. This means that shareholders outside Sweden may incur a negative effect on the value of holdings and dividends when these are translated into other currencies if the SEK decreases in value against the relevant currency.

If, in the future, Probi issues new shares with preferential right for existing shareholders, shareholders in certain countries may be subject to limitations preventing them from participating in such rights issues or otherwise impeding or limiting their participation. For example, shareholders in the United States may be prevented from exercising such preferential right unless an exemption from the registration requirements of the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may also be affected correspondingly. Probi is under no obligation, neither in connection with the present rights issue or any future issues, to file a registration statement under the Securities Act or to seek similar approvals or relevant exemptions for the sale of securities under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that shareholders in jurisdictions other than Sweden are unable to subscribe for new shares in any rights issues, their proportionate ownership in Probi will decrease.

² The ownership percentages are stated as of 31 August 2016, with thereafter known changes and taking into account Probi's holdings of 250,000 treasury shares, which may not be represented at the general meeting and do not entitle to participate in the rights issue.

Invitation to subscribe for shares in Probi

On 28 September 2016, the Board of Directors of Probi resolved, based on the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through a new share issue with preferential right for Probi's shareholders.

The rights issue resolution entails that Probi's share capital will increase by a maximum of SEK 11,394,125 through the issuance of not more than 2,278,825 new shares. The Company's shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the rights issue is 6 October 2016. Those who are registered as shareholders of Probi on the record date are entitled to subscribe for one (1) new share for each four (4) existing shares held in Probi. To the extent that new shares are not subscribed for with preferential right, they shall be allotted to shareholders and other investors who have subscribed for shares without preferential right in accordance with the principles set out in "Terms and conditions". Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from 7 October 2016 up to and including 21 October 2016, or such later date as determined by the Board of Directors, and in other respects in accordance with the instructions included in "Terms and conditions".

The subscription price has been set at SEK 264 per share. Provided that the rights issue is fully subscribed, Probi will consequently raise in total approximately MSEK 602 before transaction costs.

Shareholders who choose not to participate in the rights issue will have their ownership diluted by up to approximately 20 percent, but can financially compensate for the dilution by selling their subscription rights.

SUBSCRIPTION COMMITMENTS AND INDICATION OF INTENT

Symrise AG and The Fourth Swedish National Pension Fund, holding approximately 51.4 percent and 5.9 percent, respectively, of the outstanding share capital and votes in Probi, have committed to, subject to customary conditions, subscribe for their respective pro rata shares of the rights issue. In addition, Swedbank Robur Funds, and Handelsbanken Funds, together holding approximately 12.1 percent of the outstanding share capital and votes in Probi, have indicated their intention to subscribe for their pro rata shares of the rights issue. Consequently, in aggregate, commitments and indication of intent to subscribe for pro rata shares in the rights issue have been obtained from shareholders together holding approximately 69.5 percent of the outstanding share capital and votes in Probi. ,

The shareholders of Probi are hereby invited to subscribe for new shares in Probi with preferential right in accordance with the terms and conditions set forth in this prospectus.

Lund, 4 October 2016
Probi AB (publ)
 The Board of Directors

¹ Transaction cost estimated at approximately MSEK 10 will be deducted from the rights issue proceeds of approximately MSEK 602. Net of transaction costs, Probi is estimated to raise a maximum of approximately MSEK 592 through the rights issue.

² See also "Subscription commitments and indications of intent" under "Legal considerations and supplementary information".

³ The subscription commitments have not been secured. See "Subscription commitments are not guaranteed and may have a negative impact on the rights issue if they are not fulfilled" in "Risk factors".

⁴ The ownership percentages are stated as of 31 August 2016, with thereafter known changes and with consideration for Probi's holdings of 250,000 treasury shares which may not be represented at general meetings and does not entitle to participate in the rights issue.

Background and reasons

On June 6, 2016, Probi announced that its US subsidiary Probi USA, Inc. had entered into an asset purchase agreement under which Probi acquired the operations of the US probiotic company TNTGamble, doing business as Nutraceutix, for a cash purchase price of MUSD 105 (corresponding to MSEK 900¹) on a cash and debt free basis. Nutraceutix's assets were transferred to Probi and the acquisition was completed on 3 October 2016.

Nutraceutix has its operations in North America, which is the largest and fastest growing market for consumer healthcare products in the world. Through the acquisition Probi will increase its market share on the North American market more than threefold, add important new technologies, manufacturing capabilities and customers, and create a strong platform for further acquisitions. The acquisition also provides significant synergy opportunities.

Nutraceutix is a leading, highly regarded and customer service focused US manufacturer and supplier of probiotics. Nutraceutix was established in 1983 and is today among the top five probiotic producers in North America. Nutraceutix has its headquarters and a fermentation plant in Redmond, near Seattle in Washington State, and operates a packaging facility in Lafayette, near Denver in Colorado. Nutraceutix's customer base comprises US and global brand distribution companies, retailers and direct-sellers as well as other contract manufacturers, mainly in the consumer healthcare area. The company employs 145 people including an experienced sales and marketing team of five individuals.

From a strong base in research and development, Probi has grown and developed its well documented and differentiated product platforms to become a significant player in the global probiotics market. Probi's objective is to generate growth that exceeds the market average. To achieve this, Probi pursues the following strategic priorities: 1) secure and develop existing products, 2) enter new markets with focus on the fast-growing markets in Asia and North and South America, 3) launch new products and 4) enter new indication areas.

The acquisition of Nutraceutix is highly in line with these strategic priorities as it will strongly enhance Probi's presence in the attractive North American probiotics market, add important new technologies, manufacturing capabilities and customer relationships, and create a platform for further acquisitions. The acquisition also provides significant synergy opportunities. For example, the complementary customer bases and the broadened product portfolio creates opportunities for additional sales. Combined strengths and expertise within probiotic strains, product development and formulation create opportunities for new product offerings. Potential cost savings are expected from increased utilization of the production capacity, as well as purchasing synergies.

The cash purchase price was financed through available cash reserves, a credit facility of approximately MUSD 35 (corresponding to approximately MSEK 300²), and a bridge facility of approximately MUSD 63 (corresponding to approximately MSEK 540³). Handelsbanken provides the credit facility and the bridge facility. As part of the financing of the acquisition, the Board of Directors resolved on 28 September 2016, with the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through a new share issue with preferential right for the shareholders in Probi.

Since Probi, within one year from the conclusion of the acquisition of Nutraceutix, need to repay the bridge financing it is Probi's assessment that the Company's working capital is not sufficient for the present requirements during the next twelve months.⁴ Proceeds from the rights issue will be used to repay the bridge facility and a part of the credit facility. Assuming that the rights issue is fully subscribed for, the gross proceeds from the right issue will amount to approximately MSEK 602. Probi's issue costs are expected to amount to approximately MSEK 10.

The Board of Directors of Probi is responsible for the contents of this prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, information in this prospectus is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Lund, 4 October 2016
Probi AB (publ)
 The Board of Directors

¹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

² Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

³ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁴ See further "Working capital statement" in "Capitalization and other financial information".

Terms and conditions

This section contains the terms and conditions for participation in the rights issue. For further information regarding the new shares issued, see "Share capital and ownership structure".

PREFERENTIAL RIGHT AND SUBSCRIPTION RIGHTS

Those who, on the record date 6 October 2016, are registered as shareholders in Probi will receive one (1) subscription right for each share held in Probi. The subscription rights entitle the holder to subscribe with preferential right for new shares, where four (4) subscription rights entitles the holder to subscribe for one (1) new share in Probi. At transfer of subscription rights, the preferential right is transferred to the new holder of the subscription right.

SUBSCRIPTION PRICE

The new shares are issued at a price of SEK 264 per new share. No commission will be charged.

The record date at Euroclear for determining who is entitled to receive subscription rights in the rights issue is 6 October 2016. Shares of Probi will be traded exclusive the right to receive subscription rights from and including 5 October 2016. The last day for trading in shares including the right to receive subscription rights is 4 October 2016.

SUBSCRIPTION PERIOD

Subscription for new shares will take place during the period from and including 7 October up to and including 21 October 2016 at 5.00 p.m. (CET). The Board of Directors of Probi reserves the right to extend the subscription period, which when applicable, will be announced through a press release no later than 21 October 2016.

ISSUE STATEMENT

Directly registered shareholders

Shareholders, who on the record date are registered in the share register maintained by Euroclear, will receive the prospectus and a pre-printed issue statement with an attached payment form (Sw. bankgiroavi). The pre-printed issue statement shows the number of subscription rights received and the total number of new shares that may be subscribed for with subscription rights. Those who are registered in the special register of pledge holders and trustees maintained in connection with the share register will not receive any issue statement but will be noticed separately. No securities statement (Sw. VP-avi) will be sent out regarding the registration of subscription rights on the shareholders' securities accounts.

Nominee-registered holdings

Shareholders in Probi whose holdings on the record date are nominee registered with a bank or other nominee will not receive a pre-printed issue statement from Euroclear. Subscription and payment for nominee registered shareholders shall be made in accordance with instructions from the respective bank or nominee or, if the holding is registered with multiple nominees, from each one of these.

SHAREHOLDERS RESIDENT IN CERTAIN INELIGIBLE JURISDICTIONS

The allotment of subscription rights and the issue of new shares by exercise of subscription rights to persons who are resident in countries other than Sweden could be affected by securities legislation in such countries; see section "Important information". Consequently, shareholders whose existing shares are directly registered in a securities account (Sw. VP-konto) with registered addresses in USA, Canada, Japan, Australia or any other jurisdiction where participation would require additional prospectus, will not receive the prospectus. Nor will they receive any subscription rights on their respective securities accounts. Subscription rights that would have been delivered to such shareholders will be sold, and the sale proceeds, less deduction for costs, will be paid to such shareholders. Amounts of less than SEK 100 will, however, not be paid out.

TRADING IN SUBSCRIPTION RIGHTS

Subscription rights will be traded on Nasdaq Stockholm during the period from and including 7 October 2016 up to and including 19 October 2016. Securities institutions with required authorizations can provide brokerage services for the purchase and sale of subscription rights. Unexercised subscription rights must be sold in order not to lapse without value. The ISIN code for the subscription right is SE0009164023.

SUBSCRIPTION AND PAYMENT OF SHARES WITH SUBSCRIPTION RIGHTS

Subscription of shares with subscription rights

Application for subscription of new shares through exercise of subscription rights shall be made by simultaneous cash payment during the period from and including 7 October 2016 up to and including 21 October 2016 at 5.00 p.m. CET. After 21 October 2016, unexercised subscription rights will be void and without value. Unexercised subscription rights will be deregistered from the respective shareholders' securities accounts without notification from Euroclear. In order not to lose the value of the subscription rights, the shareholder must either:

- exercise the received subscription rights to subscribe for new shares no later than 21 October 2016, which is the last day of the subscription period; or
- sell the received subscription rights that have not been exercised to subscribe for new shares no later than 19 October 2016, which is the last day for trading in subscription rights.

The Board of Directors of Probi reserves the right to extend the subscription period and the payment period. Any extension will be announced by the Company through a press release no later than 21 October 2016. Subscription of new shares by exercise of subscription rights is irrevocable, and the shareholder may not withdraw or modify a subscription for new shares.

Shareholders with directly registered holdings resident in Sweden

Application for subscription for new shares with subscription rights shall be made by means of simultaneous cash payment and is binding. Subscription and payment are made either by using the pre-printed payment form (Sw. bankgiroavi) or the appropriate application form for simultaneous payment using one of the following options:

- **Payment form:** In the case that all subscription rights received on the record date are exercised for subscription of shares, the pre-printed payment form (Sw. bankgiroavi) from Euroclear shall be used as the basis for application for subscription by means of payment. The special application form should therefore not be used. No additions or changes shall be made to the pre-printed text on the pre-printed payment form.
- **Application form:** In the case that subscription rights have been acquired or sold, or if, for any other reason, the number of subscription rights to be exercised differs from the number stated on the pre-printed issue statement, a special application form shall be used as the basis for subscription by means of payment. Payment shall be made at the same time as the application is made at any Swedish bank branch office with the required authorization, in accordance with the instructions on the application form. Such an application form can be obtained from any of Handelsbanken's branch offices in Sweden. The pre-printed payment form should, in such case, not be used.

Information to shareholders with directly registered holdings resident abroad¹

Shareholders in Probi resident outside of Sweden and who are not subject to the restrictions described in the section "Important information" and who wish to participate in the rights issue shall use the distributed application form when subscribing. Upon submission of the application form to the address specified below, payment shall be made in Swedish krona (SEK) to the bank account specified below:

Handelsbanken Capital Markets, Emission SE 106 70 Stockholm, Sweden
 Bank account: 6028-973 562 838
 IBAN-number: SE77 6000 0000 0009 7356 2838
 SWIFT: HANDSESS

Upon payment, the subscriber's name and address, as well as securities account (Sw. VP-konto) number or payment identity in accordance with the issue statement, must be stated. The application form and payment must be received by Handelsbanken Capital Markets no later than 5.00 p.m. CET on 21 October 2016. Application forms for shareholders resident abroad can be obtained from Handelsbanken's website www.handelsbanken.se/investeringserbjudande as well as from Probi's website, www.probi.com.

Shareholders with nominee-registered holdings

For shareholders whose holdings are nominee-registered with a bank or nominee, subscription for new shares with preferential right shall be made to the respective nominee and in accordance with the instructions from such nominee or if applicable, nominees.

PAID SUBSCRIBED SHARE (BTA)

Shares subscribed and paid for with subscription rights will be registered with Euroclear as soon as this can be done, which normally means up to two banking days after payment. After that, the subscriber will receive a securities notification confirming the registration of the BTAs in the sub-

scriber's securities account (Sw. VP-konto). After the issue has been registered with the Swedish Companies Registration Office, which is expected to take place on or about 28 October 2016, the BTAs will be converted to new shares, without notification from Euroclear. The new shares are expected to be available in each securities account (Sw. VP-konto) on or about 1 November 2016. Shareholders with nominee registered holdings receive BTAs and information in accordance with procedures of each nominee. The ISIN code for BTA is SE0009164031.

TRADING IN BTA

Trading in BTAs is expected to take place on Nasdaq Stockholm during the period from and including 7 October 2016 up to and including 26 October 2016 under the ticker PROB BTA. Securities institutions with required authorization will provide brokerage services for purchase and sale of BTA.

SUBSCRIPTION OF SHARES WITHOUT SUBSCRIPTION RIGHTS

Application for subscription of shares without subscription rights shall be made during the same time period as the application for subscription of shares with subscription rights, i.e. from and including 7 October 2016 and to and including 21 October 2016. The application to subscribe for shares without subscription rights shall be made using the application form "Subscription of new shares without subscription rights" which is to be filled, signed, and then mailed or delivered to Handelsbanken Capital Markets, Emission, to the address stated on the application form. Application forms can be obtained at any of Handelsbanken's branch offices or downloaded from Handelsbanken's website www.handelsbanken.se/investeringserbjudande. An application form can also be downloaded from the Company's website www.probi.com. The application form in its original must be received by Handelsbanken Capital Markets, Emission, no later than 5.00 p.m. CET on 21 October 2016.

The application form may be sent by mail to the address on the application form or may be handed in at any of Handelsbanken's branch offices. Only one application form per person or firm will be considered. In the event that more than one application form is sent, only the most recently dated form will be considered. Application for less than 50 shares will not be considered. Incomplete or incorrectly completed application forms may be disregarded.

Shareholders with nominee-registered holdings

For shareholders whose holdings are nominee registered with a bank or nominee, subscription for new shares without subscription rights shall be made to the respective nominee and in accordance with the instructions from such nominee or if applicable, nominees.

ALLOTMENT OF SHARES SUBSCRIBED FOR WITHOUT SUBSCRIPTION RIGHTS

Shares subscribed for without subscription rights will be allocated by the Board. Allotment will be made as follows. Firstly, allotment shall be made to those who have applied for subscription and subscribed for shares by exercise of subscription rights, irrespective of whether the subscriber was a shareholder on the record day or not, and in case of over-subscription, in proportion to the number of subscription rights each one has exercised for subscription of shares and, in so far as this is not possible, by drawing of lots. Secondly, allotment shall be made to others who have applied for subscription without subscription rights (the general public in Sweden and qualified investors) and, in case of over-subscription, in proportion to the number of shares stated in each subscription application and, in so far as this is not possible, by drawing of lots.

¹ Please note that directly registered customers resident abroad with access to a Swedish internet bank can use the pre-printed payment form for subscription and payment.

A settlement note will be sent as confirmation of any allotment on or about 27 October 2016 and is to be paid in accordance with the relevant instructions. A confirmation is only sent to persons who have been allotted shares. The estimated settlement date for shares subscribed for without preferential right is around 1 November 2016. If payment is not made in time, the shares can be transferred to others. In the event that the sale price is less than the subscription price in connection with such transfer, the persons who were initially allotted the shares are responsible for paying the entire or part of the difference. After payment of the subscribed and allotted shares and when the shares have been registered with the Swedish Companies Registration Office (Sw. Bolagsverket), a securities notification (Sw. VP-av) will be sent from Euroclear confirming the registration of the subscribed and allotted shares in the subscriber's securities account.

LISTING OF THE NEW SHARES

Probi's share is listed for trading on Nasdaq Stockholm. Following the registration by the Swedish Companies Registration Office, application for the new shares to be traded on Nasdaq Stockholm will be made. Registration with the Swedish Companies Registration Office of the new shares subscribed for with subscription rights is expected to occur on or about 28 October 2016. Trading in the new shares is expected to begin on or about 1 November 2016 provided that registration has taken place. The new shares subscribed for without subscription rights are expected to be registered with the Swedish Companies Registration Office on or about 4 November 2016, and the shares are expected to be registered on each securities account on or about 8 November 2016, as well as begin trading on or about 8 November 2016 provided that registration has taken place.

RIGHT TO DIVIDEND

The new shares entitle to dividend for the first time on the record date for dividend that occurs immediately following that the shares have been registered with the Swedish Companies Registration Office.

ANNOUNCEMENT OF THE OUTCOME OF THE RIGHTS ISSUE

The outcome of the rights issue will be announced in a press release from Probi, which is expected to take place on or about 27 October 2016.

OTHER INFORMATION

In the event that an excessive amount is paid by a subscriber, Handelsbanken will arrange for a refund of the excess amount. Incomplete or incorrectly completed application forms may be disregarded. If the subscription payment is made too late, is insufficient or is incorrectly paid for, the application for subscription may be disregarded or the subscription may take place at a lower amount. In such case, the subscription payment not used will be refunded. Only one application form regarding subscription without subscription rights may be submitted. If several application forms of the same category are submitted, only the application form most recently received by Handelsbanken will be considered. Payments received late in amounts less than SEK 100 will only be refunded upon request. The fact that Handelsbanken is the issuing agent does not in itself imply that Handelsbanken regards the party registering in the rights issue as a customer of Handelsbanken. Handelsbanken's receipt and processing of application forms does not result in any client relationship between investors in the rights issue and Handelsbanken. The subscriber is only considered as a customer of Handelsbanken for the investment if Handelsbanken has advised the subscriber regarding the rights issue or has contacted the subscriber individually regarding the rights issue. The consequence of Handelsbanken not viewing the subscriber of the rights issue as a client is that the rules regarding protection of investors under the Securities Markets Act (2007:528) will not be applied to the investment. This means, inter alia, that neither the so called client classification nor the suitability assessment will be applicable regarding the investment. The subscriber is thus solely responsible for having sufficient experience and knowledge to understand the risks involved with the investment.

INFORMATION ON PROCESSING OF PERSONAL DATA

Those who subscribe for shares in the rights issue will provide certain information to Handelsbanken. Personal data provided to Handelsbanken will be processed in computer systems to the extent necessary in order to provide services and administer client engagements. Also personal data that is collected from other parties than the client in question may be processed. It may also be the case that personal data is processed in computer systems of corporations or organisations with which Handelsbanken co-operates. Information regarding the processing of personal data is provided by Handelsbanken's branch offices, which also accept requests for correction of personal data. Address information may be collected by Handelsbanken through an automatic data run by Euroclear.

How to proceed

Terms	Each share in Probi entitles to one (1) subscription right. Four (4) subscription rights entitles to subscription for one (1) new share in Probi.
Subscription price	SEK 264 per share
Record date for participation in the rights issue	6 October 2016
Subscription period	7 October–21 October 2016
Trading in subscription rights	7 October–19 October 2016

SUBSCRIPTION OF SHARES WITH PREFERENTIAL RIGHT

1. You receive subscription rights

For each share held in Probi on 6 October 2016 you will receive one (1) subscription right

1 share in Probi



1 subscription right

2. This is how you use your subscription rights

Four (4) subscription rights + SEK 264 entitles to one (1) new share in Probi

4 subscription rights

+ SEK 264



1 share in Probi

3. Are you a directly registered shareholder or are your shares held by a nominee?

If you have a securities account (Sw. *VP-konto*) (in other words, your shares are directly registered) and you live in Sweden



If you exercise all your subscription rights, please use the pre-printed payment form from Euroclear that was sent out.



If you have purchased, sold or transferred subscription rights to/from your securities account, please complete the separate application form that is available from any branch offices of Handelsbanken in Sweden. Payment is to be made according to the instructions on the application form. The pre-printed payment form is then not to be used.

If you have a securities account (Sw. *VP-konto*) (in other words, your shares are directly registered) and you live abroad¹



Please see the section "Information to shareholders with directly registered holdings resident abroad" above.

If you have a custody account (in other words, your shares are held by a nominee)



If your shares in Probi are held in one or more custody accounts with a bank or a securities institution, your nominee(s) will inform you about the number of subscription rights you receive. **Follow the instructions given by your nominee(s).**

SUBSCRIPTION OF SHARES WITHOUT PREFERENTIAL RIGHT (BY SHAREHOLDERS AND OTHERS)²

If you have a securities account



Complete the separate application form that is available on Handelsbanken's website www.handelsbanken.se/investeringserbjudande.

If you have a custody account (in other words, your shares are held by a nominee)



Subscription and payment shall be made through the respective nominee(s). **Follow the instructions given by your nominee(s).**

Note that some nominees may have a shorter application period. Please check the instruction from each nominee.

¹ Note that special rules apply for shareholders with residence in USA and certain other jurisdictions. See "Information to shareholders with directly registered holdings resident abroad" in the section "Terms and conditions".

² Allotment will be made in accordance with what is stated in "Allotment of shares subscribed for without subscription rights" in the section "Terms and conditions".

Market overview

This prospectus contains certain market and industry data sourced from third parties. Although the information has been accurately reproduced and Probi considers these sources reliable, Probi has not independently verified such information, and therefore its accuracy and completeness cannot be guaranteed. As far as Probi is aware and can ascertain by comparison with other information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Probi's market position is described in some parts of the prospectus. This information is based on Probi's sales in relation to Probi's assessment of the current size of the markets and of competitors' sales.

Unless otherwise expressly stated, the market data presented in this section has been retrieved from the Euromonitor database 2016.

OVERVIEW

For thousands of years, people have used lactic acid bacteria to conserve raw food longer, but also to enhance the flavor and texture of food. Lactic acid bacteria are still used in food such as yoghurt, sauerkraut, cold cuts, cheese and various types of pickles. The Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO) define probiotics as "live microorganisms, which when administered in adequate amounts confer a health benefit on the host."¹

Generally, the probiotics market can be divided into a business-to-business ("B2B") or ingredient market, and a business-to-consumer ("B2C") market. Both Probi and Nutraceutix operate predominantly in the B2B market. The probiotics market can be further broken down by application, whereby the two main areas of application are functional food and consumer healthcare products (or dietary supplements). Several further breakdowns of the market are possible, such as by clinical indication, type of product formulation, product format and whether the end-consumer is human or animal.

MARKET SIZE AND GROWTH

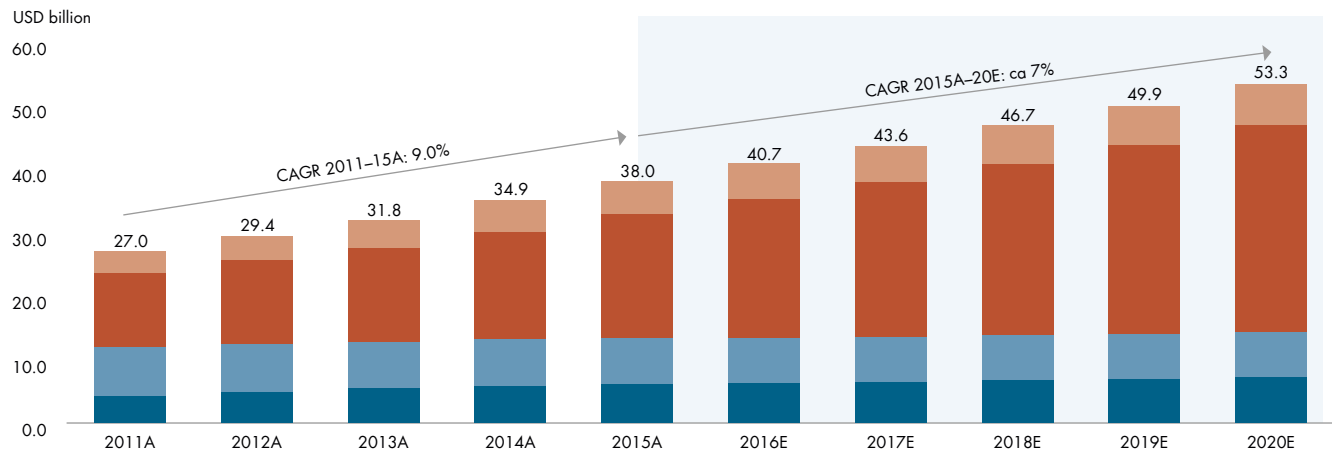
Based on figures from Euromonitor, the Company estimates that the global sales of probiotics in the B2C market 2015 amounted to USD 38 billion, and that the market is expected to grow to approximately USD 53 billion by 2020, corresponding to an expected compound annual growth rate ("CAGR") of approximately seven percent between 2015 and 2020. Euromonitor's reporting focuses on the B2C market and is divided into a yoghurt category and a consumer healthcare product category. Based on these figures, the Company has estimated the B2B market and sales within functional food, which, in addition to yoghurt, also includes other probiotic food such as fruit juice drinks and baby food. According to Euromonitor, functional food products account for approximately 90 percent of probiotics sales in the B2C segment, and consumer healthcare products for the remaining ten percent.

The Company estimates the global B2B market to amount to MUSD 1,280 in 2015, with the consumer healthcare market accounting for MUSD 770, and the functional food market accounting for MUSD 510. The B2B market is expected to grow in line with the global B2C market, at a CAGR of approximately seven percent between 2015 and 2020.

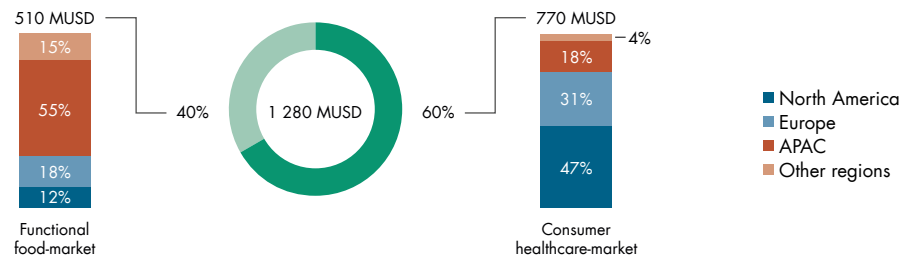
The graph below shows the historic and expected CAGR for the global B2C probiotics market, and the Company's estimate of the total B2B market, broken down into functional food and consumer healthcare.

¹ Health and Nutritional Properties of Probiotics in Food including Powder Milk with Live Lactic Acid Bacteria, Report of a Joint FAO/WHO Expert Consultation on Evaluation of Health and Nutritional Properties of Probiotics in Food including Powder Milk with Live Lactic Acid Bacteria, 2001.

Total consumer market (B2C) for probiotic, 2011-2020



Total ingredients market (B2B) for probiotic, 2015



GEOGRAPHY AND PRODUCT CATEGORIES

Market conditions between regions may differ significantly, usually due to differences in culinary traditions, consumer patterns, laws and regulations, as well as general health trends. As a result, the market composition, expressed as the distribution between the consumer healthcare market and the functional food market, shows large variations between different geographies. These are described below.

EUROPE

Many European markets have a long history of probiotic food consumption. However, the regulation of health claims introduced in 2012 (see "Regulatory framework" later in this section), which among other things banned the use of the term "probiotic" in marketing, combined with a generally weak economic development, has dampened the favorable growth seen historically. Overall, however, the European market remains significant, with attractive growth prospects in specific countries.

The consumer healthcare market

Europe is the second-largest region within the consumer healthcare market after North America. Consumer healthcare products are becoming increasingly popular with European consumers due to their convenient format, precise dose and near zero calorie count. Italy is the single largest market in Europe and exhibits the highest per-capita consumption of consumer healthcare worldwide.

The functional food market

Probiotic yoghurt is a key sales driver within functional food. Since 2010, sales of probiotic yoghurt in Europe have been negatively impacted by the introduction of the new EU Nutrition and Health Claims regulation. The yoghurt category has also been generally affected by the weak economic development in Southern Europe. These two factors have together led to a negative sales development within functional food in Europe.

The table below shows the historic and expected CAGR for the European B2C probiotics market, broken down into functional food and consumer healthcare.

Europe – Market size and growth for probiotic

USD billion	2011A	CAGR 2011-15A	2015A	CAGR 2015-20E	2020E	CAGR 2011-20E
Consumer healthcare-market	0.9	6.4%	1.2	3.0%	1.4	4.5%
Functional food-market	6.7	-2.5%	6.1	-1.4%	5.7	-1.9%
Total	7.7¹	-1.3%	7.3	-0.6%	7.1	-0.9%

¹ The total amount differs due to rounding.

NORTH AMERICA

In North America, the consumer healthcare market is expected to show strong growth, while growth in the functional food market is expected to show weak growth. The North American market is characterized by openness to probiotic innovation. The products are sold through multiple distribution channels, including the Internet, food and drug stores, health-food stores and direct sales. Being able to offer a wide range with several varieties of a specific product is a key competitive factor, since this leads to clearer brand exposure. The leading US companies invest heavily in consumer marketing via TV, the Internet and printed media. A number of new players establish themselves directly in the e-commerce channels and reach substantial sales in a short time. Consumer trends in the US point towards an increased proportion of online purchases and the consumer healthcare category, with a relatively simple logistics chain, is well-suited for this channel.

The consumer healthcare market

North America is the largest probiotic supplements market in the world and consumer healthcare products is the strongest growing category in the North American market. North American consumers have been complementing their diets with a variety of supplements for many years, which, in combination with marketing investments and the regulatory framework, has led to stronger growth and a larger overall market than in other parts of the world. As in Europe, probiotic supplements are becoming increasingly popular with consumers because of their convenient format, precise dose and low calorie count.

North America – Market size and growth for probiotic

USD billion	2011A	CAGR 2011-15A	2015A	CAGR 2015-20E	2020E	CAGR 2011-20E
Consumer healthcare-market	0.8	22.9%	1.8	9.8%	2.9	15.4%
Functional food-market	3.4	5.3%	4.2	0.7%	4.3	2.7%
Total	4.2	9.3%	6.0	3.8%	7.2	6.2%

ASIA PACIFIC (APAC)

Several Asian markets have a long tradition of fermented food, which has led to a high awareness of probiotics. On markets such as Japan, South Korea and China, the Company believes that products designed to improve children's health have good growth potential, since families, often having only one child, focus considerable resources on their child's performance and development.

The consumer healthcare market

APAC is the third-largest probiotic supplement market. In Asia, probiotic supplements are often sold as medication or over-the-counter (OTC) products. The consumer base is also expanding in pace with economic growth

Asia Pacific – Market size and growth for probiotic

USD billion	2011A	CAGR 2011-15A	2015A	CAGR 2015-20E	2020E	CAGR 2011-20E
Consumer healthcare-market	0.6	4.7%	0.7	2.6%	0.8	3.6%
Functional food-market	10.1	14.1%	18.8	10.9%	31.7	12.3%
Total	11.7	13.7%	19.5	10.7%	32.4¹	12.0%

¹ The total amount differs due to rounding.

Overall, a multitude of positively contributing factors results in the favorable market development in North America:

- Growing interest in probiotics together with an increased number of available products containing probiotics was one of the strongest trends in the natural health area in 2015.
- Increased availability in all market channels.
- Increased availability of probiotics on the retail market through private-label products. Several large retail chains have launched their own varieties of probiotic products alongside established brands.
- New technologies that improve the efficacy of probiotics, such as delivery technologies that prevent the bacteria from affected down by the low pH level in the stomach.
- In Canada, there is an openness to natural consumer healthcare products, and the demand for probiotic supplements is driven by greater consumer awareness of the health effects associated with probiotic products.

The functional food market

The North American functional food market is characterized by intense competition from other product categories. In the dairy category, for example, probiotic yoghurt is subject to intense competition from products categorized as "original style yoghurt", which refers to yoghurt that originates from a specific country, such as Greece or Turkey. These products often feature other nutritional benefits, such as high protein content and low fat percentage.

The table below shows the historic and expected CAGR for the North American B2C probiotics market, broken down into functional food and consumer healthcare.

throughout the region. In China, probiotic supplements now constitute a niche within the retail market and the pharmacy channel is beginning to develop as the primary sales channel. The largest individual consumer healthcare markets in APAC are Japan, Taiwan, South Korea and China.

The functional food market

Growth in the functional food market in APAC is mainly driven by strong sales growth for probiotic yoghurt in China. In India, growth is mainly attributable to sales of probiotic yoghurt drinks. Despite its maturity, the Japanese market is showing favorable growth driven by strong health awareness.

The table below shows the historic and expected CAGR for APAC B2C probiotics market, broken down into functional food and consumer healthcare.

TRENDS AND DRIVERS

The main drivers of development in the probiotics market are considered to be consumer-related factors and scientific progress. In turn, these factors have an alternating impact on each other: consumer demand is driving increased resources for research and development, while scientific progress is enabling the development of innovative and refined products that, in turn, are contributing to increased consumer demand.

Consumer-driven factors

Social development has impacted the probiotics market and its consumers in several ways. Both diet and lifestyle have a major effect on our intestinal flora and research has shown that intestinal flora has a significant impact on our health. The general interest in health, diet, exercise and well-being among consumers is growing, which, in turn, is creating higher demand for probiotics and other products with health benefits. Digital media enables consumers to learn about the benefits of probiotic products for health and well-being.

The global middle class is growing and the increase in disposable income results in increased purchasing power and demand for premium products. An ageing population is also increasing the need for medical care and prescription drugs, as well as the demand for health products. The human microbiota (intestinal flora) changes as we grow older, which may have negative health effects, and probiotics have been demonstrated to positively affect the intestinal flora. The pursuit of healthy aging is creating demand for products that prevent disease, or that can be used as a complement when treating disease.

Scientific progress

Research on the intestinal flora and probiotics has increased as technology has enabled analysis of the human microbiome. Research results also demonstrate the potential effects of probiotics on metabolic and psychological disorders, in addition to the more established gastroenterological and immunological fields. These published findings are driving the development of new indications areas for probiotics, which is also expected by the Company to provide continued market growth in the long term.

Increased knowledge in the field of probiotics has resulted in new product launches, both of products within new product categories and of improved versions of existing products. Scientific progress, with the development of new application technologies such as delivery and processing technologies, has also had a positive effect on the consumer healthcare market. Positive results from clinical trials are strengthening the commercial value of the products, since the findings can be used for marketing purposes to support health claims. Research is currently being conducted

in many new, and more or less exploited, indications areas, including metabolic health, oral health and skincare.

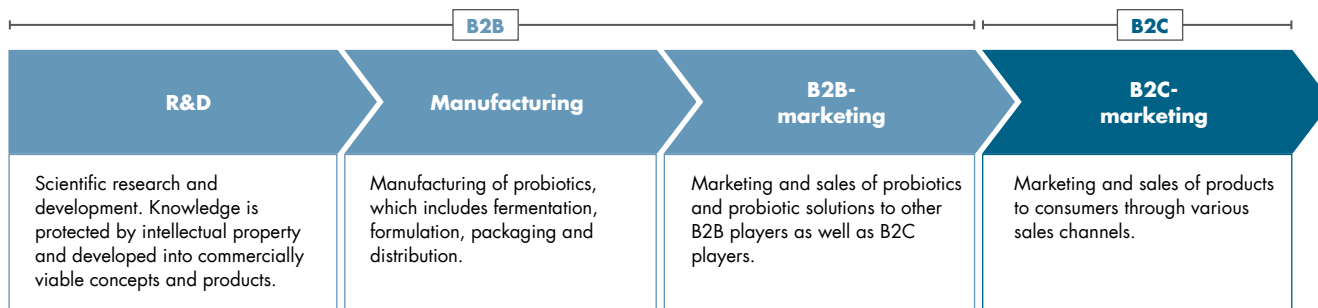
MARKET PLAYERS

The probiotics market is fragmented and characterized by interactions in the form of partnerships and other types of business relationships between various players. This can be explained by the fact that intellectual property rights and product concepts can be commercialized in several ways, based on, for example, indications areas, geographies, applications and end-product format. Although the B2B and B2C markets are mainly distinct, there are examples of players that are active in both. According to the Company's assessment, there are three distinct categories of market actors in the probiotics market: research and development companies, manufacturing companies, and sales and branding companies. There are also a number of integrated players, i.e. companies that operate across the entire B2B value chain, of which, according to the Company's assessment, the leading companies are Chr. Hansen, DuPont/Danisco and Lallemand. None of them, in contrast to Probi, is exclusively focused on probiotics. According to the Company's assessment, Chr. Hansen and DuPont/Danisco, for example, have well-developed sales and distribution networks and large-scale production. In addition to specialization within the value chain, most other players are geographically focused on a specific regional market. Overall, the Company believes that this results in a relatively fragmented sector, comprising many small/medium-sized market participants with strong niche positions but limited reach.

Since sales and branding companies can operate in either the B2B or the B2C segment, the value chain can be broken down into four parts: research and development (R&D), manufacturing, B2B marketing and B2C marketing. In practice, the industry players interact both vertically, along the value-chain, and laterally, where companies have complementary capacities and expertise.

Growing consumer awareness is creating demand for clinically well documented probiotics. In addition, application technologies are currently being developed in order to improve the survival of probiotics in the low pH environment of the stomach, thereby developing the clinical efficacy of the probiotics. Overall, this is creating demand for sales companies and brand owners to launch new, innovative and competitive products. This development is giving rise to partnership and consolidation opportunities to effectively penetrate the consumer market with new technology, and thereby exploit the resulting economies of scale. Probi's acquisitions of Nutraceutix and the intangible assets of Probac AB in 2016 are examples of this.

The probiotic value chain



REGULATORY FRAMEWORK

The lactic acid bacteria in fermented food have been consumed by humans for thousands of years and are generally considered safe. There are now many different types of food containing probiotics, from ice cream to dietary supplements, and their sales and marketing are governed by widely varying regulations in different parts of the world. In most markets, probiotic products can be sold after a simple notification has been submitted to the relevant authority. However, the permitted health claims made to consumers are regulated. The Company has summarized what it believes to be the main features of the current regulations below.

Europe

In the EU, most probiotic products are regulated as either functional food or as dietary supplements and if the basic safety requirements are met, the only requirement for selling the product on the market is usually to notify the authorities. However, the EU and the European Commission have introduced legislation to limit the health claims that the industry is permitted to make for food and dietary supplements. All types of health claims related to food and dietary supplements must undergo a scientific review by the European Food Safety Authority (EFSA) and to date, no probiotic health claims have received a positive opinion from the EFSA and have not therefore been approved by the European Commission. This also means that the term "probiotic" is banned in EU member states, since it is considered to imply that the probiotic food has beneficial health effects. In Switzerland, however, where the national authorities have expressed that they apply the same regulatory framework and evaluation process as the EU, a number of health claims have been approved for probiotic products, including Probi's largest product platform Probi Digestis®.

North America

In the US, neither proof of the product's efficacy nor approval by the Food and Drug Administration (FDA) is required for dietary supplements and functional food. All that companies need to do is submit notification to the authorities that the product is being marketed as a dietary supplement. However, even here basic safety documentation is required. So-called structure/function claims (statements describing the effect of a nutrient or dietary ingredient on the structure or function of the human body, provided no reference is made to a specific medical condition) are permitted for dietary supplements in the US, but labeling of the product must follow certain rules and be based on documentation of the product. No approval is required for structure/function claims but, upon the request of the authority, the company must be able to produce scientific documentation to substantiate the health claim.

In Canada, probiotic products are regulated as a separate category between food and drugs, known as Natural Health Products (NHPs), and are permitted. These health claims can either be generic, based on the product containing a defined amount and type of probiotic bacteria, or specific to a certain bacterial strain. The specific health claims require an application and subsequent approval from the Canadian authorities and may, if the underlying documentation is strong enough, refer to certain medical conditions.

Asia Pacific

In APAC, there is generally very little harmonization between the regulatory requirements for probiotics. Although the regulatory structures for health claims are similar in most countries, since the countries recognize the basic principles for health claims such as structure/function, risk minimization and treatment of disease, there is no common approach between the countries as to how probiotic health claims should be regulated.

In Japan, new legislation passed in April 2015 has made it possible for companies to make structure/function claims for products classified as Foods with Functional Claims (FFC). In the FFC category, food producers are allowed to label their products with generic health claims associated with the functional components of the products (such as probiotics) that aim to improve well-being for healthy people. These health claims do not require regulatory approval, unlike products classified as Foods for Specific Health Use, which are far more strictly regulated.

In China, companies can obtain a so-called "Blue Hat" registration, whereby one or more of the 27 approved health claims can be used for sales of probiotic products. However, such registration can take several years and often involves local testing and analyses. The process is also very expensive and time-consuming.

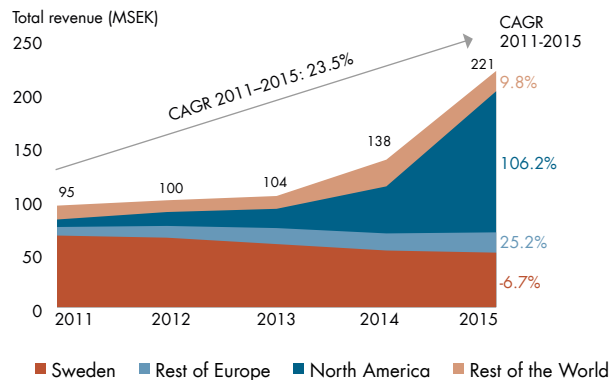
In Australia, probiotics are classified as "complementary medicines" and regulated as medicines under the Therapeutic Goods Act from 1989. As a result, health claims are permitted for well-documented probiotic products, and both Probi Digestis and Probi Defendum are registered for health claims on the Australian market. The complementary medicines classification also means that certain health claims related to diseases are permitted, such as relief of cold symptoms.

Business description

OVERVIEW

Probi is a Swedish biotechnology company, with headquarter at Ideon in Lund, that develops effective and well-documented probiotics. Through its research, Probi has created a strong product portfolio in the areas of gastrointestinal health and the immune system, which was expanded in 2015 with a product for improved iron uptake. The products are available to consumers in more than 30 countries worldwide. Customers comprise of leading food, health and pharmaceutical companies within the Group's two business areas: Consumer Healthcare and Functional Food. In 2015, net sales increased to MSEK 216 (135) and total revenue to MSEK 221 (138). Probi's share is listed on Nasdaq Stockholm, Small Cap.

Revenue development for Probi



Development of net sales and operating profit for Probi

MSEK	2011	2012	2013	2014	2015
Net sales	94.4	99.6	102.2	135.2	215.7
Operating profit	17.8	17.2	18.1	27.0	63.1
Operating margin (%) ¹	19%	17%	18%	20%	29%

Source: Probi's financial statement 2011-2015

¹ Operating profit as a % of net sales.

Please note that the graph presents Probi's total revenue and not net sales as in the table. Net sales are presented, since the operating margin is presented as a % of net sales.

HISTORY

The foundation for Probi was established in 1986 through an interdisciplinary research project between surgeons, microbiologists and nutritionists at Lund University. The Company was founded in 1991, based on promising research in which specific probiotics were identified and used to save the lives of critically ill patients, and at the same time, a patent application was submitted for Probi's most studied bacterial strain *Lactobacillus plantarum* 299v (LP299V®). The Company's commercial phase began in 1994 when Probi signed a license agreement with Skånemejerier, which led to ProViva® being launched on the Swedish market. For more than 20 years, the Company has conducted research and clinical trials with excellent results, which led to an approved health claim for ProViva from the Swedish authorities in 2003. In 2010, the regulations for European markets changed, whereby the Swedish health claim for ProViva was revoked. In conjunction with this, Probi conducted clinical trials in accordance with the new requirements but did not manage to demonstrate the same positive results seen in numerous previous trials. During the late 1990s and early 2000s, extensive research and development activities commenced that would subsequently pave the way for the international expansion that began in 2005 through collaboration with Institut Rosell and the launch of Probi's digestive health capsules. The US expansion, which commenced in 2011 through an agreement with Pharmavite, began to accelerate in 2012 through a distribution agreement with Viva5 and sales via NBTY. Following a positive outcome in clinical studies regarding iron absorption, the Probi FerroSorb® product was launched in 2016.



Milestones in the Company's development

1986	Interdisciplinary research in the field of probiotics commences at Lund University.
1991	Probi is founded and applies for patents for LP299V® and other strains.
1994	License agreement with Skånemejerier and ProViva® is launched onto the Swedish market.
1998 – 2004	Probi is listed, and reacquires the rights for LP299V® from Skånemejerier. License agreement signed with Danone for ProViva®.
2005	Probi's digestive health capsules is launched after collaboration with Lallemand/Institut Rosell.
2006 – 2010	Probi signs agreements with several new customers and broadens its geographical reach. The immunity product platform, Probi Defendum®, is launched in 2010. Probi Mage® and Probi Frisk® become market leaders in the Swedish probiotics supplements market.
2011	Probi signs an agreement with Pharmavite in the US for distribution of Probi Digestis® through the Nature Made brand, one of the leading consumer healthcare brands in the US.
2012	Symrise becomes a new shareholder of Probi. A Business Development Agreement is signed with the US company Viva5 Corporation for the North American market.
2014	Peter Nählstedt becomes new CEO of Probi. Probi launches products together with Sanofi and Dongkook in South Korea.
2015	In 2015, Probi delivered record volumes to NBTY in the US. Probi Defendum® is launched in three new markets. Two clinical trials show that Probi's probiotics can significantly improve iron absorption. During the year, Probi opens an Asian subsidiary in Singapore.
2016	Probi FerroSorb®, a probiotic product for improved iron absorption, is launched in Sweden and Austria. A new functional food product is launched with BoFood. In early June, Probi announces its intention to acquire the US probiotics company Nutraceutix in order to strengthen its presence in the strategic US probiotics market and become an integrated player.

VISION, MISSION AND BUSINESS CONCEPT

Probi operates in the global health-products market. The Company offers top quality probiotics to food, health and pharmaceutical companies. In turn, these companies offer their customers probiotics in the form of tablets or capsules under their own brands, such as Nature's Bounty, Sundown Naturals, Bion Transit and Nature Made, or as functional food under brands such as ProViva and GoodBelly. Probi also offers proprietary brands in selected markets, such as Probi Mage®, Probi Frisk® and Probi Järn® in the Nordic market, and Probi Intensis® and Probi Immune® in the Swiss market.

Vision

Probi's vision is to become the world leader in the premium segment for probiotics by providing a top-quality product range, with profound health benefits, in the world's most important markets.

Mission

Probi's mission is to enable consumers all over the world to feel good through clinically documented and effective probiotics.

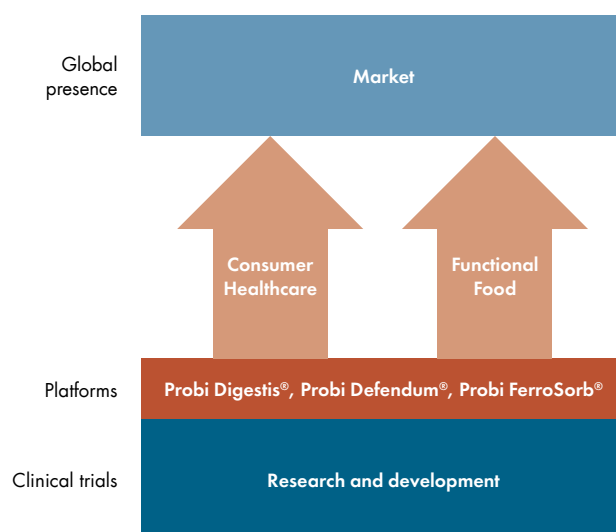
Business concept

Probi's business concept is to offer probiotics with clinically documented beneficial health effects to leading food and consumer healthcare companies.

PROBI'S BUSINESS MODEL

Probi has its base in research and development where new product platforms for relevant health areas are developed through clinical trials. To date, product platforms for digestive health, immune function and iron absorption have been commercialized. The platforms are based on Probi's own, extensive clinical documentation and reach a global market through Probi's two business areas: Consumer Healthcare, where the platforms are preferably included in various forms of consumer healthcare products, and Functional Food, where the platforms are included in food products. Probi currently conducts sales in more than 30 geographical markets.

Business model



FINANCIAL OBJECTIVES

Probi's overall objectives are to generate returns for its shareholders, and to generate funds for developing the operations and creating growth. The Group Management manages and controls the Company based on the guidelines and financial objectives adopted by the Board.

Growth

To generate growth that exceeds the market average. In 2015, Probi's growth rate was 60 percent. Adjusted for positive currency effects, the growth rate was 42 percent.

Margin

Growth should be combined with a profit margin (EBITDA¹) exceeding 20 percent. In 2015, Probi's EBITDA margin was 32 percent. Adjusted for positive currency effects, the EBITDA margin was 27 percent in 2015.²

PROBI'S BRANDS AND PRODUCT PLATFORMS

Probi's brand strategy aims to generate brand awareness among Probi's customers, partners and end-consumers. The aim is that the Probi Digestis[®], Probi Defendum[®] and Probi FerroSorb[®] brands shall hold a prominent position on Probi's partners' consumer packaging, either as the main brand or as a prominent ingredient brand. Probi registers its brands in all relevant countries and connects them to product platforms in order to clearly differentiate the products and to facilitate consumer's choices. The platforms enable a number of partnerships for Probi – independent of partner, market or business model.

Probi Digestis[®]

Probi's digestive health platform is based on *Lactobacillus plantarum* 299v (DSM 9843) which was discovered in Lund in 1986 and is Probi's most well-documented bacterial strain. More than 30 clinical trials have been conducted, with a focus on digestive health.

Probi Defendum[®]

Probi's immunity platform is based on a combination of the bacterial strains *Lactobacillus plantarum* HEAL 9 (DSM 15312) and *Lactobacillus paracasei* 8700:2 (DSM 13434). Probi Defendum[®] has been clinically documented in several major studies.

Probi FerroSorb[®]

Probi's iron absorption platform is based on *Lactobacillus plantarum* 299v (DSM 9843), combined with a carefully balanced amount of iron. Probi FerroSorb[®] increases the absorption of iron from food and has been documented in numerous clinical trials.

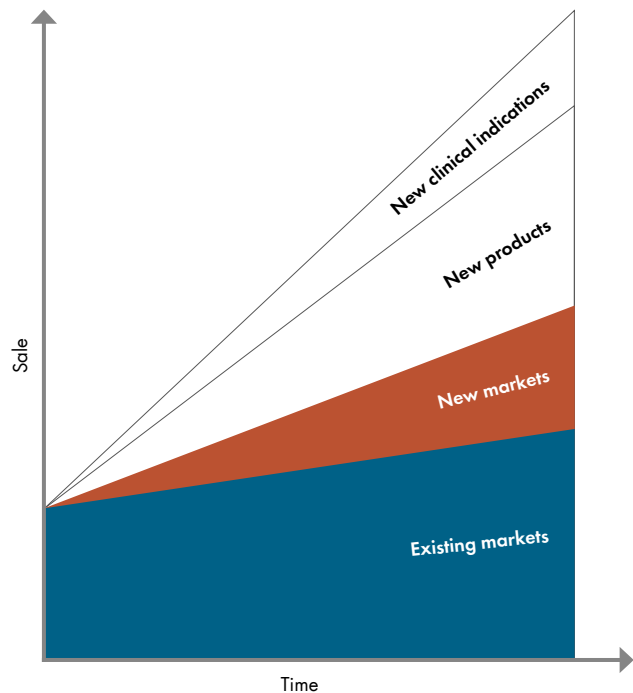
STRATEGY

Probi's strategic focus is probiotic-based products, where Probi has world-leading scientific know-how and patents.

Probi's growth strategy

Probi's growth strategy consists of initiatives in four areas: existing products, new markets, new products and new indications areas. Growth may be achieved organically, or through acquisitions, in all of these areas. The growth strategy is illustrated in the graph below.

Growth strategy



Existing products in existing markets

The Company works continuously to ensure the growth of existing products in existing markets. Initiatives include growing Probi's market share, preferably by broadening the distribution and expanding marketing and sales campaigns. Probi works closely with its B2B partners to provide the best possible support, thereby creating opportunities for growth in existing markets.



¹ Operating profit before interests, taxes, depreciations and impairments.

² See "Reconciliation of non-IFRS measures" in "Selected historical financial information".

New markets

Probi believes there is a major potential for continued international growth. The strategy is to continue launching the Company's existing products in new geographic markets with significant growth potential. The Company currently sees potential in markets in Asia and South America, as well as in parts of Europe and the Middle East.

New products

To date, Probi has commercialized products for digestive health (Probi Digestis®), immune function (Probi Defendum®) and increased iron uptake (Probi FerroSorb®). The research strategy includes developing additional product platforms, and the Company has several ongoing projects in clinical development with the aim of developing new platforms and strengthening existing ones.

The strategy also includes the development of new product applications based on existing platforms, which may include targeted products in which probiotics are combined with, for example, vitamins or minerals.

New indications areas

Technical progress in microbiome research has led to increased opportunities to demonstrate the effect of probiotics in new indications areas. Probi is collaborating with leading research teams in microbiome research and intends to commercialize new platforms in new promising indications areas in the future.

MARKETING AND SALES

Probi markets its products through two business areas: Consumer Healthcare and Functional Food. The market conditions for these business areas vary, but Probi's basic technical platform provides a common basis for continued success in both business areas.

Consumer Healthcare

Consumer Healthcare markets and sells Probi's probiotics in partnership with pharmaceutical companies and with other companies specialized in probiotics and personal care products. Sales are conducted under Probi's own brands, as well as partner brands. The products are marketed as either food or consumer healthcare products, depending on the regulatory situation in each market. In the Consumer Healthcare business area, many different sales channels are used to reach the market, including pharmacies, e-commerce, mail order, health-food stores and supermarkets, as well as medical prescriptions from doctors. The Company's customers include pharmaceutical companies, private-label product companies, supermarkets and pharmacies, and vitamins, minerals and supplements (VMS) companies.

North America

The North American market has grown strongly to date and is also Probi's most important growth market. Probi has established partnerships with the two largest VMS players in the North American market, Pharmavite and NBTY. Both companies sell products containing Probi's probiotics. In 2015, NBTY conducted a relaunch of its bestseller Probiotic 10 and simultaneously replaced some of the existing strains in the product with Probi's well-documented strains. In the US, Probi has a business development partner, but also its own business development capacity, which will be further strengthened by the acquisition of Nutraceutix. The aim is to continue growing in the strategic US market, in terms of both new and existing products. Probi also conducted a launch in Canada recently, in partnership with the leading VMS player Jamieson. The product, Jamieson Digestive Care – Daily Relief, is mainly sold through pharmacies but also in supermarkets. The product became the third most sold probiotic product in the Canadian market after just a few months.³

Europe

Probi currently markets its products in 20 European markets and Sweden, Switzerland and Poland account for the majority of sales. Probi holds a very strong position in the Swedish market for probiotic supplements, with a market share of 54 percent between July 2014 and June 2015, according to GfK MedicScope.⁴ In 2015, sales also increased in Switzerland, where Probi launched products in partnership with Vifor under Probi's proprietary brand Probi Digestis®. Probi also has a number of agreements in Eastern European countries, including Poland and Serbia. Over the past five years, sales in Poland have grown steadily by approximately 20 percent per year. Probi strengthened its marketing and sales department in 2015, enabling a stronger focus on the European market. The Company is planning to increase its focus on several other selected European markets, through such initiatives as the new agreement with the French pharmaceutical company Ipsen Pharma.

Asia Pacific (APAC)

In 2015, several launches were conducted in Asia, including launches in partnership with Sanofi in South Korea. The partnership with Sanofi led to the development of a special product for children that was launched in the retail market under the Cenovis Superbiotics brand. The product is delivered as a stick pack and contains a combination of probiotics and prebiotics (nutrients that stimulate the growth of beneficial bacteria in the intestines). South Korea's leading OTC company, Dongkook, also launched Probi Mage Plus, containing Probi's LP299V®, in the pharmacy channel.

In late 2014, Probi Digestis® was launched in Hong Kong. The launch was conducted under the Bio-Life brand, which is part of the DKSH Group. Since 2013, Probi collaborates with Bio-Life in Malaysia. A similar product is currently being registered in several countries throughout the region. Probi's immunity product was launched in Australia in 2014. In 2015, the product was marketed intensively by Probi's partner, Health World, which led to a favorable sales development.

China is a key market and the Company is currently engaged in several business discussions aimed at generating future business opportunities.

Other countries and regions

In 2015, Probi was able to adopt a more systematic and proactive approach to Africa and the Middle East. The launch activities in Dubai in 2014 were followed by several initiatives in the Middle East. Probi already has one established partnership in South Africa, and is now investigating partnership opportunities in other African countries.

Probi is also deepening its analyses of South American countries, where discussions are ongoing in all major markets. Although business development and product registrations are in progress, these processes may take several years to complete. In Brazil, a product registration was filed in 2015 and a partnership agreement is in place. In Chile, Probi's bacterial strains are sold through a partner.

Functional Food

The Functional Food business area develops and markets innovative probiotic food concepts and product solutions that offer health benefits. At present, probiotics are mainly delivered in dairy products and chilled fruit juice drinks, but other areas such as ice cream, baby food and powdered drink mixes, are also under development. Development is taking place in close collaboration with customers, with the aim to commercialize and market products with high volume potential and/or uniqueness. The revenue model is based on the out-licensing of Probi's probiotics and technology. Probi supplies the customer with bacterial culture, in the form of powder or frozen pellets, depending on the product need. Probi offers a ready-made and difficult-to-copy concept, particularly in terms of scientific documentation and formulation expertise. Customers are mainly food companies.

³ Information from Jamieson Laboratories to Probi.

⁴ GfK MedicScope July 2014-June 2015, dated 7 September 2015.

In the Functional Food business area, Probi is already established in Sweden, Finland and the US. Following a period of negative performance, growth in the Swedish market for chilled juice resumed in 2015. ProViva®, which is based on Probi's LP299V® and was launched in 1994 in partnership with Skånemejerier, has simultaneously strengthened its market share in Sweden and increased sales driven mainly by assortment changes and new consumer communication. ProViva® is now owned by the French group Danone. Sales of GoodBelly®, which is marketed by the US company NextFoods, have seen a positive development in the US market and the product continues to grow in popularity. New products in grab-n-go packaging, new sales channels and creative marketing activities have contributed to the success.

Probi is now increasing its focus on business development in Functional Food in APAC, which is a potential area for future expansion due to its high consumer acceptance for probiotics. A key objective in coming years is to significantly increase the Company's geographical presence.

In 2015, sale and development resources in Functional Food have been expanded, creating conditions for more proactive marketing in the future. The business area is now developing an even deeper understanding of the various applications in which Probi's strains work best. While many prospective customers are dairy companies, Probi's offering is also suitable for other industries, since the Company's bacterial strains are robust and can meet more demanding product solutions.

RESEARCH AND DEVELOPMENT

The technological development in probiotic and microbiome research has made great progress in recent years. There are now new methods for analyzing the bacteria found in the gut and how they interact with the body. This is continuously generating new indication areas for Probi that the Company can conduct further research and development on.

Research and development around the Company's own probiotic bacterial strains and their health effects is the foundation for Probi's commercial success. The development from early concept to finished product normally takes about five years. Most of that time is devoted to conducting clinical trials required in order to document the desired health effects. The research also includes more basic studies, in order to understand the underlying mechanisms causing the beneficial health effects of Probi's strains. A deepened knowledge of the Company's existing strains and products increases the possibility that products with improved or completely new health effects can be developed in the future.

In 2015, new clinical trials were started within both existing product platforms as well as within completely new indications areas. A new long-term research collaboration was also initiated with Michiel Kleerebezem from Host-Microbe Interactomics, at Wageningen University in the Netherlands. The aim of the collaboration is to clarify the anti-inflammatory mechanisms of probiotic bacteria to enable the continued development of new effective probiotic products.

Probi's research activities

Probi's research and development is organized into three units: clinical and applied research, project management and discovery. In the clinical and applied research unit, Probi study and clinically document the health benefits of bacteria. Probi follow international research in the field and ensure that the work is performed in accordance with the latest findings and that the best analytical methods are applied. The trials are conducted in a manner that, if possible, enables support for any health claims that Probi and its customers intend to make. The project management unit is responsible for ensuring that Probi has an effective process for both product development projects and more long-term research projects, with the ultimate goal of reducing time-to-market and improving quality in each project. In the discovery unit, Probi works at the forefront of research to identify new and interesting development opportunities and to secure the Company's future competitiveness, which takes place through collaboration with internationally renowned academic research groups.

Intellectual property rights and IP strategy

Probi has an extensive patent protection, covering individual probiotic strains and/or various applications in food and consumer healthcare products. This means that, in several instances, the Company can offer its customers a unique product offering.

Probi's current patent portfolio currently consists of 20 different patent families for probiotic strains and their applications, comprising a total of 391 individual patent filings with projected maximum duration dates ranging from 2017 to 2034. These 20 patent families include 343 issued patents and 48 pending patent applications. The use and application of Probi's most important commercial strain, LP299V®, is protected by 271 issued patents and covered by 42 pending patent applications. Geographically the patents cover for example the US, Canada, Europe, Japan, China, South Korea, Australia, Brazil, Mexico and South Africa.

Intellectual property rights, including patents and trademark protection, are central to Probi's operations. To protect its innovative technological advances with patents, the Company takes measures to obtain such protection whenever possible. IP rights can help Probi prevent competitors from copying the Company's products and/or help it to enter into licensing and other commercial agreements with its customers and partners. Probi works with Potter Clarkson LLP, a leading European firm of external legal advisors specialized in inter alia patents and trademarks protection, in order to optimize and align the Company's IP strategy with its commercial objectives.

Intellectual property rights owned by third parties may also be significant for Probi's operations and give rise to commercial risks and opportunities. For example, Probi has acquired patent rights from third parties when the Company has made the assessment that these rights may have commercial value for the Company.



The table below presents a summary of Probi's most significant patent families.

Patent	Description	Projected maximum duration		
		USA	European (EPO)	Rest of the world
PRO 07	Use of Lactobacillus for manufacture of a medicament for reduction of the fibrinogen level in blood	2018	2018	2018
PRO 11	New composition. Sports drink containing micronutrients in combination with viable lactobacilli	2020	2020	2020
PRO 13	New strains of Lactobacillus paracasei	2021	2021	2021
PRO 15	Use of a strain of Lactobacillus reducing the risk factors involved in the metabolic syndrome	-	2021	2021
PRO 17	Compositions comprising Lactobacillus plantarum strains in combination with tannin and new Lactobacillus plantarum strains	2025	2024	2024
PRO 19	Use of Lactobacillus plantarum for increasing the absorption of metal (Fe, Zn, Ca and ions thereof)	2026	2026	2026
PRO 20-VIRUS	Use of Lactobacillus strains for treatment of virus infections	2029	2026	2026
PRO 20-Auto immune disease	Use of Lactobacillus strains for treatment of autoimmune diseases	2030	2026	2026
PRO 21	Use of Lactobacillus plantarum strains for increasing bacterial diversity	2029	2028	2028
PRO 22	A method for modifying polyphenol containing plant materials and medical uses of modified polyphenol plant containing materials	2028	2028	2028
PRO 23	Probiotic juice drink	2030	2030	2030
PRO 24	Non-fermented compositions comprising a cereal based fraction and a probiotic strain of Lactobacillus	2030	2030	2030
PRO 25	Probiotic strains for use in treatment or prevention of osteoporosis	2034	2034	2034
PRO29 (ProBac)	Thermostable Lactobacillus strains	2028	2027	-

Probi's Scientific Advisory Board

Probi is assisted by a Scientific Advisory Board, comprising renowned researchers and physicians from a range of disciplines and research areas of high relevance to Probi's future development. The role of the Advisory Board is to advise Probi's Board and Group Management in research-related matters based on Probi's current research portfolio, and to provide recommendations for Probi's future research and product development. Probi's Scientific Advisory Board meets a few times a year. Between these meetings, individual Advisory Board members participate in discussions, and the planning of new scientific studies.

The members of Probi's Scientific Advisory Board:

Jan Nilsson (Chairman), Professor of Experimental Cardiovascular Research at Lund University.

Lars Gatenbeck, PhD, Chairman and member of the board of several Life Science companies and organizations.

Glenn Gibson, Professor of Food Microbiology at the University of Reading, UK.

Maria Rescigno, Professor and head of the unit for Dendritic Cells and Immunotherapy at the European Institute of Oncology in Milan, Italy.

Henrik Vestergaard, Associate Professor at the Novo Nordisk Foundation Center for Basic Metabolic Research in Copenhagen, Denmark.

Hans Wigzell, Professor Emeritus in Immunology, Karolinska Institutet, Stockholm.

Development of existing product platforms

Probi works continuously with its existing product platforms to extend the use of the products to new target groups, meet new regulatory requirements and further strengthen the clinical documentation of the product.

Probi Digestis®

A larger study that commenced in the second half of 2014, with the aim of increasing knowledge about and improving documentation of Probi

Digestis® (Probi Mage), is expected to conclude in 2016. Within the same product platform, a pediatric study commenced in 2016. Another gastrointestinal study commenced in early 2016. This study will be conducted at Lund University and evaluate an entirely new method for demonstrating the positive effects of Probi Digestis® for digestive problems.

Probi Defendum®

The large immune function study has now entered its third and final season. The study, aiming to deepen knowledge about and improve documentation of Probi Defendum®, commenced in late 2013. The ambition was to conduct and conclude the trial during a single winter season, but due to two consecutive mild winters, and thus not enough cold episodes, the study has been extended. The study is expected to conclude during the second half of 2016.

A child immunity study commenced within the same product platform in 2015, with the aim of expanding the target group for Probi Defendum® in terms of age.

Probi FerroSorb®

Iron deficiency and low iron status are mainly prevalent in women of child-bearing age, both in the Western World and developing countries. Iron deficiency can lead to iron deficiency anaemia, resulting in increased fatigue, lethargy, impaired cognition and a weaker immune response. Menstruating women need extra iron and often do not get enough iron and/or eat a diet with low iron availability. Iron deficiency can cause the body to increase its iron intake, but the increase is usually not sufficient to keep pace with the body's demands. One alternative for people with iron deficiency is to take high-potency iron supplements. However, these often have side effects such as gastrointestinal discomfort.

Two studies were concluded in 2014 that demonstrated that Probi's probiotics can increase iron uptake from food in women of child-bearing age. In 2015, these studies were followed by a study to identify the mechanisms leading to the increased uptake.

In 2015, Probi established a new, third, product platform, based on the positive results for iron absorption: Probi FerroSorb®. Probi's iron product, containing iron and *Lactobacillus plantarum* DSM 9843, was launched in Sweden during the first quarter of 2016 under the Probi Järn® brand.

New areas

Probi continuously invests in research and development in promising new areas. These include the type of probiotics currently found in new indications areas, and completely new strains not yet commercialized by the industry, i.e. next-generation probiotics. Growing knowledge about the microbiome is expected to lead to new probiotic product development, and Probi aims to play a leading role in this development. Two focus areas in which Probi conducts research are bone health and metabolic health, both of which are deemed to be interesting new areas in the future.

Osteoporosis

Osteoporosis is a serious health problem that leads to high societal costs and to great suffering for those affected. In Sweden alone, about 70,000 fractures occur every year that can be linked to osteoporosis. An estimated 25 percent of women over the age of 65 have already sustained at least one fracture related to osteoporosis. These women have a strongly increased risk of subsequent fractures later in life. 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.⁵

Two trials conducted in 2014 showed that a combination of three of Probi's strains led to reduced bone loss in mice, compared with placebo. Based on these findings, Probi has initiated a larger clinical trial within osteoporosis.

Next-generation probiotics

An important task in research and development is to monitor all new research in the areas that are related to Probi's business. At the same time, continuing to build additional knowledge about the bacterial strains that are used today is also important, in order to better understand and document their effects. Participating in the development of next-generation probiotic strains is equally important. In combination, these two approaches provide opportunities for developing next-generation products with additional health benefits, in both existing and new health indications.

The Company believes that next-generation probiotics have significant potential for metabolic health, which is one of the new areas of focus for research on probiotics. Metabolic diseases are increasing as other cultures embrace Western lifestyle patterns, and have evolved into what could be called a global epidemic. For example, type 2-diabetes now affects over 300 million people, and is now occurring in increasingly younger people.⁶

New studies point to major differences between the microbiome (intestinal flora) in healthy people, and in people with metabolic diseases. Experiments have also shown that if intestinal flora is transferred from healthy individuals to individuals with impaired insulin sensitivity, which is a sign of early development of type 2-diabetes, their insulin sensitivity will improve. This suggests that it is possible to influence these diseases with probiotic products, provided the right bacteria can be identified.

Collaboration project with Symrise

In a development project run jointly with Symrise which commenced in early 2014, Probi is assessing the potential for reducing the risk of gum disease using bacterial strains. Another joint project has commenced with Symrise within skin care. This project is focused on exploring how probiotics can relieve irritated skin through topical application via, for example, creams or ointments. Both co-operation projects comprise certain mutual exclusivity within their respective fields.

Symrise has a well-developed marketing and sales organization for oral health and cosmetic ingredients, which is expected to facilitate any future launches resulting from these projects.

OPERATIONS

The operation unit is responsible for ensuring that Probi delivers products of high-quality and with good stability to its customers. This unit has the overall responsibility for product and application development, quality and supply. This also includes responsibility for Probi's ISO-certified laboratory, which conducts analyses and ensures the stability and quality of all products. The operation unit works with both internal and external assignments, such as turning research results into consumer products, and provides support for Probi's partners in customer-specific product development projects.

The operation unit is divided into four departments: product and application development, supply, quality assurance (QA) and laboratory. The product and application development department is responsible for product formulation. Different formulation technologies are used for different types of products and applications, such as drinks, tablets or capsules. The choice of packaging and packaging material is also important and is affected by external factors such as climate. The supply department is responsible for order processing, external production and delivery, i.e. ensuring that Probi's customers receive the right product at the right time while maintaining its quality. Probi's QA department is responsible for the overall quality both internally and at the Company's sub-contractors. Evaluations and, in some cases, inspections of sub-contractors are conducted on a regular basis to ensure that the products meet the quality requirements. Probi's own laboratory conducts microbiological analyses in compliance with ISO 17025 to ensure product quality. New and existing products also undergo comprehensive stability programs in the laboratory.

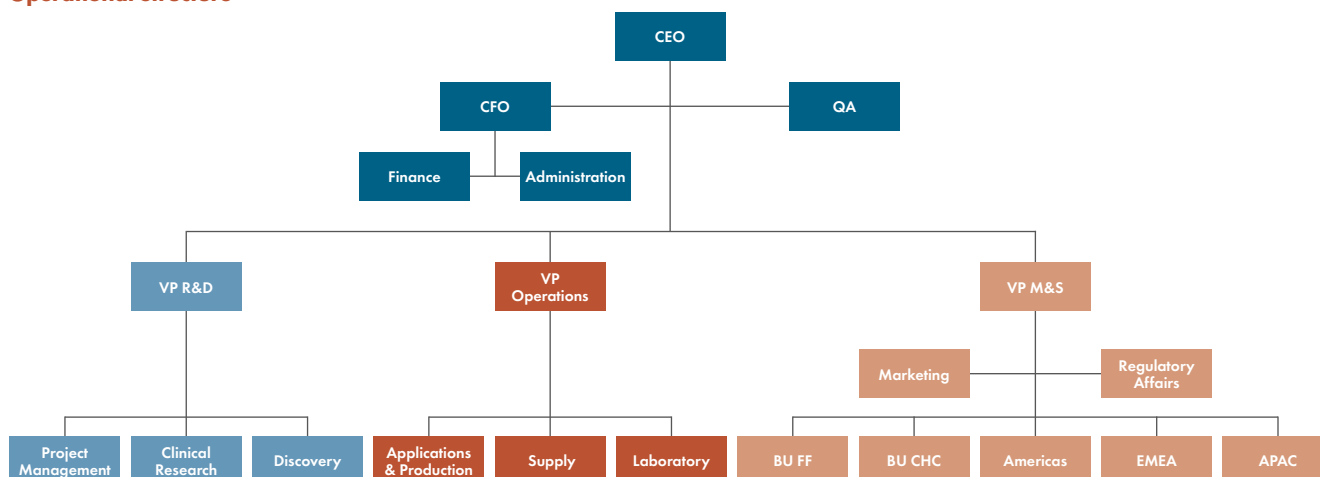
⁵ The gut microbiota regulates bone mass in mice, Sjögren, 2012.

⁶ International Diabetes Federation. IDF Diabetes Atlas, 6th edn. Brussels, Belgium: International Diabetes Federation, 2013.

ORGANISATION AND EMPLOYEES

Probi is organised into four main units: finance and administration, research and development, operations, and marketing and sales. Probi's Group Management consists of the CEO, CFO, VP Research and Development, VP Operations and VP Market and Sales.

Operational structure



Employees

At 30 June 2016, Probi had 40 employees, of whom 1 is employed outside Sweden. Of the Company's employees, 92 percent are university graduates and 27 percent have doctoral degrees.

Number of employees	Jan-Jun 2016	2015	2014
Average	37	32	26
Of whom women, %	65%	66%	65%
Per unit¹			
R&D	16	16	12
Marketing and sales	10	10	6
Operations	9	7	6
Administration and finance	5	4	3

¹ Refers to the number of employees at the end of the financial year, the total number of employees may therefore differ from the specified average.

ENVIRONMENT AND QUALITY

Probi's environmental management system was certified according to ISO 14001:2004 in 2012, with the SP Technical Research Institute of Sweden as the external certification body. The environmental management system encompasses all of Probi's operations, except for those conducted by Probi Asia-Pacific Pte. Ltd. in Singapore. The system comprises an environmental policy, an environmental manual and a list of environmental aspects.

The prioritized significant environmental aspects of Probi's business are:

- Selection of suppliers for products and services
- Selection of packaging materials for products
- Management of hazardous waste from the laboratory operation

During 2015, the environmental management system underwent a recertification audit, with SP Technical Research Institute of Sweden as the external certification body. Probi's business operations are global, which entails business travel by air. Probi buys carbon offsets for all of the Company's business travel by air. For 2015, Probi's carbon offsets corresponded to 354 tonnes of CO₂ equivalents (207) in the Trees of Hope project in Malawi, in partnership with ZeroMission under the PlanVivo system.

Probi's operations are not subject to permit obligations under the Swedish Environmental Code.

Probi's laboratory operations obtained accreditation according to ISO 17025 (General requirements for the competence of testing and calibration laboratories) in 1998. SWEDAC is the supervisory authority for the accreditation. The accreditation was renewed in March 2016.



Selected historical financial information

The condensed financial statements presented below (as well as measures defined under IFRS) pertaining to full years have been derived from Probi's annual reports for the financial years 2014-2015, which have been prepared in accordance with IFRS as adopted by the EU, and have been audited by the Company's auditor. The condensed financial statements (as well as measures defined under IFRS) pertaining to the first six months of 2016 and 2015 have been derived from Probi's interim report for the period January-June 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has, as regards January-June 2016, been reviewed by the Company's auditor. For further information on how reporting has been made, refer to note 2 (Accounting and measurement policies) on p. 60 and onwards in Probi's annual report 2015.

The prospectus also presents certain key ratios, or performance measures, that are not defined under IFRS. These measures have not been reviewed or audited by the Company's auditor. Probi believes these measures are commonly used by investors, securities analysts and other interested parties as supplementary measure of earnings trend and financial position. Probi's non-IFRS measures may not be comparable to other similarly titled measures presented by other companies and have certain limitations as analysis tools. Consequently, they should not be considered in isolation of or as an alternative to Probi's financial information prepared in accordance with IFRS.

The information below should be read in conjunction with Probi's financial statements for the financial years 2014-2015 and for the first six months of 2016, which have been incorporated by reference in this prospectus (see "Incorporation by reference, etc." in "Legal considerations and supplementary information"). All financial statements are available on Probi's website, www.probi.se.

Other than as stated above and the pro forma financial information on p. 57-59 in this prospectus, no information in this prospectus has been reviewed or audited by the Company's auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Net sales	160,288	127,909	215,711	135,242
Other revenue	2,740	3,588	4,973	2,510
Total operating revenue	163,028	131,497	220,684	137,752
Raw materials	-46,257	-39,992	-63,120	-41,677
Employee benefit expenses	-23,946	-21,430	-41,251	-31,937
Other external costs	-33,536	-24,112	-47,069	-27,930
Depreciation of non-current assets	-3,285	-2,925	-6,070	-5,419
Disposal of non-current assets	-	-	-106	-3,740
Operating profit	56,004	43,038	63,068	27,049
Financial income	1,780	2,205	3,248	1,648
Financial expenses	-1,277	-2,602	-3,226	-607
Profit before tax	56,507	42,641	63,090	28,090
Tax for the period	-12,493	-9,467	-14,051	-6,325
Income for the year	44,014	33,174	49,039	21,765
Translation differences in translation of foreign operations	23	-	-4	-
Total comprehensive income for the year	44,037	33,174	49,035	21,765

CONDENSED CONSOLIDATED BALANCE SHEET

SEK, thousand	30 Jun 2016	30 Jun 2015	31 Dec 2015	31 Dec 2014
Fixed assets:				
Capitalized development expenses	37,731	27,290	31,250	18,340
Patents and licenses	10,993	9,377	9,570	8,910
Goodwill	2,762	2,762	2,762	2,762
Equipment, tools and fixtures	3,940	5,038	4,581	4,864
Deferred tax assets	–	–	–	43
Total fixed assets	55,426	44,467	48,163	34,919
Current assets:				
Inventories	7,597	5,540	4,468	3,561
Accounts receivable	19,028	34,848	26,930	25,323
Other current receivables	1,510	1,386	1,473	1,936
Prepaid expenses and accrued income	5,799	3,071	3,826	2,069
Cash and cash equivalents	169,426	121,549	143,024	108,181
Total current assets	203,360	166,394	179,721	141,070
Total assets	258,786	210,861	227,884	175,989
Equity:				
Share capital	46,867	46,867	46,827	46,827
Other contributions received	64,740	64,740	64,740	64,740
Provision	-27	–	-4	–
Profit brought forward including profit for the year	110,506	59,771	75,676	34,386
Total equity	222,113	171,378	187,239	145,953
Long-term liabilities:				
Deferred tax	122	145	122	145
Total long-term liabilities	122	145	122	145
Current liabilities:				
Accounts payable	14,937	17,996	16,235	17,344
Tax liabilities	3,706	6,613	–	2,528
Other current liabilities	1,323	2,283	8,737	2,342
Prepaid expenses and accrued income	16,585	12,446	15,551	7,677
Total current liabilities	36,551	39,338	40,523	29,891
Total equity and liabilities	258,786	210,861	227,884	175,989

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Operation activities:				
Profit before tax	56,507	42,641	63,090	28,090
Depreciation/amortization and disposal	3,285	2,925	6,176	9,159
Capital gains/losses from disposal of tangible fixed assets	21	31	31	30
Income tax paid	-8,658	-5,340	-16,689	-5,147
Cash flow from operating activities before changes in working capital	51,155	40,257	52,608	32,132
Changes in inventories	-3,129	-1,979	-907	-882
Changes in operating receivables	5,856	-9,977	-2,901	-4,143
Change in operating liabilities	-7,816	5,364	13,286	10,126
Cash flow from operating activities	46,066	33,665	62,086	37,233
Investing activities:				
Acquisition of intangible fixed assets	-10,426	-11,628	-18,256	-9,824
Acquisition of tangible fixed assets	-256	-920	-1,238	-3,823
Divestment of tangible fixed assets	134	-	-	131
Cash flow from investing activities	-10,548	-12,548	-19,494	-13,516
Financing activities:				
Dividend	-9,116	-7,749	-7,749	-6,837
Cash flow from financing activities	-9,116	-7,749	-7,749	-6,837
Changes in cash and cash equivalents	26,402	13,368	34,843	16,880
Cash and cash equivalents at the beginning of the year	143,024	108,181	108,181	91,301
Cash and cash equivalents at the end of the period	169,426	121,549	143,024	108,181

KEY RATIOS AND DATA PER SHARE

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
EBITDA margin, % ¹	37.0	35.9	32.1	26.8
Operating margin, % ¹	34.9	33.6	29.2	20.0
Equity ratio, % ¹	85.8	81.3	82.2	82.9
Return on total assets, % ¹	23.0	22.3	31.3	17.2
Return on equity, % ¹	27.6	26.9	37.9	20.3
R&D expenses as a part of operating income, % ¹	10	11	13	16
No. of shares at end of period, thousands ²	9,365	9,365	9,365	9,365
Earnings per share, SEK ²	4.83	3.64	5.38	2.39
Dividend per share, SEK ¹	0.00	1.00	1.00	0.85
Market capitalizations at the end of period, SEK, thousand ¹	2,260,594	1,194,104	1,289,815	560,591

Key ratios for the interim periods January-June 2016 and for 2014 and 2015, respectively, are not audited.

¹ Non-IFRS measure, not audited.

² IFRS measure, audited.

Definitions**R&D expenses as a part of operating income, %**

Activated research and development expenses as a percentage of net sales. R&D expenses as a part of operating income is a key ratio that the Company considers to be relevant for investors who want to assess the Company's ability to develop new products and retain its competitiveness.

No. of shares at end of period, thousands

Total number of shares at end of the period in thousands.

Return on equity, %

Profit before tax as a percentage of average equity. Return on total equity is a key ratio that the Company considers to be relevant for investors who want to assess the Company's possibilities to reach an expected industry level return on the equity made disposable by the shareholders.

Return on total assets, %

Operating profit plus interest income as a percentage of average balance sheet total. Return on total assets is a key ratio that the Company considers to be relevant for investors who want to assess the Company's possibilities to reach reasonable, industry level return on the total capital made disposable by the shareholders and the lenders.

Market capitalizations at the end of period, SEK thousand

Share price at end of the period multiplied with number of shares outstanding.

EBITDA margin, %

Operating profit before interests, taxes, depreciations and impairments as a percentage of net sales. EBITDA margin is a key ratio that the Company considers to be relevant for investors who want to assess the Company's possibilities to reach an industry level profitability and if the Company's financial target of an EBITDA margin exceeding 20 percent is fulfilled.

Earnings per share, SEK

Income for the year divided by number of shares outstanding at year-end.

Operating margin, %

Operating profit as a percentage of net sales. Operating margin is a key ratio that the Company considers to be relevant for investors who want to assess the Company's possibilities to reach an industry level profitability.

Equity ratio, %

Equity as a percentage of balance sheet total. Equity ratio shows the share of the balance sheet total consisting of equity and has been included in order for investors to obtain a view of the Company's capital structure.

Dividend per share, SEK

Dividend in SEK per share outstanding.

Reconciliation of non-IFRS measures**R&D expenses as a part of operating income
SEK, thousand**

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
R&D expenses	16,040	14,278	28,132	21,717
Operating income	163,028	131,497	220,684	137,752
R&D expenses as a part of operating income	9.8	10.9	12.7	15.8

**Operating profit before depreciations and impairments, EBITDA
SEK, thousand**

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Operating profit	56,004	43,038	63,068	27,049
Depreciations of non-current assets	3,285	2,925	6,070	5,419
EBITDA	59,289	45,963	69,138¹	32,468
EBITDA margin, %	37.0	35.9	32.1	24.0

¹ Adjusted EBITDA margin, adjusted for exchange rates effects of TSEK 16,522, amounting to 27%.

**Return on total assets
SEK, thousand**

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Operating profit	56,004	43,038	63,068	27,049
Interest income	2	118	128	1,024
Average balance sheet total	243,335	193,425	201,937	162,852
Return on capital employed, %	23.0	22.3	31.3	17.2

**Return on equity
SEK, thousand**

	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Profit before tax for the period	56,507	42,641	63,090	28,090
Average equity	204,676	158,666	166,596	138,489
Return on equity, %	27.6	26.9	37.9	20.3

Operational and financial review

FACTORS AFFECTING PROBI'S EARNINGS

Probi's earnings have been, and will continue to be, affected by a number of factors, some of which lie beyond Probi's control. Described below are the main factors that Probi assesses to have affected the earnings of its operations during the periods covered in this section, and that can be expected to affect Probi's future earnings.

Volume development on the North American market

Probi has extensive and growing operations on the North American market, which in 2015 accounted for 60 percent of the Company's total net sales. The success of Probi's products on this market is the single most important driver behind the strong growth in net sales and operating profit for the Company in recent years. During the period 2011 to 2015, the North American probiotics B2C market had growth of 9.3 percent and the Company assesses that the conditions for continued strong volume growth in this market are favorable, driven by several positive factors (see further "North America" in "Market overview"). As a result of the completed acquisition of Nutraceutix, the exposure to the North American market will further increase and the customer offering will be significantly strengthened. Following the acquisition, North America accounts for 83 percent of the New Group's combined net operating income 2015.¹

Trends and acceptance of products among consumers in the global probiotics market

The development of the probiotics market is assessed to be driven by, among others, consumer-related factors (see further "Consumer-driven factors" in "Market overview"). Thus, consumers' preferences and acceptance of existing and newly developed products have a major effect on Probi's earnings.

As a result of its business model, Probi is also dependent on identify relevant markets, finding the right partners that can successfully launch new products and are able to identify new product categories where Probi's products can be sold.

Although consumers' preferences are relatively stable over time and only change gradually, changes and shifts occur from time to time. Thus, it is essential for Probi's success on the market that the Company and its partners continuously can adapt their product portfolio in order to meet such changes.

As the probiotics market is a competitive market, competitors' pricing and offering affect the competitiveness of the Company's products. Today, Probi experiences no clear price competition in the premium segment of the market in which the Company is active, but rather market participants compete through attractive product solutions, strong clinical documentation that can be demonstrated and through research and development. The acquisition of Nutraceutix is expected to strengthen Probi's competitiveness through an enhanced product offering.

Research and development and market regulations

The development of the probiotics market is also assessed to be driven by scientific progress (see further "Scientific progress" in "Market overview"). The ability to develop innovative patented probiotic products with proven health benefits and good quality clinical documentation thus creates conditions for long term sustainable growth for Probi. Research and

development is also a prerequisite for discovering new application areas for probiotics and thus for additional growth. Development processes are often both long and costly and thus a carefully planned product development strategy leading to products in demand by the market is essential.

Regardless of Probi's potential successes in developing probiotics with clinically documented health benefits, the Company's ability to make health claims in product marketing to customers is affected by regulations. In many markets the type of health claims that can be made for probiotic products are highly limited. The Company works continuously to meet the requirements for health claims in different markets. In the EU there are currently no probiotic products with approved health claims. If such an approval would be obtained for one of the Company's products it could have a positive effect on the Company's net sales and earnings. Conversely, regulatory changes preventing probiotic players from making health claims on markets where this is possible today could have a negative effect.

Exchange rate fluctuations

A significant part of both Probi's revenues and costs are generated in foreign currencies, mainly when products or services are purchased or sold in a different currency than the local currency (transaction exposure) as well as when translating foreign subsidiaries' balance sheets and income statements to SEK (translation exposure). During 2015, Probi had revenues of 162 MSEK in foreign currencies, of which 130 MSEK in USD and 23 MSEK in EUR. The costs in SEK accounted for 38 percent of the Company's total costs in 2015. As a consequence of the large exposure to foreign currencies, exchange rate fluctuations affect the Company's earnings. The exposure to USD is expected to significantly increase with the acquisition of Nutraceutix, even though both revenues and costs are in USD.

A sensitivity analysis shows that the effect on operating profit in 2015 of a five percent change in the USD/SEK exchange rate would have been ± 5.9 MSEK. In connection with changes in the EUR/SEK exchange rate, the corresponding change would have been ± 2.0 MSEK.

Acquisitions

Probi continuously evaluates possible acquisitions that can contribute positively to the Company's operations both strategically, operationally as well as financially. Historically, completed acquisitions have only had a marginal effect on the Company's earnings. The acquisition of Nutraceutix will however bring a significant increase in both Probi's net sales and earnings. The acquisition establishes Probi as one of the top-tier integrated probiotic players and secures a presence in the entire value chain, creating an attractive platform for future acquisitions to bring additional market presence, growth opportunities and potential synergies. Probi will thus continue to evaluate possible acquisitions going forward as a complement to organic growth.

Sales mix and choice of revenue model

The sales split between different product categories affects the Company's earnings as the margins vary between the different product categories. Generally, the sales of bulk blended powder means a higher margin but lower sales value compared to more refined products such as capsules and tablets.

¹ Calculated as the total of Nutraceutix's operating income 2015 and Probi's operating income in North America 2015 (according to note 6 in the 2015 annual report) through the new Group's pro forma operating income in 2015. See also "Pro forma financial information".

The choice of revenue model also has a significant effect on Probi's earnings. Revenues from licenses, mainly within Functional Food, where the partner is controlling the entire value chain and pays a royalty to Probi, command higher margins as these are not associated with any significant direct costs. Recently Probi has seen a strong growth within the Consumer Healthcare segment, where Probi sells blended powder, capsules and tablets, while the Functional Food segment has showed lower growth. Despite this, the operating profit margin has increased, which can be explained by the fact that the revenue growth within Consumer Healthcare has been accomplished with only limited increase in indirect costs. The acquisition of Nutraceutix is expected to contribute to continued growth within the Consumer Healthcare segment.

SEGMENTS

Probi's business operations are organized in two business segments, each with its own operational manager: Consumer Healthcare and Functional Food. The Consumer Healthcare segment develops, markets and sells Probi probiotics in partnership with pharmaceutical companies and other companies specialized in probiotics and personal care products, under Probi's proprietary brands or those of its partners product sales. The Functional Food segment focuses on developing food that offers health benefits. Development in this segment is conducted in partnership with leading food companies, with the aim of commercializing and marketing products with high volume potential. In Functional Food, Probi typically license its technology to customers in exchange for royalty based on sales of consumer products. No business transactions are conducted between the different segments.

INCOME STATEMENT ITEMS

Net sales

Sales of goods, royalty payments and license revenue.

Other revenue

Currency gains, contributions and other invoiced services.

Operating expenses

Raw materials

Goods purchased from sub-contractors and inventory changes.

Employee benefit expenses

All employee-related expenses.

Other external expenses

Other services and products purchased, and exchange-rate losses.

Depreciation of non-current assets

Planned depreciation of tangible and intangible assets.

Operating profit/loss

Profit/loss from operations before financial items and tax.

Financial income and expenses

Interest income and expense, and exchange-rate gains/losses on financial assets and liabilities.

Tax for the period

Income tax on profit/loss for the year, and any deferred tax.

COMPARISON BETWEEN THE PERIOD JANUARY – JUNE 2016 AND JANUARY – JUNE 2015

Figures in parentheses pertain to the year-earlier period.

Income statement

Net sales

During the first six months of 2016, Probi's net sales amounted to MSEK 160.3 (127.9), representing an increase of 25.3 percent. The

North American market, in particular, continued to show significant growth in the Consumer Healthcare business area. Adjusting for currency effects, the increase would have been insignificant.

During the first six months of 2016, net sales for business area Consumer Healthcare amounted to MSEK 142.2 (108.8), representing an increase of 30.7 percent. The geographical regions outside North America also posted double-digit growth rates.

During the first six months of 2016, net sales for business area Functional Food amounted to MSEK 18.1 (19.1), representing a decrease of 5.2 percent. Overall, increased volumes were offset by a lower royalty rate in an agreement.

Operating expenses and operating profit/loss

During the first six months of 2016, operating expenses amounted to MSEK 107.0 (88.5), representing an increase of 20.9 percent. Cost for raw materials amounted to MSEK 46.3 (40.0), representing an increase of 15.8 percent as a result of increased sales. Employee benefit expenses amounted to 23.9 MSEK (21.4), representing an increase of 11.7 percent. The organization was strengthened to be able meet the Company's expansion and to support initiatives in new areas of application. The number of employees increased by seven people since mid-year 2015. Other external expenses amounted to MSEK 33.5 (24.1), representing an increase of 39.0 percent. Operating expenses included non-recurring items amounting to MSEK 7.5 related to the acquisition of Nutraceutix.

During the first six months of 2016, Probi's operating profit amounted to MSEK 56.0 (43.0), an increase of 30.2 percent, corresponding to an operating margin of 34.9 percent (33.6). Adjusting for currency effects, the operating margin was 37.9 percent.

During the first six months of 2016, the operating profit for business area Consumer Healthcare amounted to MSEK 60.5 (37.7), corresponding to an operating margin of 42.5 percent. The operating profit for business area Functional Food amounted to MSEK 3.0 (5.3), corresponding to an operating margin of 16.6 percent. The decline was mainly due to the lower royalty rate in an agreement.

Depreciations of non-current assets

During the first six months of 2016, depreciation of non-current assets amounted to MSEK 3.3 (2.9).

Financial income and expenses

During the first six months of 2016, net financial items amounted to MSEK 0.5 (-0.4). The change was largely due to exchange-rate differences on cash and cash equivalents in foreign currency.

Profit before tax

During the first six months of 2016, profit before tax amounted to MSEK 56.5 (42.6).

Tax for the period

During the first six months of 2016, the Company's tax expense for the period amounted to MSEK 12.5 (9.5), corresponding to an effective tax rate of 22.1 percent (22.2).

Profit for the period

During the first six months of 2016, profit for the period amounted to MSEK 44.0 (33.2), corresponding to earnings per share of SEK 4.83 (3.64).

Cash flow

During the first six months of 2016, cash flow from operating activities before changes in working capital amounted to MSEK 51.2 (40.3). Cash flow from operating activities was mainly impacted positively by the increase in operating profit. The increase in tax paid had a negative impact on cash flow. Cash flow from changes in working capital amounted to MSEK -5.1 (-6.6). Including changes in working capital, cash flow for the period amounted to MSEK 46.1 (33.7). Cash flow from ordinary investing activities was MSEK -10.5 (-12.5) and mainly comprised invest-

ments of MSEK 10.4 (11.6) in intangible assets, primarily related to capitalized development expenditure. Investments in tangible fixed assets amounted to MSEK 0.3 (0.9). The change in cash and cash equivalents during the period was MSEK 26.4 (13.4) and at mid-year amounted to MSEK 169.4 (121.5). During the first six months of 2016, Probi paid dividends of MSEK 9.1 (7.7) to shareholders relating to the financial year 2015.

Financial position

As per 30 June 2016, equity amounted to MSEK 222.1 (171.4). The equity/assets ratio increased to 85.8 percent (81.3). The balance-sheet total increased to MSEK 258.8 (210.9). The Company's goodwill amounted to MSEK 2.8 (2.8), corresponding to 1.1 percent (1.3) of the balance-sheet total. As per 30 June 2016, Probi's net cash amounted to MSEK 169.4 (121.5). At the end of the period, Probi had no interest-bearing liabilities.

COMPARISON BETWEEN THE FINANCIAL YEARS 2015 AND 2014

Figures in parentheses pertain to the year-earlier period.

Income statement

Net sales

In 2015, Probi's net sales amounted to MSEK 215.7 (135.2), representing an increase of 59.5 percent. The North American market, in particular, showed significant growth in the Consumer Healthcare business area. Adjusting for currency effects, the increase would have been 42.1 percent.

In 2015, net sales for business area Consumer Healthcare amounted to MSEK 177.6 (99.1), representing an increase of 79.2 percent. Product launches in the North American market by business partners, such as NBTY and Pharmavite, was the leading reason for the increase. At the same time, the partnership with Canadian Jamieson developed favorably and in 2015, that company too launched a product containing probiotic strains from Probi. Probi increased its market share in the European market. However, sales in South Korea declined compared with 2014.

In 2015, net sales for business area Functional Food amounted to MSEK 38.1 (36.1), representing an increase of 5.5 percent. This was partly due to a positive growth in the chilled juice market following a few years of decline, while ProViva strengthened its position in the Swedish market, despite a reduction in royalty revenue from ProViva in accordance with an agreement signed with Danone in 2010. The favorable performance of the American company NextFoods in 2015 also had a positive effect on the business area's net sales.

Operating expenses and operating profit

In 2015, operating expenses amounted to MSEK 157.6 (110.7), representing an increase of 42.4 percent. Cost for raw materials amounted to MSEK 63.1 (41.7), representing an increase of 51.3 percent as a result of increased sales. Employee benefit expenses amounted to MSEK 41.3 (31.9), representing an increase of 29.5 percent. The number of employees increased by ten people in 2015, and the provision for variable remuneration to personnel was higher than in 2014. Other external expenses amounted to MSEK 47.1 (27.9), representing an increase of 68.8 percent. Most of this increase comprises marketing costs in customer partnerships, and consulting services in sales and administration.

In 2015, Probi's operating profit amounted to MSEK 63.1 (27.0), an increase of 133.7 percent, corresponding to an operating margin of 29.2 percent (20.0). Adjusting for currency effects, the operating margin was 23.4 percent.

In 2015, the operating profit for Consumer Healthcare amounted to MSEK 52.3 (17.9), corresponding to an operating margin of 29.4 percent. The operating profit for Functional Food amounted to MSEK 10.8 (9.2), corresponding to an operating margin of 28.3 percent.

Depreciations of non-current assets

In 2015, depreciation of non-current assets amounted to MSEK 6.1 (5.4).

Financial income and expenses

In 2015, net financial items amounted to MSEK 0.0 (1.0). The change was largely due to generally lower interest rates.

Profit before tax

In 2015, profit before tax amounted to MSEK 63.1 (28.1).

Tax for the period

In 2015, the Company's tax expense for the year amounted to MSEK 14.1 (6.3), corresponding to an effective tax rate of 22.3 percent (22.5).

Profit for the period

In 2015, profit for the period amounted to MSEK 49.0 (21.8), corresponding to earnings per share of SEK 5.38 (2.39).

Cash flow

In 2015, cash flow from operating activities before changes in working capital amounted to MSEK 52.6 (32.1). Cash flow from operating activities was mainly impacted positively by the increase in operating profit. The increase in tax paid had a negative impact on cash flow. Cash flow from changes in working capital amounted to MSEK 9.5 (5.1) and was positively impacted by lower operating receivables and an increase in operating liabilities. Including changes in working capital, cash flow amounted to MSEK 62.1 (37.2) in 2015. Cash flow from ordinary investing activities amounted to MSEK -19.5 (-13.5) and mainly comprised investments of MSEK 18.3 (9.8) in intangible assets, of which MSEK 2.5 (1.9) pertained to patents and MSEK 15.8 (7.9) to capitalized development expenditure. Capitalized development expenditure related mainly to clinical trials in immune function and digestive health. Investments in tangible assets amounted to MSEK 1.2 (3.8). During the period, the change in cash and cash equivalents was MSEK 34.8 (16.9), amounting to MSEK 143.0 (108.2) at year-end. In 2015, Probi paid dividends of MSEK 7.7 (6.8) to shareholders, relating to the financial year 2014.

Financial position

As per 31 December 2015, equity amounted to MSEK 187.2 (146.0). The equity/assets ratio decreased to 82.2 percent (82.9). The balance-sheet total increased to MSEK 227.9 (176.0). The Company's goodwill amounted to MSEK 2.8 (2.8), corresponding to 1.2 percent (1.6) of the balance-sheet total. As per 31 December 2015, Probi's net cash amounted to MSEK 143.0 (108.2). At the end of the financial year, as in 2014, Probi had no interest-bearing liabilities.

Capitalization and other financial information

CAPITALIZATION AND INDEBTEDNESS

Capitalization

Set forth below is Probi's capitalization as of 31 July 2016.

SEK, thousand	31 July 2016
Total current debt	41,816
Guaranteed	-
Secured	-
Unguaranteed/unsecured	41,816
Total non-current debt	-
Guaranteed	-
Secured	-
Unguaranteed/unsecured	-
Shareholders' equity	234,749
Share capital	46,827
Legal reserves	-
Other reserves	187,922

NET INDEBTEDNESS

Set forth below is Probi's net indebtedness as of 31 July 2016.

SEK, thousand	31 July 2016
(A) Cash	-
(B) Cash equivalents	163,933
(C) Trading securities	-
(D) Liquidity (A)+(B)+(C)	163,933
(E) Current financial receivables	4,053
(F) Current bank debt	-
(G) Current portion of non-current debt	-
(H) Other current financial debt	-
(I) Current financial debt (F)+(G)+(H)	-
(J) Net current financial indebtedness (I)-(E)-(D)	-167,986
(K) Non-current bank debt	-
(L) Bonds issued	-
(M) Other non-current loans	-
(N) Non-current financial indebtedness (K)+(L)+(M)	-
(O) Net financial indebtedness (J)+(N)	-167,986

CREDIT FACILITIES AND LOANS

To finance the acquisition of Nutraceutix, Probi has entered into a credit facility agreement with Handelsbanken with respect to a so-called multi-currency term loan facility of MUSD 63 (the bridge facility) with maturity date one year after the signing of the agreement, a so-called multi-currency term loan facility of MUSD 35 (the credit facility) with maturity date three years after the signing of the agreement (with possibility of extension) and an overdraft facility of MSEK 30 with maturity date one year after the signing of the agreement. The net proceeds from the rights issue, after deduction of issue expenses, will be used to repay the bridge

facility and part of the credit facility. The remaining part of the credit facility and the overdraft facility are intended to be used for general business purposes for the Group. After closing of the acquisition, and assuming a completed rights issue and repayment of the bridge facility and part of the credit facility, Probi expects to have a leverage ratio (Net Debt/EBITDA) of approximately 1x.

For further information regarding the credit facility agreement, see "Credit facility agreement" in "Legal considerations and supplementary information".

WORKING CAPITAL STATEMENT

It is Probi's assessment that the Company's working capital is not sufficient for the present requirements during the next twelve months since Probi, within one year from the conclusion of the acquisition of Nutraceutix, need to repay the bridge financing of approximately MUSD 63 (corresponding to approximately MSEK 540¹) which during a transitional period finances a part of the purchase price in the acquisition of Nutraceutix. The total purchase price in the acquisition amounted to MUSD 105 (corresponding to approximately MSEK 900²), and the acquisition has in addition to the bridge financing been financed through available funds and a credit facility of approximately MUSD 35 (corresponding to approximately MSEK 300³). For further information about the bank financing regarding the acquisition of Nutraceutix, see "Credit facility agreement" under "Legal considerations and supplementary information".

Probi's intention is to repay the bridge financing and part of the credit facility with proceeds from the present rights issue. Through the shareholders Symrise, Fourth Swedish National Pension Fund, Swedbank Robur Funds and Handelsbanken Funds, Probi has received subscription commitments and indications of intent to subscribe for respective pro rata shares of the rights issue, in aggregate corresponding to approximately 69.5⁴ percent of the outstanding share capital and votes in Probi. If the rights issue, notwithstanding these subscription commitments and indications of intent, does not generate a sufficient amount to repay the bridge financing, Probi may have a working capital deficiency of up to MSEK 540 at the end of the twelve month period. If this should occur, Probi may have to seek alternative financing, such as additional share capital or other bank financing, for the outstanding amount or may be forced to renegotiate the terms of the bridge financing. If Probi does not succeed in obtaining alternative financing or in reaching an agreement regarding the bridge financing, it could ultimately mean that the Company is forced to sell part of its business.

RESEARCH AND DEVELOPMENT

Probi's research and development is organized into three functions: clinical applied research, project management and discovery. Probi's research and development work is further described in "Research and development" under "Business description".

¹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

² Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

³ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁴ The ownership percentages are stated as of 31 August 2016, with thereafter known changes and with consideration for Probi's holdings of 250,000 treasury shares which may not be represented at general meetings and does not entitle to participate in the rights issue.

The table below shows Probi's research and development expenses during the financial years 2014–2015 and the period January–June 2015 and 2016.

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Activated research and development expenses	16,040	14,278	28,132	21,717

CAPITAL EXPENDITURES

Probi's total capital expenditures during the financial years 2014–2015 and for the period January–June 2015 and 2016 are summarized in the table below. The capital expenditures principally comprise of intangible fixed assets.

SEK, thousand	Jan-Jun 2016	Jan-Jun 2015	2015	2014
Acquisition of intangible fixed assets	10,426	11,628	18,256	9,824
Acquisition of tangible fixed assets	256	920	1,238	3,823
Sale of tangible fixed assets	-134	0	0	-131
Total	10,548	12,548	19,494	13,516

Current and future capital expenditures

On 3 October 2016 the acquisition of Nutraceutix was completed, which implied that the Company paid a cash purchase price of MUSD 105 (corresponding to approximately MSEK 900⁵) to the seller TNTGamble. For further information about the acquisition, see "The acquisition of Nutraceutix and the new Group". Within Nutraceutix, current investments consist of an extension of the water supply to the Redmond facility, amounting to approximately MSEK 1.2 and financed by available funds. The project will be concluded in autumn, 2016.

PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2016, Probi's tangible fixed assets amounted to MSEK 3.9, mainly comprising of office inventory and laboratory equipment. There were no pledges for tangible fixed assets as of 30 June 2016.

FINANCIAL EXPOSURE AND RISK MANAGEMENT

For information regarding Probi's financial risk management, see note 3, p. 63 in Probi's 2015 annual report.

SIGNIFICANT TRENDS

The growth in the global probiotics market is stable and the Company sees no signs of a slowdown. Probi's net sales have increased more than the market and this trend continues in all geographical regions. North America is the largest and fastest growing market for probiotic supplements in the world. This is even more accentuated for Probi and it is North America's sales development that drives growth, even though sales on the other markets are also seeing double digits growths.

All other parameters within the business are stable with respect to costs of raw materials, customer and supplier relationships and the regulatory and legal environments the Company operates in.

SIGNIFICANT CHANGES SINCE 30 JUNE 2016

Since 30 June 2016, the following significant changes in the financial or trading position of Probi have occurred. On 28 September 2016, the Board of Directors of Probi resolved, based on the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital through the forthcoming new share issue with preferential right for Probi's shareholders. The rights issue resolution entails that Probi's share capital will increase by a maximum of SEK 11,394,125 through the issuance of not more than 2,278,825 new shares. Further, on 3 October 2016, Probi announced that the Company had completed the acquisition of Nutraceutix, implying the payment of a cash purchase price of MUSD 105 (corresponding to approximately MSEK 900⁶).

⁵ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

⁶ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

The acquisition of Nutraceutix and the new group

The following section is a summary description of Nutraceutix and the new Group. Unless otherwise indicated, the information presented on pages 48-52 is based on information from TNTGamble.

On 6 June 2016, Probi announced that its US subsidiary, Probi USA Inc., had entered into an agreement to purchase the operations of US probiotics company TNTGamble, which operated under the name of Nutraceutix. The purchase price amounted to MUSD 105 (corresponding to MSEK 900¹ on a cash and debt free basis). The acquisition was completed on 3 October 2016 and all assets were transferred to Probi. Probi financed the cash purchase price through available cash reserves, a credit facility and a bridge facility. The bridge facility and part of the credit facility will be repaid with proceeds from the rights issue.

NUTRACEUTIX

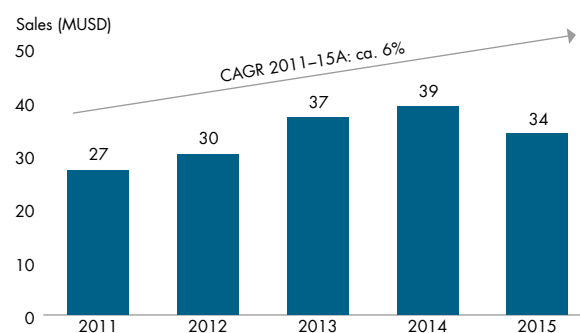
Overview of operations

Nutraceutix was founded in 1983 and is one of the largest manufacturers and suppliers of probiotics in North America. Nutraceutix has its headquarters and a fermentation facility in Redmond, near Seattle in Washington State, and a packaging facility in Lafayette, near Denver in Colorado. Nutraceutix is focused on US and global brand distributors, retailers, direct sellers and other contract manufacturers, mainly in consumer healthcare products, but also on manufacturers of various food and, to a lesser degree, animal feed and silage.

Nutraceutix manufactures and supplies probiotics used in consumer healthcare products and food. Nutraceutix is focused on US and global B2B customers. Through the company's patented delivery technology BIO-tract[®], Nutraceutix has built a strong corporate and ingredient brand among both B2B customers and end-consumers. In 2015, the company had sales of approximately MUSD 34 (MSEK 290²) and an EBITDA³ of about MUSD 8 (MSEK 70⁴). The decline in sales in 2015 compared to 2014 was mainly due to the termination of a customer's market investment in a product that was significant for Nutraceutix. Since 2011, sales generated by the underlying operations have shown double-digit percentage growth.

The diagram below shows the sales trend for Nutraceutix between 2011 and 2015.

Development of net sales for Nutraceutix



Source: TNTGamble's annual reports 2011-2015.

For the first eight months, up to and including August 2016, Nutraceutix showed a double-digit percentage sales growth compared with the same period 2015, on a preliminary, unaudited basis. Fermentation and mixing of probiotics is conducted at Nutraceutix's headquarters in Redmond. Manufacturing of capsules and tablets takes place at the company's facility in Lafayette. Packaging/bottling, labeling, warehousing and distribution also take place in Lafayette. The facility is GMP certified. Nutraceutix has 145 employees and 175 active customer relationships. In 2015, Nutraceutix produced about 340 million tablets and 4.3 million packaged products, with 460 items in production and 30 different industrialized probiotic strains. Probi considers the potential for expansion of Nutraceutix's manufacturing capacity to be favorable.

Nutraceutix has a strong presence in North America, which is the largest and fastest-growing probiotics market in the world. Nutraceutix conducts sales of its products in four categories: bulk powder, blended powder, tablets and capsules, and bottled products. The products manufactured and delivered comprise proprietary bulk powder, bulk powder purchased from third-party manufacturers, or blends of both. Nutraceutix sells products under its own brands, as well as white-label products which enable retailers to put their own brands on products and use their own labels. Sales and distribution are mainly carried out through three channels: retail, wholesale and e-commerce.

¹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

² Exchange rate 1 January 2015-31 December 2015, USD/SEK 8.4350.

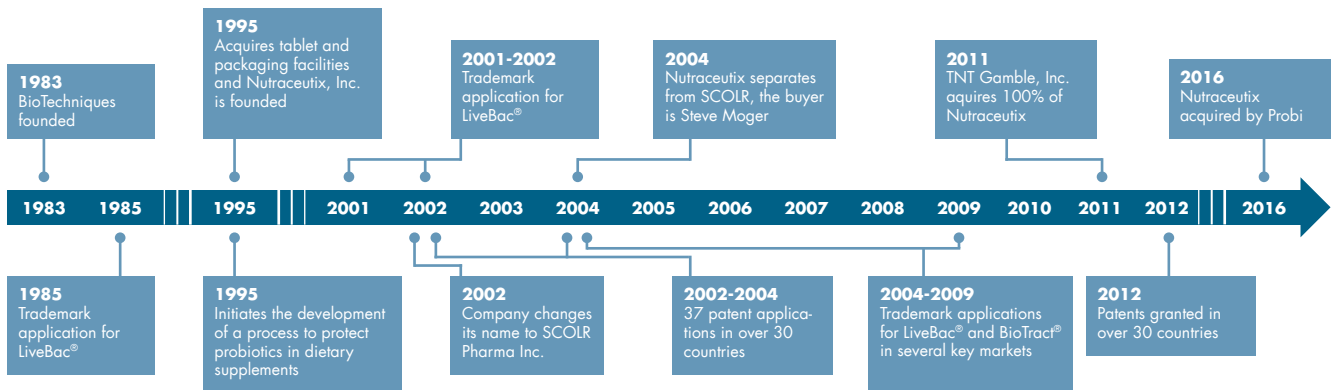
³ Operating profit before interests, taxes, depreciations and impairments. Refer to "Reconciliation of non-US GAAP measures" in "Selected historic financial information for Nutraceutix".

⁴ Exchange rate 1 January 2015-31 December 2015, USD/SEK 8.4350.

History

The history of Nutraceutix can be traced back to 1983 when BioTechniques Laboratories was founded, a company focused on researching and commercialising fermented and freeze-dried microbial cultures. The tablet and packaging facilities for the production of consumer healthcare

products were acquired in 1995, which led to the foundation of Nutraceutix. In 2002, the company changed its name to SCOLR Pharma Inc. Nutraceutix was separated from SCOLR in 2004 and acquired by Steve Moger. Tim Gamble acquired Nutraceutix from Steve Moger in October, 2011, through his company TNTGamble.



Technological platforms

Nutraceutix has developed and patented two unique technological platforms, BIO-tract® and LiveBac®. The platforms are key elements of the company's product offering to customers. As part of Probi's due diligence process prior to the acquisition of Nutraceutix, a Voice-of-the-Customer survey was conducted, in which customers were interviewed to receive feedback on their perception of Nutraceutix and its offering. The results demonstrated that the BIO-tract® technology was a very strong reason why customers chose Nutraceutix's products. Several of the company's customers actively use BIO-tract® as part of their marketing towards end-consumers.

BIO-tract®

Some of the probiotics used in powders and capsules cannot survive the passage through the gastrointestinal tract. Gastric acid can destroy many probiotic organisms before they reach the intestinal tract where they are effective. The patented BIO-tract® delivery technology protects the probiotics from gastric acid, ensuring that a significantly higher share of live organisms reach the intestines. The technology also contributes to an optimal release of the live probiotics throughout the entire digestive process.

When tablets protected by BIO-tract® reach the stomach and soften, a protective control layer forms. When the tablet reaches the intestinal tract, bacteria are released from the core through the protective layer at a controlled release rate dependent on the tablet formulation.

LiveBac®

Probiotic products are sensitive to heat and moisture and in many products on the market, bacteria die as the product ages. By using the LiveBac® technology process, probiotic products can be manufactured with guaranteed viability throughout the entire shelf-life period, even when stored at room temperature.

Production and manufacturing

Nutraceutix's production facilities have been reviewed and registered in accordance with GMP (Good Manufacturing Practices) by NSF International. The production facilities enable control over every step of

the manufacturing process, including analysis and testing at each critical stage.

For more than 30 years, the operations have been developing expertise and patented process and delivery technologies for the manufacture of probiotic products. Nutraceutix controls the entire process, from cultivation of the organisms to the final production stage. Throughout the entire proven and standardized production process, the Quality Assurance department and the microbiological laboratory verify the bacteria concentration – or CFU (colony-forming units) – and the purity of the live organisms that Nutraceutix produces, stores and sells.

Strain selection

All Nutraceutix strains intended for human use are naturally derived and suitable for human use. The selected strains have not been genetically modified, and have a long history of safe use in consumer healthcare products and various food applications. All of Nutraceutix's strains have a verified identity and are deposited with the American Type Culture Collection (ATCC).

Fermentation

Based on decades of experience, Nutraceutix's experts have cultivated and processed more than 30 different bacteria cultures. Bacterial cultures must be isolated and genetically identified before being used in the production process. The verified bacterial cultures are transferred to large fermentation tanks, in which the fermentation process has been optimized. The optimized environment is based on many years of research and industrial expertise.

Purification and drying

After fermentation, the bacteria are concentrated and freeze-dried using a process that ensures a viable and stable probiotic product.

Storage and distribution

The final probiotic powder is stored frozen and always cold-shipped to further ensure the quality and functionality of the products for continued manufacturing or distribution.

Products

Bulk powder

Probiotic cultures are fermented in tanks, after which the bacteria are freeze-dried and crushed into a powder. Probiotic powder can also be purchased in bulk from external suppliers if required, or when considered economically advantageous. Applications for bulk powder include food, blended powder and consumer healthcare products in the form of tablets or capsules. In 2014, bulk powder accounted for 20 percent of Nutraceutix's sales.

Blended powder

Blended powder is manufactured according to specific customer requirements and based on various blends of strains in varying concentrations. The blends currently contain two to 15 strains combined with non-active ingredients. Some strains are purchased in bulk from external suppliers. In 2014, blended powder accounted for seven percent of Nutraceutix's total sales.

Tablets and capsules

The BIO-tract[®] technology is used in manufacturing probiotic tablets and capsules. In total, tablets and capsules accounted for 16 percent of Nutraceutix's sales in 2014.

Consumer packaged products

This segment includes tablets and capsules that are consumer packaged in containers. The products are sold to players in three sales channels: retail, wholesale and e-commerce. Nutraceutix sells products under its own brands, as well as white-label products that enable resellers to put their own brands on products, and use their own labels. In 2014, consumer packaged products accounted for 57 percent of Nutraceutix's total sales.

Customers

Nutraceutix currently has about 175 customers, mainly located in the US, comprising US and global brand distributors as well as US retail distributors, primarily in the Consumer Healthcare segment. There is a very limited customer base overlap between Nutraceutix and Probi, which in this case should be viewed positively, with good prospects for sales synergies. Nutraceutix demonstrates a high degree of production flexibility, enabling the production of smaller batches with shorter lead times. This has helped Nutraceutix build a strong customer portfolio in e-commerce, which has generated strong growth in a highly attractive customer segment in recent years. Nutraceutix maintains a high degree of customer loyalty and the customer turnover is very low. Customer surveys conducted by Probi during its due diligence process accredited this to effective customer support, high productivity and Nutraceutix's access to technological platforms.

TRANSACTION RATIONALE

With a strong position within research and development, Probi has grown and developed its well documented and differentiated product platforms to become a significant player in the global probiotics market. The Company's objective is to generate growth that exceeds the market average. To achieve this, the Company has the following strategic priorities: 1) secure and develop existing products, 2) enter new markets with focus on the fast-growing markets in Asia and North and South America, 3) launch new products and 4) enter new indication areas.

The acquisition of Nutraceutix is highly aligned with these strategic priorities as it will strongly enhance Probi's presence in the attractive North American probiotics market, add important new technologies, manufacturing capabilities and customer relationships, and create a platform for future acquisitions.

Strategic rationale

Significantly strengthens Probi's position on the fast-growing North American consumer healthcare market for probiotics

According to Euromonitor, North America represents 47 percent of the global Consumer Healthcare market for probiotics. This market is estimated to be worth USD 1.8 billion in 2015 sales and grew 22.9 percent between 2011 and 2015. In comparison, the global consumer healthcare market for probiotics grew 12.8 percent between 2011 and 2015. Through the acquisition of Nutraceutix, Probi's operating income in North America will more than triple and amount to 423 MSEK in 2015, and following the acquisition North America will account for 83 percent of the Company's combined operating income during the same period.⁵

Growth in the North American market is mainly driven by an increased interest from consumers, as well as an increased scientific understanding of the potential of probiotics and the role of different probiotic strains in overall health. The market is characterized by a high rate of innovation and by many different sales channels.

Probi's established, patented and clinically well documented probiotic strains have been the basis for the Company's competitiveness in the North American market. The Company believes that the combination with Nutraceutix's manufacturing process expertise and IP-protected delivery technologies will contribute to the strengthening and broadening of the platform for continued competitive growth both in the North American market and internationally.

In recent years, Probi has worked intensely to develop its sales channels in the North American market and has established several strong and long term contracts and partnerships with larger players such as NBTY and Pharmavite. Through the acquisition of Nutraceutix these partnerships are further strengthened and the customer base is expanded. The direct presence in the North American market offered by the acquisition creates, the Company assesses, opportunities for further development of customer relationships and sales opportunities.

Significant expertise in probiotics and established IP platform creates an attractive product portfolio

Probi's expertise in probiotics originates from extensive research and product development, and is continuously developed further through the Company's focus on applied clinical research and product development in parallel with long term-oriented research. As a result of its significant expertise in probiotics, the Company has managed to build a solid and established IP platform with patent protection both for individual probiotic strains and for different consumer healthcare products. Probi's portfolio of patents and pending patent applications comprises a total of 391 individual patent filings, of which 313 are related to the Company's most important commercial probiotic strain LP299V[®]. The Company's extensive IP platform and well documented probiotic strains enables licensing of a wide portfolio of probiotic strains to other companies.

The acquisition of Nutraceutix brings further expertise, IP rights and products such as Nutraceutix's proprietary technologies BIO-tract[®] and LiveBac[®]. The delivery technology BIO-tract[®] is a key differentiator and loyalty creating product feature which is patent protected in more than 30 countries. BIO-tract[®] prevents degradation of probiotics in the stomach's acidic environment and thereby substantially increases the possible application areas for many probiotic strains. Probi assesses that this technology is applicable on parts of the Company's broad portfolio of patented and well documented probiotic strains as well as on strains which are currently in development. LiveBac[®] enables advanced manufacturing of products containing sensitive ingredients such as probiotics.

Nutraceutix offers blended powder, tablets and capsules as well as consumer packaged products. Nutraceutix's product offering is focused on market segments which complement those of Probi, thus broadening the offering to existing customers.

⁵ Calculated as the total of Nutraceutix's operating income 2015 and Probi's operating income in North America 2015 (according to note 6 in the 2015 annual report) through the new Group's pro forma operating income in 2015. See also "Pro forma financial information".

Overall, Probi believes that the acquisition of Nutraceutix creates a very competitive product offering within probiotics and a strong platform to lead the development of new generations of products for existing and new application areas and market segments.

Strong and attractive position in the value chain through established research, manufacturing and a broad customer base in the probiotics market

Through the acquisition of Nutraceutix the Company has gained access to own production and packaging capacity and end-to-end probiotic manufacturing knowledge. Nutraceutix is today among the top five probiotic producers in North America and offers a flexible, GMP compliant and quality driven turn-key solution for business-to-business customers within the probiotics market. Nutraceutix's strong manufacturing position complements Probi's strong position in the premium segment of the market with established, patented and well documented probiotic strains. This strengthened and attractive position in the value chain offers increased customer benefits by more efficiently meeting the customers' demand for high quality turn-key solutions.

Probi is active on the global health products market by offering probiotics of the highest quality to food, health product and pharmaceutical companies. Over the years, the Company has grown its customer base to include key players on the probiotics market and has through the acquisition of Nutraceutix added approximately another 175 customer and partner relationships in the US; an important and strategic market for the Company's continued growth. Nutraceutix's customer base is composed of US and global brand distribution companies, retailers and direct-sellers as well as other contract manufacturers, mainly in the consumer healthcare market. Nutraceutix also has a strong portfolio of e-commerce customers which has contributed to significant growth in recent years.

Probi conducts market focused and commercially driven research where parts of development is done in cooperation with customers. The acquisition of Nutraceutix brings a fully integrated product offering with a strong organization, including a sales team of five people. Probi can strengthen current and future customer relationships both through an increased presence on the important American market and through increased knowledge and understanding of the entire value chain.

Significant synergy potential

The acquisition of Nutraceutix adds an attractive customer base of approximately 175 American customers and partnerships, which complements Probi's existing customer relationships. As the product portfolios are also complementary, the Company assesses that this provides significant opportunities for increased sales to existing customers.

Access to production and to the BIO-tract[®] delivery technology in combination with Probi's expertise within probiotic research and development is expected to enable the development of new and differentiated products.

The future broadened and improved product portfolio is expected to benefit from Probi's expertise in research and development and from Nutraceutix's end-to-end manufacturing knowledge, to deliver an improved customer value.

In addition to sales synergies, the Company expects some cost savings through increased utilization of the production capacity and through purchasing synergies. Through the acquisition of Nutraceutix, Probi gains access to production and packaging capacity that complements third-party manufacturers. Probi intends to continue to produce products through third-party manufacturers. Nevertheless, the utilization rate for Nutraceutix's facilities can, in the future, increase as a result of the acquisition. Purchasing synergies are expected from this strengthened position in the value chain and the increased sales volume.

Attractive platform for growth

In recent years Probi and Nutraceutix have had strong sales growth of 133 percent and 26 percent respectively during the period 2011 to 2015. The acquisition of Nutraceutix is, according to Probi, a unique opportunity to establish a fully integrated and profitable probiotics company with strong growth prospects in the North American market. Thus, the acquisition establishes the Company as one of the top-tier integrated probiotic players and secures presence in the entire value chain, creating an attractive platform for future acquisitions that could add additional market presence, growth opportunities and potential synergies. The combination of Probi's strong focus on research and Nutraceutix's manufacturing expertise gives Probi the possibility to serve the combined customer portfolio with both expertise and a broad product offering. Access to own production also provides an operational flexibility and enhanced knowledge throughout the value chain.

Probi's strategy is to secure its position as a global premium player in the probiotics market. The Company's prioritized areas are existing products, new markets, new products and new indication areas. In addition to organic growth, acquisitions will also be evaluated within these areas. Prioritized areas for future potential acquisitions include building further market presence in North America, APAC and Europe and adding new capabilities and intellectual property.

Financial rationale

In recent years Probi has achieved a high net sales growth with high profitability and a strong cash flow. Net sales growth was 59.5 percent between 2014 and 2015, and growth in operating profit was 133.7 percent during the same period. The growth in net sales during the period was mainly driven by increased sales in the North American market.

Nutraceutix's net sales amounted to 290.1 MSEK in 2015 and Nutraceutix has, adjusted for the sales decline in 2015 due to the termination of a customer's market investment in a product that was significant for Nutraceutix, in recent years delivered double digit percentage sales growth. In addition, the acquisition adds 51.8 MSEK in operating profit, after the reversal of the additional purchase price⁶, and thus doubles the Company's operating profit to 114.9 MSEK in 2015.⁷

The acquisition of Nutraceutix is highly aligned with the Company's strategic priorities and contributes to meeting the financial growth and margin targets set by Probi's Board of Directors. The acquisition of Nutraceutix more than triples Probi's net sales on the fast-growing North American probiotics market. Going forward, Probi assesses that Nutraceutix's sales growth will support Probi's financial target of generating growth that exceeds the market average. The combined company had an EBITDA margin of 27.4 percent in 2015⁸, after reversal of the former additional purchase price, exceeding Probi's long term EBITDA margin target of more than 20 percent. The integration is mainly expected to create revenue synergies thanks to the broadened customer base and the strengthened product portfolio.

The acquisition is expected to be earnings per share accretive for Probi on a full year combined basis for 2016 and onwards, taking into account the rights issue.

The net proceeds from the rights issue will primarily be used to repay the bridge facility and part of the credit facility. After closing of the acquisition, and assuming a completed rights issue and repayment of the bridge facility and part of the credit facility, Probi expects to have a leverage ratio (Net Debt/EBITDA) of approximately 1x. The combined company is expected to generate strong cash flows which is expected to further reduce the leverage ratio going forward. According to Probi, this creates a strong basis for continued organic and acquisition driven growth in the future. These opportunities are further supported by the Company's stable, long term and financially strong main owner Symrise, as illustrated by Symrise's commitment to subscribe for its pro rata share in the rights issue.

⁶ See "Items not included in Probi's acquisition of Nutraceutix" in "Selected historical financial information for Nutraceutix".

⁷ See "Pro forma financial information".

⁸ See "Reconciliation of non-US GAAP measures" in "Selected historical financial information for Nutraceutix" and "Reconciliation of non-IFRS measures" in "Selected historical financial information".

THE NEW GROUP

The combined company will retain Probi's current name and stock exchange listing, and continue to promote each company's brand. The headquarters will be in Lund, Sweden. Manufacturing will mainly take place in the US, while research and development and global marketing will be based in Lund.

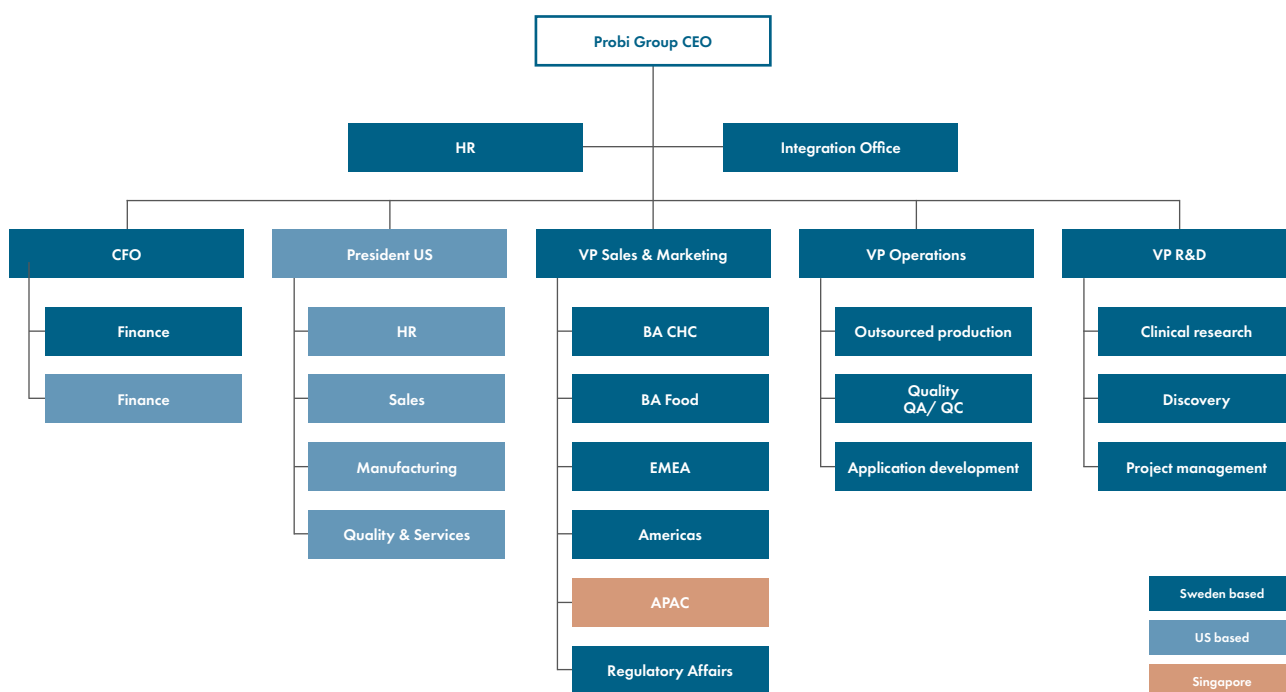
The integration is expected to be facilitated by the highly complementary nature of each business, and driven by an integration team with representatives from both organizations. The plan is also to station senior executives in the US. The current CEO of Nutraceutix is expected to be retained as head of the North American unit during a transitional period.

Probi and Nutraceutix combined will have about 185 employees. Probi does not expect the acquisition to entail any significant changes in the workforce, and believes that the strengthened operational and financial resources of the combined company will enable further commercial investment and expansion.

Probi expects integration expenses of approximately MSEK 5.5 to burden the result for the fourth quarter 2016. During the 2017-18 period, additional integration and investment expenses will amount to approximately MSEK 30-50.

Organization

The company does not expect the acquisition of Nutraceutix to lead to any significant changes in the workforce, however strengthening of senior staff will be required. For example, an HR unit is needed and the Group Management should be expanded to include a President of the North American operations. New roles will also be recruited in Sales & Marketing, R&D and Operations to deliver sales synergies, the development of new product combinations and enhanced delivery capacity. An overview of the new Group's organizational structure is presented in the diagram below.



Selected historical information for Nutraceutix

The following summary of financial statements has been obtained from TNTGamble's financial statements for the financial years 2014-2015 and has been prepared in accordance with U.S. GAAP and audited by TNTGamble's auditor (Falco Sult). The prospectus also contains key ratios that have not been audited or revised by TNTGamble's auditor.

The information below should be read together with TNTGamble's financial statements for the financial years 2014-2015, which are available on Probi's website at www.probi.se.

KEY DIFFERENCES BETWEEN IFRS AND U.S. GAAP

For a description of the key differences between IFRS and U.S. GAAP, refer to "Accounting principles" in the "Pro forma financial information" section.

ITEMS NOT INCLUDED IN PROBI'S ACQUISITION OF NUTRACEUTIX

The "other expenses" item in TNTGamble's income statement comprises an earn-out payment, a type of additional purchase price related to TNTGamble's acquisition of the operations from the previous owner. The additional purchase price in 2015 amounted to a cost of MUSD 10.2 (5.0). The obligation to pay the additional purchase price is not included in Probi's acquisition of Nutraceutix and will not affect Nutraceutix's future results after Probi's acquisition.

No financial assets or liabilities are included in Probi's acquisition of Nutraceutix. This means that the seller's (TNTGamble) cash and cash equivalents, long-term interest-bearing liabilities, current portion of interest-bearing long-term liability, any credit facilities or liability to Steven Moger Enterprises have been excluded from the acquisition. Nor is the goodwill recognized in TNTGamble's balance sheet included in the acquisition. For further information, see note 3 to the pro forma balance sheet in the "Pro forma financial information" section.

STATEMENT OF INCOME IN SUMMARY

	2015		2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Sales, net of returns and allowances	34,390	290,082	39,323	269,665
Cost of sales	-24,005	-202,482	-23,435	-160,710
Gross profit	10,385	87,600	15,888	108,955
Operating expenses				
Marketing	-1,686	-14,221	-1,825	-12,515
Administration	-2,231	-18,818	-2,352	-16,129
Income from operations	6,468	54,560	11,711	80,311
Other income/expenses				
Other income	8	70	14	96
Officer salary	-363	-3,062	-356	-2,441
Interest expense	-420	-3,543	-443	-3,038
Gain on sale and disposal of assets	29	245	12	82
Other expenses	-10,180	-85,868	-4,960	-34,014
Total other income/expenses	-10,926	-92,158	-5,733	-39,315
Net income/loss	-4,457	-37,598	5,979	40,995

¹ Based on average exchange rate for the period, USD/SEK 8.4350.

² Based on average exchange rate for the period, USD/SEK 6.8577.

BALANCE SHEET IN SUMMARY

	31 Dec 2015		31 Dec 2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Current assets				
Cash and cash equivalents	616	5,145	28	219
Accounts receivable	4,966	41,478	4,753	37,129
Inventory	6,514	54,408	7,720	60,306
Prepaid expenses	301	2,514	85	664
Other receivables	182	1,520	283	2,211
Total current assets	12,579	105,065	12,869	100,529
Tangible fixed assets, at cost				
Furniture and fixtures	42	351	42	328
Machinery and equipment	6,606	55,176	6,465	50,503
Vehicles	1	6	1	10
Leasehold improvements	436	3,642	398	3,111
Accumulated depreciation	-2,745	-22,930	-1,737	-13,569
Total tangible fixed assets	4,339	36,244	5,170	40,383
Other assets				
Deposits	68	568	62	484
Goodwill	1,834	15,318	2,096	16,373
Loan fees	120	1,002	99	773
Patents	4,626	38,638	5,304	41,430
Total other assets	6,648	55,527	7,561	59,061
Total assets	23,566	196,836	25,599	199,973
Current liabilities				
Accounts payable	1,610	13,444	1,985	15,506
Other payable	17	139	17	133
Commissions payable	57	476	74	578
Accrued wages and benefits	315	2,628	161	1,258
Other accrued liabilities	54	449	78	609
Due to Steven Moger Enterprises, Inc.	1,499	12,520	1,134	8,858
Line of credit	-	-	446	3,484
Current portion of long-term debt	2,286	19,090	2,000	15,623
Total current liabilities	5,836	48,746	5,895	46,051
Long-term debt, net of current position	15,093	126,064	10,950	85,541
Other liabilities				
Deferred rent	181	1,512	212	1,656
Deferred revenue	-	-	3	27
Total other liabilities	181	1,512	215	1,683
Total liabilities	21,110	176,322	17,061	133,275
Stockholder's equity				
Share capital ³	3	25	3	23
Retained earnings	2,453	20,489	8,535	66,674
Total shareholder's equity	2,456	20,514	8,538	66,697
Total liabilities and shareholder's equity	23,566	196,836	25,599	199,973

¹ Based on the exchange rate at 31 December 2015, USD/SEK 8.3524.² Based on the exchange rate at 31 December 2014, USD/SEK 7.8117.³ Common stock, no par value, 1,000,000 authorized, 500,000 shares issued and outstanding.

STATEMENT OF CASH FLOW IN SUMMARY

	2015		2014	
	USD, thousand	SEK, thousand ¹ (unaudited)	USD, thousand	SEK, thousand ² (unaudited)
Cash flow from operating activities				
Net income/loss	-4,457	-37,597	5,979	41,002
Adjustments for non-cash items				
Depreciation/amortization	2,108	17,781	1,878	12,879
Gain/loss on sale of fixed assets	-29	-247	-12	-84
Increase/decrease in inventory	1,206	10,173	-2,512	-17,227
Increase/decrease in receivables	-334	-2,817	1,664	11,411
Increase/decrease in liabilities	67	565	-1,034	-7,093
Net cash provided by operating activities	-1,440	-12,143	5,962	40,888
Cash flow from investing activities				
Purchase of fixed assets	-188	-1,586	-1,936	-13,279
Proceeds from fixed assets dispositions	34	287	16	110
Costs paid for patents	-106	-894	-88	-603
Costs paid for loan fees	-71	-599	-2	-16
Net cash used by investing activities	-330	-2,792	-2,011	-13,788
Cash flow from financing activities				
Proceeds from long-term debt	6,500	54,828	-2,000	-13,715
Repayment of long-term debt	-2,071	-17,469	-	-
Net proceeds and repayment from line of credit	-446	-3,762	446	3,059
Distribution to stockholders	-1,625	-13,707	-2,464	-16,897
Cash provided by financing activities	2,358	19,890	-4,018	-27,554
Net increase/decrease in cash and cash equivalents	588	4,960	-67	-459
Cash and cash equivalents at the beginning of the year	28	236	95	651
Cash and cash equivalents at year-end	616	5,196	28	192

¹ Based on average exchange rate for the period, USD/SEK 8.4350.

² Based on average exchange rate for the period, USD/SEK 6.8577.

RECONCILIATION OF NON-US GAAP MEASURES**Operating profit before depreciation/amortization and impairment losses, EBITDA**

SEK, thousand	2015		2014	
	USD, thousand	SEK, thousand ¹	USD, thousand	SEK, thousand ²
Operating profit	6,468	54,560	11,711	80,311
Depreciation/amortization and impairment losses	2,108	17,784	1,878	12,879
Other income	8	70	14	96
Officer salary	-363	-3,062	-356	-2,441
Gain on sale and disposal of assets	29	245	12	82
EBITDA	8,250	69,597	13,259	90,926

¹ Based on average exchange rate for the period, USD/SEK 8.4350.

² Based on average exchange rate for the period, USD/SEK 6.8577.

Comments on Nutraceutix's financial development

Figures in parentheses refers to the previous year.

INCOME STATEMENT

Net sales

There is a growing demand for healthy food, including probiotics, all over the world. This has had a positive impact on Nutraceutix and the underlying demand for the company's products and services has subsequently increased. In 2015, however, Nutraceutix's net sales amounted to MUSD 34.4 (39.3), representing a decrease of 12.5 percent. The decline was mainly due to the termination of a customer's market investment in a product that was significant for Nutraceutix.

Nutraceutix has no segment accounting.

Operating expenses and operating profit

In 2015, operating expenses amounted to MUSD 38.4 (32.9), representing an increase of 16.7 percent. Cost of goods sold rose MUSD 0.6 to MUSD 24.0 (23.4), due to lower absorption of fixed costs in the facilities. The majority of the increase in operating expenses comprised an increase of MUSD 5.2 in earn-out costs to MUSD 10.2 (5.0).

Nutraceutix's operating profit before non-recurring items (earn-out costs to MUSD 5.2) declined MUSD 5.2 to MUSD 6.1 (11.3), corresponding to an operating margin of 18 percent (29). Operating profit was adversely impacted, primarily by lower sales.

Depreciation of intangible assets

In 2015, depreciation of intangible assets amounted to MUSD 0.1 (0.1).

Financial income and expenses

In 2015, net financial items amounted to MUSD -0.4 (-0.4).

Profit/loss before tax

In 2015, net earnings before tax amounted to MUSD -4.5 (6.0). The change of MUSD 10.5 was mainly due to lower net sales, and non-recurring costs of MUSD 5.2.

Tax

Nutraceutix was registered as an S-corporation and is thus defined as pass-through entity for tax purposes. The shareholders are responsible for federal and state income tax on behalf of the business operations.

Profit/loss for the period

In 2015, net earnings for the year amounted to MUSD -4.5 (6.0), corresponding to an earnings per share of USD -8.91 (11.96).

CASH FLOW

In 2015, cash flow from operating activities before changes in working capital amounted to MUSD -2.3 (7.8). Cash flow from operating activities was particularly adversely impacted by the decline in operating profit, mainly due to increased earn-out costs of MUSD 10.2 (5.0), and lower net sales. Cash flow from changes in working capital amounted to MUSD 0.9 (-1.9), due to the lower inventory level. In 2015, cash flow from operating activities amounted to MUSD -1.4 (6.0), including changes in working capital. Cash flow from investing activities amounted to MUSD -0.3 (-2.0), mainly comprising investments in tangible assets. During the period, the change in cash and cash equivalents was MUSD 0.6 (-0.1), amounting to MUSD 0.6 (0.0) at year-end. In 2015, Nutraceutix distributed shareholder dividends of MUSD 1.6 (2.5).

FINANCIAL POSITION

In 2015, equity amounted to MUSD 2.5 (8.5). The equity/assets ratio¹ decreased to 10.4 percent (33.4). The balance-sheet total declined to MUSD 23.6 (25.6). Nutraceutix's goodwill amounted to MUSD 1.8 (2.1), corresponding to 7.8 percent (8.2) of the balance-sheet total.

¹ Equity as a percentage of balance sheet total.

Pro forma financial information

PURPOSE OF THE PRO FORMA FINANCIAL INFORMATION

On 6 June 2016, Probi announced that its US subsidiary, Probi USA Inc., had signed an asset purchase agreement of the US probiotics company TNTGamble, which has operated under the name of Nutraceutix. The purchase price was MUS\$ 105 (approximately MSEK 877¹ on a cash-free and debt-free basis). The acquisition was completed on 3 October 2016 and the business operations were transferred to Probi. Probi financed the purchase price through available cash reserves, a credit facility and a bridge facility. The bridge loan will be repaid with proceeds from the rights issue.

The acquisition of Nutraceutix and the rights issue will have a considerable impact on the Group's future earnings and financial position, which is why pro forma financial information has been prepared. The auditor's report on the audit of the pro forma financial information is presented on page 60 in the prospectus.

Pro forma financial information is only intended to inform and illustrate facts. The Pro forma financial information is intended to illustrate a hypothetical situation and does not serve as a description of Probi's actual financial position or earnings.

The purpose of the pro forma financial information is to present the hypothetical impact that the acquisition of Nutraceutix and the rights issue could have had on the Group's consolidated income statement and balance sheet for the financial year ended 31 December 2015. The pro forma income statement has been prepared as if the acquisition of Nutraceutix and the rights issue had occurred on 1 January 2015, while the pro forma balance sheet has been prepared as if the acquisition and rights issue had occurred on 31 December 2015. The information presented does not therefore reflect the earnings or the financial position that the companies would have had if they had carried out their operations as a unit during the specified period, nor does the information provide any indication of the new Group's future earnings or financial position. No benefits resulting from synergies or the costs of any integration activities are included in the pro forma financial information.

BASIS FOR THE PRO FORMA FINANCIAL INFORMATION

The pro forma income statement and the balance sheet are based partly on the 2015 consolidated income statement and balance sheet for Probi, from the 2015 audited annual report, and partly on the 2015 income statement and balance sheet for Nutraceutix, from the 2015 audited annual report. Nutraceutix's 2015 annual report were audited by accountants Falco Sult. Expenses in Nutraceutix's income statement are arranged per functional areas, and have been adapted to the expense categories in the income statement that Probi applies in its financial statements. Since Nutraceutix presents its financial statements in USD, the income statement and balance sheet have been restated with the Riksbank's average exchange rate of SEK/USD 8,4350 for 2015, and the closing rate of SEK/USD 8.3524 at 31 December 2015.

PRO FORMA ADJUSTMENTS

Accounting principles

The pro forma financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, which are the same accounting principles and measurement methods as those applied in Probi's latest financial statements. For more detailed information about the accounting principles, please refer to Probi's 2015 annual report. Nutraceutix applies US accounting principles (U.S. GAAP). When preparing the pro forma financial information, Probi has conducted an analysis of key differences between the accounting principles of Nutraceutix and Probi, whereby costs were reduced by MSEK 85.9 with respect to an additional purchase price that has not been recognized in accordance with Probi's accounting principles. No other significant differences were identified.

Acquisition

The acquisition of Nutraceutix took the form of an asset purchase acquisition, which means that all of the assets and liabilities recognized on Nutraceutix's balance sheet in the 2015 annual report have not been acquired by Probi, as illustrated in the pro forma balance sheet. The difference between the purchase price and Nutraceutix's reported net assets is recognized as unallocated surplus value in the pro forma financial information. The unallocated surplus value is MSEK 720.3. When the acquisition analysis is prepared as of the acquisition date, the identifiable assets and liabilities will be measured at fair value. This may mean that recognized tangible and intangible assets will be assigned new fair values and that new intangible assets are identified, and the depreciation of these assets may be charged to future earnings.

Acquisition-related costs have not been reflected in the pro forma income statement, since these costs would have impacted the income statement in an earlier period. However, acquisition-related costs of MSEK 17 have been accounted for in the pro forma balance sheet as reduced equity.

Financing and rights issue

The cash purchase price was financed through available cash reserves, a credit facility of MUS\$ 35 (corresponding to approximately MSEK 292²) and a bridge facility of MUS\$ 63 (corresponding to approximately MSEK 526³). As part of the financing of the acquisition, the Board decided on 28 September 2016, under the authorization of the extraordinary general meeting on 29 June 2016, to increase the Company's share capital by issuing preference shares to Probi's shareholders.

Proceeds from the rights issue will be used to repay the bridge facility and part of the credit facility. Assuming the rights issue is fully subscribed, the net proceeds from the issue will amount to approximately MSEK 592.

¹ Converted at exchange rate on 31 December 2015, SEK/USD 8.3524, as if the acquisition had occurred on 31 December 2015.

² Converted at exchange rate on 31 December 2015, SEK/USD 8.3524, as if the acquisition had occurred on 31 December 2015.

³ Converted at exchange rate on 31 December 2015, SEK/USD 8.3524, as if the acquisition had occurred on 31 December 2015.

PRO FORMA INCOME STATEMENT FOR THE 2015 FINANCIAL YEAR

SEK, thousand	Pro forma adjustments				Full-year 2015, Pro forma
	Full-year 2015, Probi ¹	Full-year 2015, Nutraceutix ²	U.S. GAAP conversion to IFRS ³	Acquisition and financing, Nutraceutix ^{4,5}	
Net sales	215,711	290,082			505,793
Other revenue	4,973	315			5,288
Total operating revenue	220,684	290,397	0	0	511,081
Raw materials	-63,120	-107,163			-170,283
Employee benefit expenses	-41,251	-62,526			-103,777
Other external costs	-47,069	-51,116			-98,185
Depreciation and impairment of non-current assets	-6,070	-17,784			-23,854
Other operating expenses	-106	-85,868	85,868		-106
Operating profit	63,068	-34,060	85,868	0	114,876
Financial income	3,248	0			3,248
Financial expenses	-3,226	-3,540		-2,332	-9,098
Profit/loss before tax	63,090	-37,600	85,868	-2,332	109,026
Tax for the period	-14,051	0	-18,347	-53	-32,451
Profit/loss for the year	49,039	-37,600	67,521	-2,385	76,575

¹ Based on Probi's audited annual report for the 2015 financial year.

² Based on TNTGamble's audited annual report for the 2015 financial year, prepared in accordance with U.S. GAAP. Converted using the average exchange rate in 2015 of SEK/USD 8,4350.

³ Adjustment of the additional purchase price of TSEK 85,868, in line with Probi's accounting principles. TNTGamble's earnings under IFRS were charged with US federal corporation tax of 38 percent, entailing a tax expense of TSEK 18,347

⁴ TNTGamble's current interest expense of TSEK 3,540 is eliminated, since corresponding loans are not included in the asset purchase agreement. Tax expense is calculated as 38 percent of the interest rate, corresponding to TSEK 1,345.

⁵ Adjustment of interest expense for raising loans of TSEK 226,925 to 2.21 percent interest, corresponding to TSEK 5,872, including the allocation of arrangement fees. Tax income is calculated as 22 percent of interest expense, including the allocation of arrangement fees, corresponding to TSEK 1,292.

All pro forma adjustments are expected to have a lasting effect.

PRO FORMA BALANCE SHEET AT 31 DECEMBER 2015

	Pro forma adjustments				31 Dec 2015, Pro forma
	31 Dec 2015, Probi ¹	31 Dec 2015, Nutraceutix ²	Acquisition and financing, Nutraceutix ³	Rights issue ⁴	
Intangible fixed assets	43,582	53,958	704,961		802,501
Tangible fixed assets	4,581	36,243			40,825
Long-term receivables	0	1,569	-1,000		569
Fixed assets	48,163	91,770	703,961	0	843,894
Inventories	4,468	54,408	0	0	58,877
Current receivables	32,228	45,507	0	0	77,735
Cash and cash equivalents	143,024	5,149	-80,616	0	67,558
Current assets	179,721	105,064	-80,616	0	204,169
Assets	227,884	196,834	623,345	0	1,048,063
Equity	187,239	20,514	-37,514	593,810	764,049
Deferred tax liabilities	122	0	0	0	122
Other provisions	0	1,511	0	0	1,511
Other long-term liabilities	0	126,062	166,272	-65,409	226,925
Long-term liabilities⁵	122	127,572	166,272	-65,409	228,558
Current liabilities	40,523	48,748	494,586	-528,401	55,456
Current liabilities⁵	40,523	48,748	494,586	-528,401	55,456
Liabilities	40,645	176,320	660,858	-593,810	284,014
Equity and liabilities	227,884	196,834	623,345	0	1,048,063

¹ Based on Probi's audited annual report for the 2015 financial year.

² Based on TNTGamble's audited annual report for the 2015 financial year, prepared in accordance with U.S. GAAP. Converted at the prevailing rate on 31 December 2015, SEK/USD 8.3524.

³ The purchase price for the acquisition of Nutraceutix was TSEK 877,001, according to the assumption presented below. Consolidated surplus value amounts preliminarily to TSEK 720,278, which has not yet been allocated. Acquisition-related expenses reduced equity and cash and cash equivalents by an amount of TSEK 17,000. According to the agreement, the acquisition of Nutraceutix only includes certain assets and liabilities. Adjustments have therefore been made to reflect this as below.

Preliminary acquisition cost estimate, SEK, thousand

Nutraceutix's net assets on the acquisition date	Real value	Assets/liabilities not acquired	Assets/liabilities acquired
Intangible fixed assets	53,958	-15,317	38,641
Tangible fixed assets	36,243		36,243
Long-term receivables	1,569	-1,000	569
Inventories	54,408		54,408
Current receivables	45,507		45,507
Cash and cash equivalents	5,149	-5,149	-
Other provisions	-1,511		-1,511
Other long-term liabilities	-126,062	126,062	-
Current liabilities	-48,748	31,613	-17,135
Total	20,514	136,209	156,723
Unallocated consolidated surplus values			720,278
Total			877,001
Purchase price			877,001

The acquisition was financed on the transfer date through new long-term loans and revolving facilities totalling TSEK 292,334, a bridge facility of TSEK 526,201 and existing funds of TSEK 58,467. Amounts were translated at the prevailing rate on 31 December 2015, SEK/USD 8.3524.

⁴ A rights issue of TSEK 591,610, less calculated issue expenses of TSEK 10,000 and estimated tax income of 22 percent (TSEK 2,200), according to the assumptions presented. The proceeds from the rights issue will be used to repay the bridge facility of TSEK 526,201, and TSEK 65,409 of the revolving facilities.

⁵ All long-term liabilities are interest-bearing. No current liabilities are interest-bearing.

Auditor's report on pro forma financial information

To the Board of Directors in Probi AB (publ), org nr. 556417-7540

THE AUDITOR'S REPORT ON PRO FORMA FINANCIAL INFORMATION

We have audited the pro forma financial information set out on pages 57-59 in Probi AB prospectus dated 4 October 2016.

The pro forma financial information has been prepared for illustrative purposes only to provide information about how the acquisition of Nutraceutix might have affected the consolidated balance sheet for Probi AB as of 31 December 2015 and the consolidated income statement for Probi AB for the period 1 January through 31 December 2015.

The Board of Directors' responsibility

It is the Board of Directors' and the Managing Director's responsibility to prepare the pro forma financial information in accordance with the requirements of the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

It is our responsibility to provide an opinion required by Annex II item 7 of Prospectus Regulation 809/2004/EC. We are not responsible for expressing any other opinion on the pro forma financial information or of any of its constituent elements. In particular, we do not accept any responsibility for any financial information used in the compilation of the pro forma financial information beyond that responsibility we have for auditor's reports regarding historical financial information issued in the past.

Work performed

We performed our work in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the historical information, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the pro forma financial information has been compiled on the basis stated on pages 57-59, and in accordance with the accounting principles applied by the company.

Opinion

In our opinion the pro forma financial information has been properly compiled on the basis stated on pages 57-59 and in accordance with the accounting principles applied by the company.

Malmö 4 October 2016

Deloitte AB

Per-Arne Pettersson
Authorized public accountant

Board of directors, Group management and Auditor

BOARD OF DIRECTORS

According to Probi's articles of association, the Board of Directors shall comprise of not less than three and not more than seven members. The Board of Directors currently consists of six members elected by the general meeting (elected by the 2016 annual general meeting for the period until the end of the 2017 annual general meeting).

Name	Assignment	Elected	Independent	Shareholding ¹
Jean-Yves Parisot	Chairman	2015	No ²	-
Jörn Andreas	Member	2014	No ²	-
Benedicte Fossum	Member	2011	Yes	-
Jan Nilsson	Member	2010	Yes	-
Jonny Olsson	Member	2015	Yes	1,000
Eva Redhe	Member	2011	Yes	4,000

¹ Refers to own and closely associated natural and legal persons' holdings as per 31 August 2016 and thereafter known changes.

² Not independent in relation to major shareholders of the Company.

Jean-Yves Parisot

Born 1964. Chairman of the Board since 2015 and Board member since 2015.

Principal education and professional experience: Economics and veterinary degree. Senior roles within Air Liquide, Danisco, Rhodia, Rhône-Poulenc, Merial and Pfizer.

Other current assignments/positions: CEO at Diana, a division within the Symrise Group.

Previous assignments/positions (past five years): -

Holding: -

Independent in relation to the Company and Group Management, but not in relation to the Company's major shareholders.

Jörn Andreas

Born 1980. Board member since 2014.

Principal education and professional experience: PhD in economics, Karlsruhe Institute of Technology (KIT), Karlsruhe, Germany. Chief Integration Officer and Vice President Finance, Symrise Aroma Molecules Division, Jacksonville, USA. Previously worked at The Boston Consulting Group, Hamburg, Germany and Bayer AG Leverkusen, Germany.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: -

Independent in relation to the Company and Group Management, but not in relation to the Company's major shareholders.

Benedicte Fossum

Born 1962. Board member since 2011.

Principal education and professional experience: Veterinary degree, Norwegian School of Veterinary Science. Director of strategic development in PHARMAQ AS and other positions within Alpharma AS and Statens Legemiddelsverk.

Other current assignments/positions: Chairman of the Board in Renée og Bredo Grimsgaard's Stiftelse, Sea Lice Research Centre and Mittas AS. Board member in Smartfish AS, Patogen AS, Foinco AS, Hector 1 AS, Cabi Holding AS, Credo Invest nr 8 AS, One of Five AS, Hector Invest AS and Hermus AS.

Previous assignments/positions (past five years): Board member in Ayanda AS, Bionor Pharma ASA and Zentuvo AS.

Holding: -

Independent in relation to the Company and the Group Management, as well as the Company's major shareholders.

Jan Nilsson

Born 1953. Board member since 2010.

Principal education and professional experience: Doctor degree and Doctor of Medicine, Karolinska Institutet, docent in medical cell biology. Associate professor in medicine at Karolinska Institutet (1996-1998), professor of Experimental Cardiovascular research at Lund University (1998-). Former dean at the Faculty of Medicine at Lund University (2000-2005), visiting professor at UCLA (1995-2003) and deputy secretary general at the Medical Research Council (1993-1996).

Other current assignments/positions: Chairman of the Board in Atherioco AB and Medscienta AB and Chairman of Probi's Scientific Advisory Board. Board member in CardioVax and Swedish Research Council.

Previous assignments/positions (past five years): Chairman of the Board in PetaJoule AB.

Holding: -

Independent in relation to the Company and the Group Management, as well as the Company's major shareholders.

Jonny Olsson

Born 1964. Board member since 2015.

Principal education and professional experience: MSc in Business and Economics. Senior positions within TetraPak, Oriflame and Ericsson.

Other current assignments/positions: Board member in NGI A/S, Ortelius AB, Liquid Consulting AB, Liquid Consulting Inc., Cook 'n Smile Food Communication AB and Jonny Olsson Consulting AB.

Previous assignments/positions (past five years): Chairman of the Board and CEO in Tetra Pak Sverige AB. Board member in Barista FTC AB and Skånes Livsmedelsakademi.

Holding: 1,000 shares.

Independent in relation to the Company and the Group Management, as well as the Company's major shareholders.

Eva Redhe

Born 1962. Board member since 2011.

Principal education and professional experience: MSc in Business and Economics, Stockholm School of Economics. CEO of and working Chairman in Erik Penser Fondkommission AB, founder and CEO of Mercurius Financial Communications AB and work with corporate finance and investor relations within Investor AB.

Other current assignments/positions: Chairman of the Board in Spago Nanomedical AB (publ) and Ftrack AB. Board member in R-Dental AB, Redhe Financial Communications AB, D. Carnegie & Co. AB, Axel Chris-

tiensson International AB, Starbreeze AB, T.A.M. Group AB, PledPharma AB (publ), Temaplan Asset Management Holding AB, Fastighets AB Glaskronan 1 and DiagnoCit AB.

Previous assignments/positions (past five years): Board member in Itiviti Group AB, Endomines AB (publ), MQ Holding AB and Fastighets AB GK1. Deputy board member in Saltholmen Management AB and Touring Exhibitions Stockholm AB.

Holding: 4,000 shares.

Independent in relation to the Company and the Group Management, as well as the Company's major shareholders.

GROUP MANAGEMENT

Name	Position	Member of Group Management since	Employed within Probi since	Shareholding ¹
Peter Nählstedt	CEO	2014	2014	3,500
Niklas Brandt	CFO	2008	2008	1,000
Gun-Britt Fransson	Vice President of Research and Development	2012	2012	2,100
Niklas Bjärum	Vice President of Marketing and Sales	2001	2001	4,150
Linda Neckmar	Vice President of Operations	2016	2011	1,000

¹ Refers to own and closely associated natural and legal persons' as per 31 August 2016 and thereafter known changes.

Peter Nählstedt

Born 1974. CEO since 2014.

Principal education and professional experience: MSc in Chemical Engineering and BSc Business Administration from Lund University. Various management positions in the US and Sweden within strategy, marketing and sales at GE Healthcare Life Science (2002-2010). Responsible for the operations in Europe, South America and North Africa in Trelleborg Marine Systems (2010-2014).

Other current assignments/positions: Chairman of the Board in International Probiotics Association Europe since 2015.

Previous assignments/positions (past five years): -

Holding: 3,500 shares.

Niklas Brandt

Born 1959. CFO since 2008.

Principal education and professional experience: BSc in Business Administration from Lund University. Several senior positions within economy and administration in different companies, such as Tibnor and EF Education. CFO at Moving AB for six years.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 1,000 shares.

Gun-Britt Fransson

Born 1953. Vice President of Research and Development since 2012.

Principal education and professional experience: PhD in Nutrition from Uppsala University. Extensive experience from senior positions within the food, pharmaceutical and biotechnology industries and served as Director of research at Procordia Food AB and Orkla Foods AS for over ten years. CEO at Alligator Bioscience AB.

Other current assignments/positions: Board member in Invent Medic Sweden AB. Deputy board member in Lighthouse Life Science Consulting AB. Partner in Lighthouse Handelsbolag.

Previous assignments/positions (past five years): Temporary CEO in Probi AB, Chairman of the board and board member in Malmö Högskola, board member in smile INCUBATOR AB and Antidiabetic Food Center at Lund University.

Holding: 2,100 shares.

Niklas Bjärum

Born 1963. Vice President of Marketing and Sales since 2001.

Principal education and professional experience: MSc International Business Administration from Lund University. Several positions within marketing, sales and business development at Nestlé and Masterfoods (Mars Inc.). Responsible for business development for the European market at Ericsson Mobile Communications for three years.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 4,150 shares.

Linda Neckmar

Born 1973. Vice President of Operations since 2016.

Principal education and professional experience: MSc in Chemical Engineering from Lund University. Extensive experience from the biotechnology industry, both within pharmaceutical development and international business development, marketing and sales from positions at BioInvent International AB and Oxigene Inc. Responsible for Marketing & Sales Consumer Healthcare within Probi (2011-2016).

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: 1,000 shares.

OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

All members of the Board of Directors and Group Management can be reached through the Company's address, Sölvegatan 41A in Lund.

There are no family ties between any of the members of the Board of Directors and/or Group Management. No Board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board or Group Management. Nor, during the past five years, has any member of the Board or Group Management been disqualified by a court from acting as a member of the administrative, management or supervisory

bodies of a company or from acting in the management or conduct of the affairs of any company. The Board member Jan Nilsson receives consultancy fees regarding his work in Probi Scientific Advisory Board, see also "Related-party transactions" under "Legal considerations and supplementary information".

No member of the Board or Group Management has any private interests which might conflict with their duties to Probi. However, as stated above, a number of the members of the Board and Group Management have a financial interest in Probi through shareholdings.

AUDITOR

Deloitte AB (Hjälmaragatan 3, 211 18 Malmö) is the Company's auditor since 2010, with Per-Arne Pettersson, as auditor in charge since 2010. Per-Arne Pettersson is an authorized public accountant and a member of FAR, the professional institute for authorized public accountants in Sweden.

CORPORATE GOVERNANCE

Corporate governance within Probi

The governance of Probi is based on Swedish legislation, Probi's articles of association, the Swedish Code of Corporate Governance (the "Code") and Nasdaq Stockholm's Rule Book for Issuers, as well as other relevant laws and regulations. The Code is based on the "comply or explain" principle, meaning that a company is not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in their particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation. Probi applies the Code without any deviation.

Board Committees

Probi's Remuneration Committee consists of the Board in its entirety. The Remuneration Committee determines the salary and remuneration of the CEO and the principles for salaries and remuneration of other senior

executives. The Remuneration Committee continually reviews terms and conditions of employment and benefits to senior executives.

Probi's Audit Committee also consists of the Board in its entirety. The Board is in regular contact with the auditor, who personally reports his review and findings at least twice per year. The auditor also provides information regarding the areas that future audits will specifically address, while the Board informs the auditor about issues or areas that the Board particularly wishes to highlight.

Compensation to the Board of Directors

The 2016 annual general meeting resolved that a fee of SEK 1,175,000 in total shall be paid to the Board of Directors, of which SEK 300,000 shall be paid to the Chairman of the Board and SEK 175,000 shall be paid to each other member of the Board. The table below specifies the fees paid during 2015-2016 to Board members elected by the general meeting.

Name	Assignment	Board fee, SEK
Jean-Yves Parisot	Chairman	300,000
Jörn Andreas	Member	175,000
Benedicte Fossum	Member	175,000
Jan Nilsson	Member	175,000
Jonny Olsson	Member	175,000
Eva Redhe	Member	175,000
Total		1,175,000

Group Management

Compensation to Group Management

The compensation to members of Group Management comprises fixed salary, bonus, pension benefits and other benefits. The table below shows the salary and other compensation paid to the CEO and the other members of Group Management in 2015.

SEK, thousand	Fixed salary	Bonus	Pension ¹	Other benefits ²	Total
CEO	1,712	404	538	72	2,726
Other members of Group Management*	3,843	1,034	1,263	238	6,378
Total	5,555	1,438	1,801	310	9,104

* 3 persons during 2015.

¹ The Company has no outstanding and unrecognized pension obligations, as all pensions are fee-based.

² Refers primarily to car benefits and other taxable benefits.

The notice period for the CEO is six months in the event of termination by the CEO. In the event of termination by the Company, the notice period is twelve months. The notice period for other senior executives varies between six and nine months in the event of termination by Probi and

between three to six months in the event of termination by the employee. Neither the CEO nor any other senior executive is entitled to severance pay in addition to what has been stated above.

Share capital and ownership structure

SHARE INFORMATION

According to Probi's articles of association, the share capital shall be no less than SEK 40,000,000 and no more than SEK 160,000,000 divided into no less than 8,000,000 shares and no more than 32,000,000 shares. The company has only one class of shares. As of 31 December 2015, the Company's registered share capital amounted to SEK 46,826,500, represented by 9,365,300 shares (no change since 1 January 2015), each with a quota value of SEK 5. The shares in Probi have been issued in accordance with Swedish law, are fully paid and denominated in SEK.

No changes to the number of shares have occurred since 31 December 2015. The forthcoming rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 9,365,300 to 11,644,125 shares, representing an increase of 24 percent. For shareholders who decline to subscribe for shares in the rights issue, the shareholding will be diluted by a maximum of 2,278,825 new shares, representing approximately 20 percent of the total shares in the Company after the rights issue.

CERTAIN RIGHTS ATTACHED TO THE SHARES

The rights of the shareholders can only be changed through the procedures prescribed by the Swedish Companies Act (2005:551).

General meetings

Notice of general meeting shall be published in The Official Swedish Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Dagens Industri. To be entitled to participate in a general meeting, shareholders must be registered in Probi's share register five weekdays prior to the meeting, and notify the Company of their attendance no later than on the day specified in the notice of the meeting.

Voting rights

Each share carries one vote. Each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers.

Preferential right to new shares, etc.

Should the Company decide to issue shares, warrants or convertibles (Sw. *konvertibler*) by way of a cash issue or a set-off issue (Sw. *kvittnings-emission*), shareholders shall have preferential right to subscribe in proportion to their existing shareholdings. There are, however, no provisions in the Company's articles of association restricting the Company's ability to decide to, in accordance with the rules set out in the Swedish Companies Act (2005:551), issue new shares, warrants or convertibles with deviation from the shareholders' preferential right.

Rights to dividends and surplus in the event of liquidation

All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the general meeting and the payment is administered by Euroclear. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations, and (ii) the Company's and the Group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a

general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind. See also "Dividend policy" below.

On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of ten years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. See "Certain tax issues in Sweden" for additional information.

SHARE CAPITAL DEVELOPMENT

There have not been any changes in the Company's share capital during the period of the historical financial information in this prospectus (2014-2015).

OWNERSHIP STRUCTURE

As at 31 August 2016, Probi had 4,322 shareholders. The largest shareholder was Symrise, with approximately 50.0 percent of the outstanding share capital and votes in the Company (approximately 51.4 percent taking into consideration Probi's holding of 250,000 treasury shares which may not be represented at general meetings and does not entitle to participate in the rights issue). The tables below shows the Company's largest shareholders and ownership structure by size of holding as of 31 August 2016.

Major shareholders as of 31 August 2016¹

Holder/nominee/custodian	Number of shares	Shares, %	Votes ² , %
Symrise AG	4,684,840	50.0	51.4
Swedbank Robur funds	729,436	7.8	8.0
The Fourth Swedish National Pension Fund	541,318	5.8	5.9
Handelsbanken funds	375,396	4.0	4.1
Probi AB	250,000	2.7	0.0
Försäkringsaktiebolaget Avanza Pension AB	168,914	1.8	1.8
Nordnet Pensionsförsäkring AB	86,076	0.9	0.9
Solveig Johannesson	81,000	0.9	0.9
Göran Molin and companies	64,422	0.7	0.7
J.P Morgan Chase Bank N.A	59,700	0.6	0.6
Total ten largest shareholders	7,046,942	75.2	74.3
	2,318,358	24.8	25.7
Other shareholders	250,000	2.7	-
Treasury shares held by Probi ³	9,365,300	100.0	100.0
Total	9,365,300	100.0	100.0

Source: Euroclear.

¹ The ownership percentages are stated as of 31 August 2016, with thereafter known changes.

² Taking into consideration Probi's holding of 250,000 treasury shares.

³ May not be represented at general meetings and do not entitle to participate in the rights issue.

In Sweden, the lowest limit for disclosure of holdings (so-called flagging) is five percent of all shares or of the voting rights of all shares.

Symrise can exercise a significant influence on the Company regarding matters where shareholders have the right to vote. By virtue of its shareholding, Symrise can pass several propositions presented at general meetings even if the other shareholders do not support the proposition (see "Larger shareholders can exercise a significant influence over Probi" in "Risk factors"). Symrise may thus be able to exercise control over Probi. The control is however limited through the provisions of the Swedish Companies Act (2005:551) regarding protection of minority shareholders.

Ownership structure as of 31 August 2016

Holding, number of shares	Number of shareholders	Shares, %
1–500	3,576	82.7
501–1,000	384	8.9
1,001–5,000	278	6.4
5,001–10,000	46	1.1
10,001–15,000	6	0.1
15,001–20,000	10	0.2
20,001–	22	0.5
Total	4,322	100.0

Source: Euroclear.

LISTING AND SHARE PRICE PERFORMANCE

The Probi share is listed on Nasdaq Stockholm (previously the Stockholm Stock Exchange) since 2004. The share is traded on the Small Cap list under the ticker PROB. The chart below shows the share price development and volumes traded on Nasdaq Stockholm during the past five years.



Source: Nasdaq Stockholm.

TREASURY SHARES

As of the date for this prospectus, the Company holds 250,000 treasury shares (each with a quota value of SEK 5), corresponding to 2.7 percent of the total number of shares in the Company. Treasury shares may, pursuant to the Swedish Companies Act, not be represented at general meetings and may, pursuant to the Swedish Annual Accounts Act (1995:1554), not be included as an asset in the Company's balance sheet.

AUTHORIZATIONS

At the annual general meeting on 27 April 2016, the Board of Directors was authorized to, for the period until the next annual general meeting, on one or several occasions, resolve to transfers of treasury shares. The purpose of the authorization is to increase the Board of Directors' capacity to work with the Company's capital structure.

At the 2016 annual general meeting, the Board of Directors was authorized to, for the period until the next annual general meeting, on one or several occasions, resolve to issue a maximum total of 936,530 shares. The authorization includes a right for the Board to resolve on new issues of shares with deviation from the shareholders' preferential right, with payment in kind, with payment through set-off or on other terms. The subscription price for the new shares shall be determined on the basis of the share's market value at the time of the issue in question. The purpose of the authorization is to increase the Board of Directors' capacity to work with the Company's capital structure and to enable financing of possible acquisitions through payment with treasury shares, as well as to facilitate the work of increasing and strengthening the Company's long term shareholder structure.

At the extraordinary general meeting on 29 June 2016, it was resolved to authorize the Board of Directors, for the period until the 2017 annual general meeting, to resolve on a new share issue with preferential right for the Company's shareholders. The total number of shares that may be issued by virtue of the authorization shall amount to the number of shares that corresponds to issue proceeds of approximately SEK 600,000,000 and shall be within the limits of the share capital. The purpose of the authorization is to enable financing of the Company's acquisition of Nutraceutix. The authorization has been exercised through the Board of Directors' resolution on 28 September 2016 on the forthcoming rights issue.

CENTRAL SECURITIES DEPOSITORY

Probi's articles of association contain a CSD clause (Sw. *avstämningsförbehåll*) and the Company's shares are book-entry registered in the securities register operated by Euroclear (Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code of the share in Probi is SE0001280355.

SHAREHOLDERS' AGREEMENTS, ETC.

To the Board of Directors' knowledge, there are no shareholders' agreements or other agreements between shareholders of the Company with the purpose to exercise joint influence over the Company. Nor is the Board of Directors aware of any agreements or equivalent, which may result in any change of control of the Company.

The shares in Probi are not subject to any offer made by mandatory bid, redemption right or an obligation to purchase shares. The shares in Probi have not been subject to any takeover bids during the current or past financial year.

DIVIDEND POLICY

In connection with Probi's publication of its 2015 annual report, a changed dividend policy was presented, adopted by the Company's Board of Directors to be applicable from and including the 2016 financial year.

Under the new dividend policy, future dividends will be based on Probi's earnings level, financial position and requirements for the financing of investment opportunities. On an annual basis, the Board of Directors will evaluate the potential to pay a dividend and, in so doing, balance the shareholders' expectations of a reasonable dividend yield with the company's needs to self-finance its continued growth and expansion.

Dividend history

SEK	2015	2014
Dividend per share	1.00	0.85

Articles of association

Adopted by the annual general meeting held on 22 April 2010.

1 §

The company's name is Probi Aktiebolag (publ).

2 §

The registered office of the Board of Directors shall be situated in the Municipality of Lund, Skåne County, Sweden.

3 §

The company shall engage, directly or through subsidiaries, in the development, manufacture and marketing of products stimulating growth and/or regulating the natural microbial flora in humans, and undertake any other operations compatible therewith.

4 §

The company's share capital shall amount to not less than SEK 40 000 000 and not more than SEK 160 000 000.

5 §

The company shall have not less than 8 000 000 shares and not more than 32 000 000 shares.

6 §

The Board of Directors shall consist of three to seven members, with not more than two deputies.

7 §

The company shall have one auditor, with or without one deputy. The auditor shall be an authorised public accountant or firm of authorised public accountants.

8 §

Notices of General Meetings shall be published in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. That the notice has been issued shall be published in Dagens Industri.

9 §

The following items of business shall be addressed at the company's Annual General Meeting:

1. Election of chairman of the meeting;
2. Preparation and approval of the voting list;
3. Approval of the agenda for the meeting;
4. Election of one or two persons to verify the minutes;
5. Determination of whether the meeting has been duly convened;
6. Presentation of the Annual Report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the Group;
7. Resolutions concerning:
 - (a) adoption of the income statement and the balance sheet and, where applicable, the consolidated income statement and the consolidated balance sheet;
 - (b) disposition of the company's profits or losses pursuant to the adopted balance sheet;
 - (c) discharge of the members of the Board of Directors and the President from liability.
8. Determination of the fees to be paid to the Board of Directors and the auditors;
9. Determination of the number of members and deputy members of the Board of Directors and, where applicable, the number of deputy auditors;
10. Election of members of the Board of Directors and, where applicable, deputy members and auditors and deputy auditors;
11. Other matters which rest upon the General Meeting pursuant to the Swedish Companies Act or the Articles of Association.

10 §

The company's financial year shall be the calendar year.

11 §

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

12 §

In order to be entitled to participate in a General Meeting, shareholders shall notify the company of their intention not later than 4:00 p.m. on the day stipulated in the notice convening the general meeting. This day must not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be earlier than the fifth weekday prior to the general meeting. Assistants to the shareholder shall be entitled to attend the general meeting only if the shareholder has notified the company of the number of assistants (not more than two) in the manner set out above.

Legal considerations and supplementary information

GENERAL CORPORATE AND GROUP INFORMATION

The legal name of the Company (and its commercial name) is Probi Aktiebolag (publ). Probi's Swedish corporate ID No. is 556417-7540 and the registered office of the Board of Directors is situated in the municipality of Lund, Sweden. The Company was incorporated in Sweden on 1 November 1990 and registered with the Swedish Companies Registration Office on 31 January 1991. The Company has been conducting operations since then. The Company is a Swedish public limited liability company governed by the Swedish Companies Act (2005:551).

Probi is the ultimate parent company of the Group, which in addition to Probi comprises of four legal entities in three countries, as shown in the table below.

Subsidiary	Country	Shares and votes, %
Probi Asia-Pacific Pte. Ltd	Singapore	100
Probi Food AB	Sweden	100
Probi Feed AB	Sweden	100
Probi USA, Inc.	USA	100

MATERIAL AGREEMENTS

Presented below is a summary of material agreements entered into by Probi during the past two years as well as other agreements entered into by Probi which contains any right or obligation which is material to Probi (in both cases excluding agreements entered into in the ordinary course of business).

The acquisition of Nutraceutix

On 6 June 2016, Probi's American subsidiary Probi USA, Inc. entered into an asset purchase agreement regarding Nutraceutix, with a preliminary purchase price of MUSD 105 (corresponding to MSEK 900¹) on a cash and debt free basis. Following approval by the US competition authorities and the fulfillment other conditions precedent, the acquisition was completed 3 October 2016.

The acquisition agreement contains a customary warranty catalog and the transaction includes a representations and warranties insurance policy, which entitles Probi to compensation for breach of warranties up to a total amount of MUSD 10. The transaction was structured as an asset acquisition instead of a share transfer, which is estimated to reduce Probi's legal exposure and result in a significant tax advantage. As a result of this transaction structure, Probi has committed to compensate the seller for up to MUSD 5 of certain tax costs that exceed the estimated tax cost that would have been incurred by the seller had the transaction been structured as a share transfer.

For further information, please refer to "The acquisition of Nutraceutix and the new Group".

Credit facility agreement

To finance the acquisition of Nutraceutix, Probi has entered into a credit facility agreement with Handelsbanken concerning a so-called multi-currency term loan facility of MUSD 63 (the bridge facility) with maturity date one year after the signing of the agreement, a so-called multi-currency term loan facility of MUSD 35 (the credit facility) with maturity date three years after the signing of the agreement (with possibility of extension) and an overdraft facility of MSEK 30 with maturity date one year after the signing of the agreement. The net proceeds from the rights issue, after deduction of issue expenses, will be used to repay the bridge facility and part of the credit facility. The remaining part of the credit facility and the overdraft facility are intended to be used for general business purposes for the Group.

The credit facility agreement contains customary warranties and obligations, and does not contain any restrictions concerning dividends. The credit facilities are not secured, but if Probi cease to be a subsidiary of Symrise (in accordance with the accounting principles which are applicable to Symrise) the shares of Probi USA Inc. may be pledge as a security. The credit facilities can mature completely or partially if certain events occur, including but not limited to, the non-payment of overdue amounts or insolvency of certain members of the Group.

SUBSCRIPTION COMMITMENTS AND INDICATIONS OF INTENT²

Subscription commitments

Symrise AG and The Fourth Swedish National Pension Fund, controlling approximately 51.4 percent and 5.9 percent, respectively, of the outstanding shares capital and votes in Probi, and thus together holding shares representing 57.3 percent of the outstanding shares capital and votes in the Company, have on customary terms undertaken to exercise their preferential right in the rights issue and thereby subscribe for new shares corresponding to their respective holding in the Company, i.e., totaling 57.3 percent of the rights issue (see breakdown in the table below). The above commitments include a commitment, up to and including the date of the final registration of the rights issue at the Swedish Companies Registration Office, not to reduce their shareholdings in the Company.

The subscription commitments were entered into in connection with Probi on 6 June 2016 publicly announcing that the Company had entered into an agreement regarding acquisition of Nutraceutix and intended to carry out a rights issue. No compensation is paid for the subscription commitments.

Shareholders	Current holdings	Subscription commitments, share of the rights issue, %
Symrise AG ¹	51.4	51.4
The Fourth Swedish National Pension Fund ²	5.9	5.9
Total	57.3	57.3

¹ Mühlenfeldstraße 1, 37603 Holzminden, Germany.

² The Fourth Swedish National Pension, Box 3069, 103 61 Stockholm, Sweden.

¹ Converted at the exchange rate per 3 October 2016, USD/SEK 8.5679.

² The ownership structure is stated as of 31 August 2016, with thereafter known changes and considering Probi's holding of 250,000 treasury shares which may not be represented at general meetings and does not entitle to participate in the rights issue.

Non-secured commitments

The above-mentioned subscription commitments are not secured. Consequently there is a risk that one or more of the above-mentioned parties are not able to fulfill their undertakings in whole or in part. See "Subscription commitments are not guaranteed and may have a negative impact on the rights issue if they are not fulfilled" in "Risk factors".

Indication of intent

In addition to the above mentioned subscription commitments, Swedbank Robur Funds and Handelsbanken Funds, together holding 12.1 percent of the outstanding share capital and votes in the Company have indicated their intention to subscribe for their pro rata shares in the rights issue. Altogether, Probi holds subscription commitments and indication of intent to subscribe for pro rata shares in the rights issue from shareholders together holding approximately 69.5 percent of the outstanding share capital and votes in Probi.

LEGAL AND ARBITRATION PROCEEDINGS

The Group is present in several countries and from time to time the Group may be subject to disputes, claims and administrative proceedings in the ordinary course of business. However, during the past twelve months Probi has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Probi is aware) which may have, or have had in the recent past, significant effects on Probi's financial position or profitability.

RELATED-PARTY TRANSACTIONS

The table below sets forth transactions between Probi and related parties during the financial years 2014-2015 and during the period January-June 2016. All the transactions were made on market conditions. No related-party transactions which, as a single transaction or in their entirety, are material to the Company have occurred after 30 June 2016.

SEK, thousand	Jan-Jun 2016	2015	2014
Symrise AG (largest shareholder)	-30	-29	-
Lavindia AB, closely related: Mats Lidgard (former Board member)		-	-13
Atherioco AB, closely related: Jan Nilsson (Board member and chairman of Probi Scientific Advisory Board)	-30	-60	-60
Total	-60	-89	-73

The transactions presented above relates to consultancy fees regarding Probi Scientific Advisory Board and laboratory materials. As of the 31 December 2015, Probi had a debt of SEK 38,000 to Atherioco AB. Please also refer to note 25 on p. 67 in the 2015 annual report. For information on remuneration to the members of the Board of Directors and Group Management, see "Board of Directors, Group Management and auditor".

ADVISORS, ETC.

Handelsbanken provides financial advice to Probi in conjunction with the rights issue. From time to time, Handelsbanken (and its affiliates) has in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to Probi for which they have received, and may receive, compensation. Furthermore, Handelsbanken is lender and/or broker of loans granted to Probi.

Mannheimer Swartling Advokatbyrå is Probi's legal advisor in the rights issue.

INCORPORATION BY REFERENCE, ETC.

Probi's consolidated financial statements for the financial years 2014-2015 and for the period January-June 2016 and TNTGamble's auditors' report for the financial years 2014-2015 (translated into Swedish) are incorporated by reference and consequently form part of this prospectus and are to be read as part hereof. The said financial statements are included in Probi's interim report for the period January-June 2016, where reference is made to the whole document, and annual reports for the financial years 2015 and 2014, where reference is made as follows:

- Annual report 2015: statements of comprehensive income for the Group and parent company (p. 55), parent company statement of financial position (p. 56), parent company's balance sheet (p. 57), the Group's statement of changes in shareholders' equity (p. 58), parent company's statement of changes in shareholders' equity (p. 58), statements of cash flows for the Group and parent company (p. 59), notes (p. 60-67) and auditor's report (p. 69).
- Annual report 2014: statement of comprehensive income (p. 53), consolidated statement of financial position (p. 54), parent company's balance sheet (p. 55), consolidated statement of changes in shareholders' equity (p. 56), parent company's statement of changes in shareholders' equity (p. 56), statement of cash flow (p. 57), notes (p. 58-65) and auditor's report (p. 67).

Non-incorporated parts of the above reports contain information either presented elsewhere in this prospectus or which is deemed not relevant to investors. Probi's financial statements for the financial years 2014-2015 have been audited by the Company's auditor, and the interim report for the period January-June 2016 have been reviewed by the auditor.

DOCUMENTS ON DISPLAY

The following documents, excluding the annual reports for the financial years 2014-2015 for Probi's subsidiaries, are available electronically on Probi's website, www.probi.com. Copies of all the documents below can also be obtained at the head office of Probi (Sölvegatan 41A in Lund, Sweden) during the validity of this prospectus (regular office hours on business days).

- Probi's articles of association.
- Probi's and its subsidiaries' annual reports for the financial years 2014-2015 (including audit reports).
- Probi's interim report for the period January-June 2016.
- TNTGamble's financial reports for the financial years 2014-2015 (including audit reports), which have been prepared in accordance with U.S GAAP and audited by TNTGamble's auditor.

Certain tax issues in Sweden

The following summary outlines certain Swedish tax consequences relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in Probi. The summary is only applicable to individuals and limited liability companies (Sw. *aktiebolag*) tax resident in Sweden, unless otherwise stated. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt dividends and capital gains (including non-deductibility for capital losses) in the corporate sector, which may become applicable when shareholders hold securities that are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Nor does the summary cover the special rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired pursuant to so-called qualified shares in closely-held companies. Moreover, the summary does not cover shares or other securities that are held in a so-called investment savings account (Sw. *investeringssparkonto*) and that are subject to special rules on standardized taxation. Special rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares and subscription rights should, therefore, consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

INDIVIDUALS

Capital gains taxation

Upon the sale or other disposition of listed shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as capital income at a rate of 30 percent. The capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (for specific information about the tax basis for subscription rights, see "Exercise and disposal of subscription rights" below). The tax basis for all equity-related securities of the same class and type is calculated together in accordance with the "average cost method". It should be noted that BTAs (paid subscribed shares) in this context are not considered to be of the same class and type as the existing shares that entitled the shareholder to the preferential right in the rights issue until the resolution of the rights issue has been registered with the Swedish Companies Registration Office.

Alternatively, upon the sale of listed shares, such as the shares in the Company, the tax basis may alternatively be determined as 20 percent of the sales proceeds, after deducting sales costs, under the "notional rule".

Capital losses on listed shares and other listed equity-related securities are fully deductible against taxable capital gains on shares and on other listed equity-related securities, with the exception of units in securities funds or special funds that consist solely of Swedish receivables (Sw. *räntefonder*). Capital losses on shares and other equity-related securities which cannot be set off in this way can be deducted with up to 70 percent against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction is allowed with 30 percent on the

portion of such net loss that does not exceed SEK 100,000 and with 21 percent on any remaining loss. Such net loss cannot be carried forward to future income years.

Dividend taxation

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 percent. A preliminary tax of 30 percent is generally withheld by Euroclear or, in respect of nominee-registered shares, by the Swedish nominee.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilize their preferential right to participate in the rights issue of shares, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The "notional rule" is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The "notional rule" may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

LIMITED LIABILITY COMPANIES

Capital gains and dividends taxation

For Swedish limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 percent. Capital gains and capital losses are calculated in the same manner as described above for individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances such capital losses may also be deducted against capital gains in another company in the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidragsrätt*) between the companies are met. A capital loss that cannot be utilized during a given income year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent income years, without limitation in time.

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SPECIFIC TAX CONSIDERATIONS FOR SHAREHOLDERS OR HOLDERS OF SUBSCRIPTION RIGHTS WHO ARE NOT TAX RESIDENTS IN SWEDEN

Withholding tax on dividends

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30 percent. However, the tax rate is often reduced by tax treaties between Sweden and other countries for the avoidance of double taxation. The majority of Sweden's tax treaties allow for a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided that necessary information is available in relation to the person entitled to such dividends. In Sweden, Euroclear or, for nominee-registered shares, the nominee normally carries out the withholding. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

If a 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if excessive withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation

Holders of shares and subscription rights not tax resident in Sweden and whose holding is not attributable to a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares or subscription rights. The holders may, however, be subject to tax in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of certain securities (such as shares, BTAs and subscription rights) if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries.

Addresses

PROBI AB (PUBL)

Head office

Visiting address
Sölvegatan 41 A
223 62 Lund

Postal address

Probi AB
Ideon Gamma 1
223 70 Lund
Telephone: +46 46 286 89 20
www.probi.se

FINANCIAL ADVISORS

Handelsbanken Capital Markets

Blaiseholmstorg 11
111 48 Stockholm
Telephone: +46 8 701 10 00
www.handelsbanken.se/capitalmarkets

LEGAL ADVISOR

Mannheimer Swartling Advokatbyrå

Box 4291
203 14 Malmö
Telephone: +46 40 698 58 00
www.mannheimerswartling.se

AUDITOR

Deloitte AB

Hjälmaregatan 3
211 18 Malmö
Telephone: 075-246 41 00
www.deloitte.se



Probi AB (publ)
Ideon Gamma 1
223 70 Lund
www.probi.se