

CORPORATE GOVERNANCE REPORT

Probi AB (publ) is a Swedish limited liability company, listed on the Nasdaq OMX Nordic Exchange Stockholm since 2004. According to its Articles of Association, Probi shall engage in the development, manufacture and marketing of products that stimulate the growth and/or regulate the natural microflora in humans, and conduct other compatible operations.

Probi's Corporate Governance is based on applicable legislation, resolutions by the Annual General Meeting, Articles of Association, listing agreement, the Swedish Code of Corporate Governance (the "Code") and work by the Board of Directors and Group Management. For more information about the contents of the Code, please refer to www.bolagsstyrningskollegiet.se.

This Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act and the Code's regulations and includes the 2010 financial year. Probi's Articles of Association and additional information about Probi's Corporate Governance are available at www.probi.se, under "Investors".

APPLICATION OF THE CODE

Probi, its Board of Directors and Nomination Committee, apply the Swedish Code of Corporate Governance. No deviation from the Code has taken place.

SHAREHOLDERS

At 31 December 2010, Probi had 4,201 (4,463) shareholders according to Euroclear Sweden AB.

At that time, Probi had two owners with holdings that each represented at least one tenth of the number of votes for all shares in the company: Consepio with 15.9 per cent and Skånemejerier with 10.3 per cent of both share capital and votes.

ANNUAL GENERAL MEETING

Shareholders exercise their influence over the company at the Annual General Meeting, which is Probi's highest decision-making body. The Annual General Meeting is held within six months of the end of the financial year. The notification to convene is sent not earlier than six weeks and not later than four weeks prior to the Annual General Meeting. All shareholders listed in the shareholders' register and who registered their interest are entitled to participate in the Annual General Meeting and vote. Each share carries one vote.

The 2010 Annual General Meeting was held in Lund on 22 April 2010. The Nomination Committee, Board of Directors and auditors were chosen at the Annual General Meeting, which is described in the following. In the period prior to the 2011 Annual General Meeting, on one or more occasions, the Board of Directors was also authorised to

- make decisions regarding an acquisition of the company's own shares. This authorisation includes acquisition on the Nasdaq OMX Nordic Exchange Stockholm of not more than the company's own shares that at any time do not exceed 10 per cent of all outstanding shares. According to the authorisation, any acquisition will take place at a price within the registered price interval on the Nasdaq OMX Nordic Exchange Stockholm at the time of acquisition, meaning the spread between the highest and lowest selling price. At 31 December 2010, this authorisation had not been exercised.
- make decisions regarding a transfer of the company's own shares. This authorisation includes a transfer of the highest number of outstanding shares held by the company at the time of transfer. According to the authorisation, any transfer will take place at a price within the registered price interval on the Nasdaq OMX Nordic Exchange Stockholm on each occasion, meaning the spread between the highest and lowest selling price. At 31 December 2010, this authorisation had not been exercised.

- make decisions regarding a new rights issue of up to a total of 936,530 shares. This authorisation includes the right to disregard shareholders' right of precedence as well as provisions under Chapter 13, section 5, paragraph 1, page 6 of the Companies Act (payment in kind, payment by set-off or other terms and conditions). The issue price for the new shares shall be determined on the basis of the prevailing market price at the time of issue. If the authorisation is exercised in its entirety, this will entail approximately 9% dilution of the capital and the number of votes. At 31 December 2010, this authorisation had not been exercised.

THE NOMINATION COMMITTEE

The Nomination Committee is elected at the Annual General Meeting and its principle tasks are to:

- evaluate the Board's structure and duties
- prepare proposals to the Annual General Meeting for election of Board members and Chairman of the Board and their remuneration
- prepare proposals to the Annual General Meeting, when appropriate, concerning auditors and their remuneration

On 22 April 2010, the Annual General Meeting resolved that the Nomination Committee should consist of four owner representatives. Lars Gatenbeck (convenor), (GZ Group), Anders Olsson (Skånemejerier), Ragnhild Wiborg (Consepio) and Göran Molin (Professor in Food Hygiene at Skåne University Hospital and a member of the group of scientists that founded Probi AB) were re-elected to the Nomination Committee. None of the Nomination Committee's members are dependent in relation to the company or the Management Group.

The Nomination Committee's proposals are presented in conjunction with the notice to attend the Annual General Meeting. Shareholders who wish to contact the Nomination Committee can do so as stipulated in the information provided on Probi's website at www.probi.se.

BOARD OF DIRECTORS

According to Probi's Articles of Association, the Board of Directors shall consist of not fewer than three and not more than seven members, with not more than three deputies and be elected at the Annual General Meeting. The Annual General Meeting on 22 April 2010 elected a Board consisting of six members with no deputies as follows: (Figures in parentheses pertain to attendance at Board meetings in 2010.)

Per Lundin, Chairman (re-elected)	(13 of 13)
Annika Espander (re-elected)	(10 of 10)
Hilde Furberg (re-elected)	(12 of 13)
Mats Lidgard (re-elected)	(11 of 13)
Jan Nilsson (newly elected)	(7 of 9)
Bengt Nilsson (newly elected)	(9 of 9)

At the Annual General Meeting in April 2010, Hans Wigzell (3 of 4) and Jan Barchan (0 of 4) resigned.

Annika Espander, member of Probi's Board since 2009, became head of Private Banking at Handelsbanken on 1 October 2010. In conjunction with this, Annika Espander stepped down from all of her external directorships and also left Probi's Board on 30 September. A substitute will be elected in connection with the Annual General Meeting 2011.

All Board Members are independent in relation to the company and the Management Group. A presentation of the Board members is available on page 61.

The AGM decides on principles and monetary limits for Board fees. For 2010, the Board's fees were fixed at TSEK 700, of which TSEK 200 refers to the Chairman of the Board and TSEK 100 refer to each of the other Board members.

For a brief period, Board members may perform consulting services for Probi. This is pursuant to a Board decision and only if it is deemed to be the most cost-efficient and advantageous option for the company. This type of consulting fee is recognised in the Annual Report.

For information regarding Board fees, see Notes 10 and 28.

CHIEF EXECUTIVE OFFICER

A presentation of the CEO is on page 62 of the Annual Report for 2010.

AUDITORS

The 2010 Annual General Meeting appointed the registered auditing company Deloitte AB, with Authorised Public Accountant Per-Arne Pettersson as Auditor-in-Charge, until the 2014 Annual General Meeting.

WORK OF THE BOARD AND ITS FORMAL WORK PROCEDURES

The Board is ultimately responsible for Probi's organisation and the administration of the company's affairs. The Board decides on major organisational and operational changes, and whether to appoint or dismiss the CEO. The Board's tasks include evaluating and determining strategies, business plans and budgets. The Board also evaluates the CEO's performance against the identified long and short-term objectives. In conjunction with this, the CEO's goals for the coming financial year are set. No person from the company management participated in this evaluation.

The Board also prepares quarterly reports, year-end reports and annual reports

The Board annually prepares procedures that regulate the division of work and responsibilities between the Board, Chairman and CEO. This work procedure is established in connection with the Board's statutory meeting, which is held in conjunction with the Annual General Meeting.

The Chairman of the Board is responsible for continuously monitoring the company and ensuring that all Board Members continuously receive the relevant information for making decisions and evaluating Probi. The Chairman must consult with the CEO on strategic issues, supervise Board meetings and ensure that Board matters are not in contravention with the regulations regarding conflicts of interest stipulated by the Companies Act.

The Board annually establishes instructions for the CEO with guidelines for the ongoing administration, accounting and asset management and internal control of the company. These instructions also cover the CEO's authorisations and disclosure requirements towards the Board.

The Board shall meet not fewer than four times distributed equally during the year and one statutory meeting. In addition to regular items, the scheduled meetings in 2010 focused primarily on strategic and structural issues. Aside from the scheduled meetings, a number of short meetings were held, mostly telephone meetings, and these meetings primarily addressed commercial issues in connection with agreement negotiations.

AUDIT COMMITTEE

Probi's audit committee comprises the Board in its entirety. The Board maintains continual contact with the auditors, who personally report their findings and observations at least twice annually. The auditors also provide information regarding the specific areas that future reports will address, while the Board informs the auditors about issues or areas that the Board wishes to highlight. The Audit Committee has met twice in 2010 and all members participated.

REMUNERATION COMMITTEE

Probi's Remuneration Committee comprises the Board in its entirety. The Remuneration Committee determines salaries and the CEO's remuneration. Salaries and remuneration of other senior executives are decided by the CEO in consultation with the Chairman of the Board. Policies for remuneration and other terms and conditions of employment for the CEO and senior executives are decided by the Annual General Meeting. The Remuneration Committee held one meeting in 2010 and all members participated.

For information regarding salaries and remuneration to the CEO and other senior executives, see Note 10.

THE BOARD'S INTERNAL CONTROL REPORT

The Board is responsible for the internal control of financial reporting. This report is limited to the internal control of financial reporting.

Authorisation and responsibility is documented and reported in internal guidelines and instructions. This includes the division of responsibilities between the Board and the CEO, attestation instructions and accounting and reporting instructions. The instructions in this document aim to minimise the risk of irregularities and improper benefits to other parties at the expense of the company.

The Board monitors the company's financial development through reporting at Board meetings and through continuous monthly reports. The CEO is responsible for preparing and presenting reports to the Board at each Board meeting, with the following principal content for the period in question:

- Sales and market developments and status of R&D projects
- Balance sheets, income statements and financing analyses
- Investments and capital tied-up
- Key ratios
- Forecasts for current quarters and full year

In addition, the CEO must, as soon as possible after the end of each calendar month, submit a monthly financial report to the Board members.

QUALITY OF FINANCIAL REPORTING

The Board is responsible for ensuring the quality of the company's financial reporting. This is partly done through ongoing contact with the company's auditors and partly through continuous evaluation of the information submitted by company management. Central to this work is ensuring that measures are undertaken to remedy any discrepancies arising in conjunction with audit and to ensure that proposed quality improvements are implemented. Furthermore, the Board has decided that the company's auditors shall conduct a limited review of all quarterly reports.

Considering the size of the company, it has not been deemed reasonable to establish a specific internal audit function. The issue regarding the establishment of a specific internal audit function shall be addressed annually by the Board.