

## CONTINUED HIGH GROWTH AND US BREAKTHROUGH FOR DIETARY SUPPLEMENTS

### THIRD QUARTER OF 2011

- **NET SALES** totalled MSEK 21.9 (26.7).
- **OPERATING INCOME** amounted to MSEK 5.5 (9.2).
- **PROFIT AFTER TAX** amounted to MSEK 4.5 (6.7).
- **EARNINGS PER SHARE** amounted to SEK 0.49 (0.72).
- **TOTAL CASH FLOW** was a negative MSEK -1.8 (0.8).  
Probi brought back own shares for MSEK 4.9.

### ACCUMULATED 2011

- **NET SALES** totalled MSEK 69.8 (58.5).
- **OPERATING INCOME** amounted to MSEK 18.5 (15.1).
- **PROFIT AFTER TAX** amounted to MSEK 14.5 (11.3).
- **EARNINGS PER SHARE** amounted to SEK 1.57 (1.20).
- **TOTAL CASH FLOW** was a negative -14.3 MSEK (5,7). In 2011, Probi brought back own shares for MSEK 11.8 and paid dividends of MSEK 9.2.

Information for comparative purposes:

Probi received compensation of MSEK 10.0 from Skånemejerier when Probi's agreement with Danone came into effect on 30 September 2010. This compensation was reported in full in the third quarter of 2010, and is included in net sales and earnings in the comparative figures for the preceding year.

### SIGNIFICANT EVENTS DURING THE THIRD QUARTER:

- Breakthrough in the US through dietary supplement agreement with Pharmavite.
- ProbiMage and ProbiFrisk launched in Boots pharmacies in Norway.
- Dietary Supplements' sales until the end of the third quarter was MSEK 31.6, an increase of 115 % compared with 2010.
- Royalties from ProViva until the end of the third quarter was MSEK 33.7, an increase of 7 % compared with 2010.

### CEO'S COMMENTS:

"Probi again showed excellent growth in the third quarter and revenue from our continuing businesses has risen 44% to date this year. Most of this growth was generated by dietary supplements. Our new agreement with Pharmavite in the US is an important step in our continued expansion of this business area. I view this as one of our most significant agreements to date in dietary supplements, since it gives us excellent coverage across the mass retail market and in major drugstore chains in the US," says Michael Oredsson, CEO for Probi.

### FOR FURTHER INFORMATION, PLEASE CONTACT:

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e-mail: michael.oredsson@probi.se

This information is such that Probi AB must disclose in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 19 October 2011, at 11.15 a.m.

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

### ABOUT PROBI

Probi is a leading player in the probiotic research and the development of efficient and well-documented probiotics. The research areas include: gastrointestinal tracts, immune system, metabolic syndrome and stress and recovery. Probi's customers are leading companies in the functional foods and dietary supplement business areas. Total income for 2010 was MSEK 81.1, of which the majority represented royalties. Probi's share is listed on the Nasdaq OMX Stockholm, Small Cap. Probi has approximately 4.200 shareholders. For more information, please visit [www.probi.com](http://www.probi.com).



## ABOUT THE OPERATIONS

Probi's net sales rose MSEK 11.3 or 19 % during the report period January – September 2011. Excluding compensation of MSEK 10 received by Probi when the Danone agreement came into effect, the increase was MSEK 21.3. This corresponds to growth of 44 %, based on operating revenue from Probi's existing businesses. The growth was combined with improved earnings. Operating income for the report period amounted to MSEK 18.5 (15.1), up MSEK 3.4, or 23 %, compared with the corresponding period in 2010. Excluding compensation of MSEK 10 that Probi received when the Danone agreement came into effect, the earnings improvement amounted to MSEK 13.4.

During the report period, net sales in the Dietary Supplements business area rose MSEK 16.9, or 115 %. Slightly more than half of Dietary Supplements' growth was attributable to Probi's launch together with Bringwell concerning ProbiMage and ProbiFrisk in the Nordic market. The Functional Food business area rose MSEK 4.4, or 13 % excluding compensation of MSEK 10.0 that Probi received when the Danone agreement came into effect. ProViva continued to show a positive trend and Probi's royalties have increased 7 % to date this year compared with the same period in 2010 and amounts to MSEK 33.7.

Over the past few years, Probi has increased its efforts to develop the Dietary Supplements business area. A breakthrough was achieved in the US during the third quarter through a new agreement with Pharmavite, the second largest player in the US market for dietary supplements. Probi's dietary supplements for gastrointestinal health based on the probiotic strain *Lp299v* will be launched in early 2012 under Natures Made, the largest dietary supplements brand in the US.

In addition, an agreement between Probi's partner Institut Rosell and Merck, pertaining to Latin America has been terminated. Merck is reviewing all of its operations in Latin America and will thus be generally restrictive with efforts in the region. Probi views this situation as a major opportunity to find new business solutions in key markets in Latin America that can generate significantly higher growth and profitability compared with the business model under the now-terminated license agreement.

The collaboration with Bringwell continues to develop favourably. ProbiMage and ProbiFrisk have solidified their market-leading position in the Swedish market. The products were launched in Finland during the first half of the year, and ProbiMage and ProbiFrisk were launched in Boots in Norway in September 2011.

Skandia Liv increased its holding in Probi in September and is now the second-largest owner. At the end of the report period, Skandia Liv's holding corresponded to 9.6 % of the capital and votes. In September, Skånemejerier divested its entire holding in Probi, corresponding to 10.3 % of the share capital and voting rights.

## SALES AND COSTS

### Report period, January – September 2011

Probi's net sales during the report period amounted to MSEK 69.8 (58.5). The total increase was MSEK 11.3, or 19%. Dietary Supplements rose MSEK 16.9 or 115 %, while Functional Food declined MSEK 5.6. The compensation that Probi received in the third quarter of 2010 when the Danone agreement came into effect had been recognised under Functional Food. Excluding this compensation, net sales in Functional Food increased MSEK 4.4 or 13 %.

Most of the increase in Functional Food resulted mainly from a royalty payment of MSEK 2.9 from NextFoods in March to retain its licensing rights in the North American market. The sales trend for ProViva also remained positive in the report period and Probi's royalties rose 7 % to MSEK 33.7 (31.5) year-on-year.

The increase in Dietary Supplements resulted mainly from the favourable sales trend for ProbiMage and ProbiFrisk. Total revenue from the Bringwell collaboration on the Nordic Market amounted to MSEK 14.3 (3.7) in the report period. These products generated only minor revenue during the corresponding period 2010, since the launch was implemented in late March. The remaining proportion of the increase for Dietary Supplements derived from favourable volume development with several of Probi's other partners, in amongst others Poland and South Africa.

Operating expenses amounted to MSEK 51.9 (43.6). The increase derived from the Dietary Supplements business area and was primarily attributable to goods and media costs for ProbiMage and ProbiFrisk. Probi

also reported expenses in connection with preparatory work prior to a possible launch of dietary supplements in additional European markets outside the Nordic region.

### Third quarter, July – September 2011

Probi's net sales during the third quarter amounted to MSEK 21.9 (26.7). Probi recognised compensation of MSEK 10.0 in the third quarter of 2010 when the Danone agreement came into effect. Excluding this compensation, net sales rose MSEK 5.3 or 32 %, and for Functional Food MSEK 0.7 or 7 %.

The increase in Functional Food resulted from Probi's royalties from ProViva, which rose 6 % to MSEK 10.7 (10.0) year-on-year.

Net sales in Dietary Supplements amounted to MSEK 10.8 (6.1). The increase in Dietary Supplements in the third quarter derived mainly from revenue from ProbiMage and ProbiFrisk. Substantial deliveries were also made to Sanum Polska in Poland, with whom Probi has collaborated since 2008.

Operating expenses remained at the same level as in the third quarter of 2010, amounting to MSEK 16.8 (17.5). Goods and media costs within the framework of the Bringwell collaboration increased compared with the third quarter of 2010. In the comparative figures for the third quarter of 2010, depreciation/amortization and impairment costs included MSEK 3.0 for impairment of capitalized development costs.

### Distribution of operating revenue:

KSEK	Q3 2011	Q3 2010	Q1 – Q3 2011	Q1 – Q3 2010	Full-year 2010
Goods	9 428	4 073	24 485	9 777	18 479
Royalty, licenses, etc.	12 504	22 584	45 334	48 736	61 902
<b>Net sales</b>	<b>21 932</b>	<b>26 657</b>	<b>69 819</b>	<b>58 513</b>	<b>80 381</b>
<i>Net sales excl. Danone agreement <sup>1)</sup></i>	<i>21 932</i>	<i>16 657</i>	<i>69 819</i>	<i>48 513</i>	<i>70 381</i>
Other operating income	296	80	524	174	746
<b>Total operating revenue</b>	<b>22 228</b>	<b>26 737</b>	<b>70 343</b>	<b>56 687</b>	<b>81 127</b>
<i>Total operating revenue excl. Danone agreement <sup>1)</sup></i>	<i>22 228</i>	<i>16 737</i>	<i>70 343</i>	<i>46 687</i>	<i>71 127</i>

<sup>1)</sup> Probi received compensation of MSEK 10.0 from Skånemejerier when the Danone agreement came to effect on 30 September 2010, which was recognised in the third quarter of 2010.

### Profit after tax

Profit after tax amounted to MSEK 14.5 (11.3) for the report period and to MSEK 4.5 (6.7) for the third quarter. Tax expenses amounted to MSEK 5.3 (4.2) for the report period. MSEK 4.7 (4.2) of the report period's tax expenses had no effect on liquidity since part of taxable income was deductible against tax-loss carry forwards. At the end of the report period, Probi reported no deferred tax assets.

### Earnings per share

Earnings per share amounted to SEK 1.57 (1.20) for the report period, an increase of 31 %, and to SEK 0.49 (0.72) for the third quarter.

### Buyback of own shares

During the first to third quarters of 2011, Probi bought back the company's own shares in accordance with authorisation from the Annual General Meeting. A total of 250,000 shares were bought back in 2011, with a value of MSEK 11.8. At the end of the report period, Probi held 250,000 treasury shares, corresponding to 2.7% of the total number of shares outstanding, with a quotient value of SEK 5 per share.

### Cash flow

Total cash flow for the report period was a negative MSEK 14.3 (positive: 5.7) and cash and cash equivalents amounted to MSEK 75.5 (77.4) at the end of the report period. During the report period, Probi repurchased own shares for a total of MSEK 11.8. During the second quarter, Probi paid dividends of MSEK 9.2 to shareholders in accordance with a resolution passed at the Annual General Meeting in April 2011.

Total cash flow from operating activities amounted to MSEK 11.7 (14.7) in the report period.

### Investments

Investments in intangible assets during the report period amounted to MSEK 4.5 (3.4), of which MSEK 1.2 (1.1) pertained to patents and MSEK 3.4 (2.3) to capitalised development expenses. Investments in tangible fixed assets amounted to MSEK 0.7 (1.1).

Probi invests in prioritised research and development projects to secure long-term growth. The R&D proportion of total costs, excluding raw materials and depreciation, was 33% (35). This proportion would rise to 39 % (40) if the development costs that were capitalised during the current year were included.

## SEGMENT INFORMATION

### General information

Probi's business operations are organised in two business segments: Functional Food and Dietary Supplements, with separate managers of operations. The Functional Food segment focuses on commercialising Probi's probiotics in cooperation with food companies, to market food that provides health benefits in addition to the products' normal nutritional value. The Dietary Supplements segment focuses on commercialising Probi's probiotics in cooperation with dietary supplement companies, to market products that are designed to supplement a normal diet. There are no business transactions between the two segments.

### Operating income per segment, Q3:

KSEK	Q3 2011			Q3 2010		
	FF	DS	Total	FF	DS	Total
Operating revenue	11 268	10 960	<b>22 228</b>	20 578	6 159	<b>26 737</b>
<i>Operating revenue excl. Danone agreement <sup>1)</sup></i>	11 268	10 960	<b>22 228</b>	10 578	6 159	<b>16 737</b>
Operating expenses	-7 138	-9 621	<b>-16 759</b>	-11 429	-6 086	<b>-17 515</b>
<b>Operating income</b>	<b>4 130</b>	<b>1 339</b>	<b>5 469</b>	<b>9 149</b>	<b>73</b>	<b>9 222</b>
<i>Operating income excl. Danone agreement <sup>1)</sup></i>	<b>4 130</b>	<b>1 339</b>	<b>5 469</b>	<b>-851</b>	<b>73</b>	<b>-778</b>

1) Probi received compensation of MSEK 10.0 from Skånemejerier when the Danone agreement came to effect on 30 September 2010, which was recognised in the third quarter of 2010.

### Operating income per segment, Q1 – Q3:

KSEK	Q1 – Q3 2011			Q1 - Q3 2010			Full year 2010		
	FF	DS	Total	FF	DS	Total	FF	DS	Total
Operating revenue	38 523	31 820	<b>70 343</b>	43 902	14 785	<b>58 687</b>	55 400	25 727	<b>81 127</b>
<i>Operating revenue excl. Danone agreement <sup>1)</sup></i>	38 523	31 820	<b>70 343</b>	33 902	14 785	<b>48 687</b>	45 400	25 727	<b>71 127</b>
Operating expenses	-24 241	-27 612	<b>-51 853</b>	-29 564	-14 060	<b>-43 624</b>	-38 957	-24 073	<b>-63 030</b>
<b>Operating income</b>	<b>14 282</b>	<b>4 208</b>	<b>18 490</b>	<b>14 338</b>	<b>725</b>	<b>15 063</b>	<b>16 443</b>	<b>1 654</b>	<b>18 097</b>
<i>Operating income excl. Danone agreement <sup>1)</sup></i>	<b>14 282</b>	<b>4 208</b>	<b>18 490</b>	<b>4 338</b>	<b>725</b>	<b>5 063</b>	<b>6 443</b>	<b>1 654</b>	<b>8 097</b>

1) Probi received compensation of MSEK 10.0 from Skånemejerier when the Danone agreement came to effect on 30 September 2010, which was recognised in the third quarter of 2010.

FF= Functional Food DS= Dietary supplements

The largest proportion of the increased costs in the Dietary Supplements business area compared with the corresponding period in 2010 pertained to goods and media costs for ProbiMage and ProbiFrisk. Probi also implemented extensive preparatory work prior to a possible launch of dietary supplements in other European markets outside the Nordic region. The year-on-year decline in costs in the Functional Food business area was largely due to Probi posting MSEK 3.0 in the third quarter of 2010 for impairment of capitalised development costs.

#### Operating revenue distributed by geographic markets:

KSEK	Q3 2011	Q3 2010	Q1 – Q3 2011	Q1 – Q3 2010	Full year 2010
Nordic region	16 877	22 800 <sup>1)</sup>	49 393	46 610 <sup>1)</sup>	62 204 <sup>1)</sup>
Rest of Europe	2 173	1 721	5 980	4 911	9 754
North America	871	543	5 121	2 400	3 072
Rest of the world	2 307	1 673	9 849	4 766	6 097
<b>Total</b>	<b>22 228</b>	<b>26 737</b>	<b>70 343</b>	<b>58 687</b>	<b>81 127</b>
1) Probi received compensation of MSEK 10.0 from Skånemejerier when the Danone agreement came to effect on 30 September 2010, which was recognised in the third quarter of 2010.					

The increased revenue in the Nordic region during the report period derived primarily from sales of ProbiMage and ProbiFrisk, and the continued positive trend for ProViva. The revenue increase in North America resulted from royalties of MSEK 2.9 paid by NextFoods in the first quarter of 2011 to retain its licensing rights for Lp299v in the North American market. The increase in the rest of the world was mainly due to earnings from deliveries to Camox in South Africa, an agreement signed by Probi in 2010.

#### Functional Food

Revenue in the Functional Food business area declined 12 % to MSEK 38.5 (43.9) in the report period, and 45 % to MSEK 11.3 (20.6) in the third quarter. Probi received compensation of MSEK 10.0 when the Danone agreement came into effect in the third quarter of 2010, which was recognised under Functional Food. Excluding this compensation, the revenue increase during the third quarter amounted to MSEK 0.7 and resulted from sales growth for ProViva in Sweden. Royalties from ProViva increased 7 % during the report period year-on-year and amounted to MSEK 33.7 (31.5). In early October, Danone relaunched ProViva in Finland.

#### Dietary supplements

During the report period, revenue in the Dietary Supplements business area rose 115 % to MSEK 31.8 (14.8) and operating income amounted to MSEK 4.2 (0.7). This was a result of Probi's efforts in recent years to sign agreements directly with partners and distributors in order to increase revenue and profitability. Within the framework of these efforts, described below, additional opportunities arose during the third quarter.

An agreement was signed in August with Pharmavite, the second largest company in the US market for vitamins, minerals and supplements (VMS). This is a key agreement for Probi since it comprises the most significant sales channels in the growing US market for probiotic dietary supplements. Probi's Lp299v capsule will be launched under the Natures Made brand. The Probi Digestis ingredient brand will be included on the packet. Natures Made is the leading VMS (Vitamins, Minerals and Supplements) brand in the US market. Probi's product for gastrointestinal health will be offered for sales in all channels where Natures Made is currently sold, including food stores, pharmacies, drugstores and club stores. The launch is planned for early 2012 and the agreement is expected to generate MSEK 5-10 in revenue for Probi during the launch year.

Probi has also now gained an opportunity to find new and improved business solutions for its Dietary Supplements for gastrointestinal health in key markets in Latin America. This took place following the termination of an almost two-year agreement for new markets in Latin America between Probi's partner Institut Rosell and Merck. Merck revised its range strategy and will thus be generally restrictive with efforts in new markets in Latin America. Merck retains the rights to Probi's gastrointestinal health product in France, Belgium and Chile, markets where Merck has already launched the product under the Bion Transit brand. Probi can now create new business solutions based on product sale in Latin America that contribute more to growth and profitability than could potentially be achieved from the now-terminated license agreement.

ProbiMage and ProbiFrisk are consolidating their market-leading position in the Swedish market for probiotic Dietary Supplements. According to market research company, GfK, Probi held a market share of 42 % during the 12-month period from July 2010 to June 2011. This represents an increase of 2 percentage points compared with the second half-year of 2010. ProbiMage was the single largest product in the segment. This information is based on GfK's household panel, Medic Scope.

ProbiMage and ProbiFrisk were launched in Boots pharmacies in Norway in September 2011. Boots is the largest pharmacy operator in Europe and has 150 pharmacies in Norway. The products have been available in Finland since the first half of 2011, where they are sold in selected pharmacies and health food stores.

Due to the successful launch under the Nordic collaboration with Bringwell, the aim is to implement a similar business model in some other European markets outside the Nordic region. Following extensive preparatory work, including an extensive market survey, negotiations with a number of selected players are now ongoing in the relevant markets.

## RESEARCH AND DEVELOPMENT

As previously reported, Probi has decided to conduct new clinical studies for its existing product platforms in gastrointestinal health and immune defence. The results of these studies will complement previously produced clinical documentation and are primarily intended to comply with criteria communicated by the EFSA (European Food Safety Authority) for obtaining approval for health claims in the EU. The new gastrointestinal health study with slightly more than 200 subjects has commenced according to plan. A larger clinical study in the immune area is planned to take place during the winter half of the year. Both of these studies will be included in the documentation for separate applications to EFSA under Article 13.5. Applications under Article 13.5 are based on newly developed documentation and may contain confidential information. An approved health claim based on an application with confidential information under Article 13.5 is exclusive for a five-year period to the party that has submitted the application.

The clinical study in metabolic syndrome conducted this year has also been completed. The results did not meet expectations for the main population. However, interesting and significant results were noticed in a sub-population. The study will be evaluated in detail to see whether a basis exists for further research. However, Probi will not pursue a major study in this area in 2012.

Probi is working in clinical research and product development to produce several completely new probiotic products and expects to launch both further developments of existing product platforms and products with completely new clinical documentation in coming years.

## EMPLOYEES

At the end of the period, Probi had 22 employees, of whom 13 were women and 9 men. The average number of employees was 22 (21).

During the third quarter, Probi strengthened its organisation with two new employees: Linda Neckmar, Director Marketing & Sales Consumer Healthcare, with responsibility for Probi's Dietary Supplements business area, and Thomas Jönsson, Supply Chain Manager.

## RELATED-PARTY TRANSACTIONS

On 5 September 2011, Skånemejerier divested its entire holding in Probi AB, corresponding to 10.3 % of the voting rights and share capital. On the transaction date, Skånemejerier was Probi's second-largest shareholder and owned 49 % of ProViva AB. Probi AB has licensing and supply agreements with Skånemejerier pertaining to Friscus, and with ProViva AB pertaining to ProViva. Probi's revenue from Skånemejerier and ProViva AB derives from long-term agreements and the transactions were based on commercial terms and conditions and conducted at market value.

Against this background, transactions with Skånemejerier and ProViva AB only for the period from 1 January 2011 until 5 September 2011 have been recognised as follows. Probi's revenue from Skånemejerier amounted to MSEK 0.8 (0.6) and Probi's revenue from ProViva AB amounted to MSEK 30.2 (28.3).

In the report period, Board member Jan Nilsson invoiced fees totalling MSEK 0.1 (0.0) for Probi's Scientific Advisory Board via Atherioco AB. Board member Mats Lidgard also invoiced consultancy fees for legal services totalling MSEK 0.1 (0.3) via Lavindia AB.

No additional significant related-party transactions occurred during the report period.

## **SIGNIFICANT RISKS AND UNCERTAINTIES**

The risks and uncertainties to which Probi's operations are exposed are described on page 29 of the 2010 Annual Report. No significant changes are considered to have occurred to these risks or uncertainty factors on 30 September 2011.

## **CALENDAR**

Year-end report 2011	25 January 2012
Interim report, Q1, 2012	26 April 2012
Annual General Meeting 2011	26 April 2012
Interim report, Q2, 2012	16 August 2012
Interim report, Q3, 2012	18 October 2012
Year-end report 2012	24 January 2013

## **ANNUAL GENERAL MEETING**

The 2011 Annual General Meeting will be held in Lund on Thursday, 26 April 2012 at 3.00 p.m. The venue will be announced later.

Shareholders who wish to have matters considered at the Annual General Meeting must submit proposals to the Chairman of the Board no later than Friday, 16 March 2012. The proposals should be e-mailed to [sofie.forsman@probi.se](mailto:sofie.forsman@probi.se) or posted to "Annual General Meeting, Sofie Forsman, Probi AB, Ideon Gamma 1, SE-223 70 LUND".

## **ACCOUNTING AND MEASUREMENT POLICIES**

### **The Group**

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, "RFR 1, Supplementary accounting regulations for Groups – December 2010" and the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission. This interim report has been prepared in accordance with IAS 34 "Interim Reporting" and the Swedish Annual Accounts Act.

The accounting policies that were applied when these consolidated financial statements were prepared were consistent for all presented periods, unless otherwise stated. The complete accounting policies can be found on pages 50-54 of the 2010 Annual Report.

The functional currency of the Parent Company is SEK, which is also the reporting currency for both the Parent Company and the Group. All amounts stated have been rounded off to the nearest thousand SEK, unless otherwise stated.

Amounts and figures in parentheses pertain to comparative figures for the year-earlier period. Amounts are stated in Swedish kronor (SEK), thousands of Swedish kronor (KSEK) or millions of Swedish kronor (MSEK) according to that which is stated.

### **Parent Company**

The Parent Company applies the same accounting policies as the Group, with the exceptions and supplements stipulated by RFR 2 Accounting for legal entities – December 2010. The interim report complies with the Swedish Annual Accounts Act.

## **ASSURANCE BY THE BOARD OF DIRECTORS**

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

Lund, 19 October 2011

Per Lundin  
*Chairman of the Board*

Benedicte Fossum  
*Board member*

Mats Lidgard  
*Board member*

Jan Nilsson  
*Board member*

Eva Redhe Ridderstad  
*Board member*

Michael Oredsson  
*CEO*





## AUDITORS' REVIEW REPORT

### Introduction

We have conducted a review of the interim financial statements for Probi AB (publ) as of 30 September 2011 and the nine-month period that concluded on this date. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim financial statement in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial statement based on our review.

### Focus and scope of the review

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

### Conclusion

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

Malmö, 19 October 2011

Deloitte AB

Per-Arne Pettersson  
Authorized Public Accountant

**Probi AB (publ)****Statement of comprehensive income, group and parent company**

	<b>Q3</b>	<b>Q3</b>	<b>Q1 – Q3</b>	<b>Q1 – Q3</b>	<b>Full year</b>
Currency: KSEK	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Operating revenue</b>					
Net sales	21 932	26 657	69 819	58 513	80 381
Other revenue	<u>296</u>	<u>80</u>	<u>524</u>	<u>174</u>	<u>746</u>
<b>Total operating revenue</b>	<b>22 228</b>	<b>26 737</b>	<b>70 343</b>	<b>58 687</b>	<b>81 127</b>
<b>Operating expenses</b>					
Cost of goods sold	-4 179	-2 108	-9 952	-4 681	-9 858
Employee benefit expenses	-4 797	-4 394	-15 181	-14 440	-21 041
Other external costs	-6 211	-6 423	-22 063	-16 990	-23 093
Depreciation and impairment of fixed assets	<u>-1 572</u>	<u>-4 590</u>	<u>-4 657</u>	<u>-7 513</u>	<u>-9 038</u>
<b>Total operating expenses</b>	<b>-16 759</b>	<b>-17 515</b>	<b>-51 853</b>	<b>-43 624</b>	<b>-63 030</b>
<b>Operating income</b>	<b>5 469</b>	<b>9 222</b>	<b>18 490</b>	<b>15 063</b>	<b>18 097</b>
Financial income	626	106	1 567	599	866
Financial expenses	<u>-1</u>	<u>-145</u>	<u>-271</u>	<u>-238</u>	<u>-254</u>
<b>Profit before tax</b>	<b>6 094</b>	<b>9 183</b>	<b>19 786</b>	<b>15 424</b>	<b>18 709</b>
Tax on profit	<u>-1 610</u>	<u>-2 458</u>	<u>-5 288</u>	<u>-4 158</u>	<u>-5 048</u>
<b>Net income</b>	<b>4 484</b>	<b>6 725</b>	<b>14 498</b>	<b>11 266</b>	<b>13 661</b>
Other comprehensive income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total comprehensive income</b>	<b>4 484</b>	<b>6 725</b>	<b>14 498</b>	<b>11 266</b>	<b>13 661</b>
No. of shares	9 115 300	9 365 300	9 115 300	9 365 300	9 365 300
No. of shares average	9 186 233	9 365 300	9 242 068	9 365 300	9 365 300
<b>Earnings per share based on net income before and after dilution, SEK</b>	<b>0,49</b>	<b>0,72</b>	<b>1,57</b>	<b>1,20</b>	<b>1,46</b>

All subsidiaries are dormant; therefore the income statements of the group and the parent company are identical.  
 Net income and Total comprehensive income are attributable in their entirety to the Parent Company's shareholders.  
 The company currently has no outstanding convertible loans or outstanding warrants, so no dilution effect can be recognised.

**Probi AB (publ), Group**

<b><u>Consolidated statement of financial position</u></b>	<b>2011-09-30</b>	<b>2010-09-30</b>	<b>2010-12-31</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Capitalised development expenses	6 637	3 412	3 629
Patents and licenses	10 805	13 889	13 047
Goodwill	2 762	2 762	2 762
Equipment, tools and fixtures	3 376	3 053	3 766
Deferred tax assets	0	5 601	4 711
<b>Total fixed assets</b>	<b>23 580</b>	<b>28 717</b>	<b>27 915</b>
<b>Current assets</b>			
Inventories	5 587	1 941	2 263
Current receivables	22 438	20 305	15 177
Cash and cash equivalents	75 468	77 373	89 762
<b>Total current assets</b>	<b>103 493</b>	<b>99 619</b>	<b>107 202</b>
<b>Total assets</b>	<b>127 073</b>	<b>128 336</b>	<b>135 117</b>
<b>Equity and liabilities</b>			
Equity	116 454	120 591	122 985
Current liabilities	10 619	7 744	12 132
<b>Total equity and liabilities</b>	<b>127 073</b>	<b>128 336</b>	<b>135 117</b>

<b><u>Parent company statement of financial position</u></b>	<b>2011-09-30</b>	<b>2010-09-30</b>	<b>2010-12-31</b>
<b>Assets</b>			
<b>Fixed assets</b>			
Capitalised development expenses	6 637	3 412	3 629
Patents and licenses	10 805	13 889	13 047
Equipment, tools and fixtures	3 376	3 053	3 766
Participations in Group companies	4 031	4 031	4 031
Deferred tax assets	0	5 601	4 711
<b>Total fixed assets</b>	<b>24 849</b>	<b>29 986</b>	<b>29 184</b>
<b>Current assets</b>			
Inventories	5 587	1 941	2 263
Current receivables	22 438	20 305	15 177
Cash and cash equivalents	75 468	77 373	89 762
<b>Total current assets</b>	<b>103 493</b>	<b>99 619</b>	<b>107 202</b>
<b>Total assets</b>	<b>128 342</b>	<b>129 605</b>	<b>136 386</b>
<b>Equity and liabilities</b>			
Equity	113 687	117 824	120 218
Long-term liabilities	4 036	4 036	4 036
Current liabilities	10 619	7 745	12 132
<b>Total equity and liabilities</b>	<b>128 342</b>	<b>129 605</b>	<b>136 386</b>

**Probi AB (publ), Group**

Currency: KSEK

**Changes in shareholders' equity**

	Share capital	Other contributions received	Loss brought forward	Total equity
<b>Reporting period 2010-01-01 – 2010-09-30</b>				
Opening balance 2010-01-01	46 827	97 290	-30 110	114 007
Total comprehensive income			11 266	11 266
Dividend for 2009		-4 683		-4 683
<b>Equity 2010-09-30</b>	<b>46 827</b>	<b>92 607</b>	<b>-18 844</b>	<b>120 591</b>
<b>Reporting period 2011-01-01 – 2011-09-30</b>				
Opening balance 2011-01-01	46 827	92 607	-16 449	122 985
Total comprehensive income			14 498	14 498
Dividend for 2010		-9 215		-9 215
Repurchase treasury shares		-11 814		-11 814
<b>Equity 2011-09-30</b>	<b>46 827</b>	<b>71 578</b>	<b>-1 951</b>	<b>116 454</b>

**Statement of cash flows**

	Q1 – Q3 2011	Q1 – Q3 2010	Full year 2010
<b>Operating activities</b>			
Profit before tax	19 786	15 424	18 709
Depreciation/amortisation	4 657	7 513	9 038
Capital gain/losses from disposal of tangible fixed assets	-35	4	4
<b>Cash flow from operating activities before changes in working capital</b>	<b>24 408</b>	<b>22 941</b>	<b>27 751</b>
Change in inventories	-3 324	-703	-1 025
Change in operating receivables	-7 261	-7 983	-2 855
Change in operating liabilities	<u>-2 089</u>	<u>450</u>	<u>4 837</u>
<b>Cash flow from operating activities</b>	<b>11 734</b>	<b>14 705</b>	<b>28 708</b>
<b>Investing activities</b>			
Acquisition of intangible fixed assets	-4 518	-3 440	-4 077
Acquisition tangible fixed assets	-724	-1 061	-2 038
Disposal of tangible fixed assets	<u>242</u>	<u>145</u>	<u>145</u>
<b>Cash flow from investing activities</b>	<b>-5 000</b>	<b>-4 356</b>	<b>-5 970</b>
<b>Financing activities</b>			
Repurchase treasury shares	-11 813	0	0
Dividend to shareholders	<u>-9 215</u>	<u>-4 683</u>	<u>-4 683</u>
<b>Cash flow from financing activities</b>	<b>-21 028</b>	<b>-4 683</b>	<b>-4 683</b>
<b>Change in cash and cash equivalents</b>	<b>-14 294</b>	<b>5 666</b>	<b>18 055</b>
Cash and cash equivalents at the beginning of the year	89 762	71 707	71 707
Cash and cash equivalents at end of period	75 468	77 373	89 762
<b>Interest paid and received</b>			
Interest income according to profit and loss	3	0	430
Interest expenses according to profit and loss	-1	0	0

**Probi AB (publ), Group**

Currency: KSEK

<b>Key ratios</b>	<b>Def.</b>	<b>2011-09-30</b>	<b>2010-09-30</b>	<b>2010-12-31</b>
Growth, %	1	19,3	17,7	22,8
R&D expenses as part of operating income, %		18	19	19
Average no. of employees		20	21	21
Assets		127 073	128 336	135 117
Working capital	2	92 874	91 874	95 070
Financial data				
Liquid ratio, %	3	922	1 261	865
Equity ratio, %	4	91,6	94,0	91,0
Debt/equity ratio, %	5	0,0	0,0	0,0
Equity per share, SEK		12,78	13,78	13,13
Cash flow per share, SEK		-1,57	0,61	1,93
Share price, SEK		54,00	51,00	48,70
Market cap		492 226	477 630	456 090
Profitability, %				
Return on total assets	6	15,0	12,3	14,5
Return on equity	7	16,5	13,1	15,8
Operating margin	8	26,5	25,7	22,5
Net margin	9	28,3	26,4	23,3

**Defintions of key ratios**

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