

## CONTINUED HIGH GROWTH DRIVEN BY PROBIMAGE AND PROBIFRISK

### FOURTH QUARTER OF 2011

- **NET SALES** totalled MSEK 24.6 (21.9).
- **OPERATING LOSS** of MSEK 0.7 (income: 3.0) reported. (In the fourth quarter of 2011, capitalised development costs of MSEK 2.7 were discarded.)
- **LOSS AFTER TAX** amounted to MSEK 0.3 (profit: 2.4).
- **EARNINGS PER SHARE** after tax amounted to SEK -0.03 (0.26).
- **TOTAL CASH FLOW** was MSEK 0.7 (12.4).

### FULL-YEAR 2011

- **NET SALES** totalled MSEK 94.4 (80.4).
- **OPERATING INCOME** amounted to MSEK 17.8 (18.1).
- **PROFIT AFTER TAX** amounted to MSEK 14.2 (13.7).
- **EARNINGS PER SHARE** after tax amounted to SEK 1.54 (1.46).
- **TOTAL CASH FLOW** was a negative MSEK 13.6 (positive: 18.1). (In 2011, Probi bought 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 became effective on 30 September 2010. This compensation was reported in full in 2010, and is included in net sales and earnings in the comparative figures for full-year 2010.

### SIGNIFICANT EVENTS DURING THE FOURTH QUARTER:

- Probi entered into a development agreement concerning the immune system with a leading global food company.
- Capitalised development costs in an amount of MSEK 2.7 were discarded.
- The Board of Directors proposes a dividend totalling MSEK 6.8 (9.2), corresponding to SEK 0.75 per share (Last year: SEK 0.50 plus an extraordinary dividend of SEK 0.50).

### CEO'S COMMENTS:

"2011 was a new record year for Probi. Revenue from our continuing businesses increased by 34% and the corresponding profit more than doubled compared with 2010. Growth in Dietary Supplements reached 77%, which is clear evidence that our strategy in the business area is working well. A large part of the increase came from the Swedish market and we have considerable potential to grow internationally in both Functional Food and Dietary Supplements in the next few years", says Michael Oredsson, CEO of Probi.

### FOR FURTHER INFORMATION, PLEASE CONTACT:

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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 25 January 2012, at 09.15 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 2011 was MSEK 95.0. Probi's share is listed on the Nasdaq OMX Stockholm, Small Cap. Probi has approximately 4.500 shareholders. For more information, please visit [www.probi.com](http://www.probi.com).



## ABOUT THE OPERATIONS

Probi's 2011 net sales increased by MSEK 14.0 or 17% to MSEK 94.4 (80.4). Excluding compensation of MSEK 10 received by Probi in 2010 when the Danone agreement came into effect, the sales increase was MSEK 24.0. This corresponds to growth of 34%, based on operating revenue from Probi's existing businesses.

In 2011, operating income amounted to MSEK 17.8 (18.1). Excluding compensation of MSEK 10 received by Probi when the Danone agreement came into effect, the earnings increase was MSEK 9.7, corresponding to 120%. Profit for 2011 was charged with MSEK 2.7 (3.0) for capitalised development costs that were discarded.

Full-year net sales in the Functional Food business area amounted to MSEK 49.4 (55.0). Net sales increased MSEK 4.4 or 10%, excluding compensation of MSEK 10.0 received by Probi in connection with the Danone agreement becoming effective. ProViva continued to show a positive trend and Probi's royalties increased by 5% in 2011 compared with 2010 and amounted to MSEK 44.3 (42.1).

Net sales in the Dietary Supplements business area increased MSEK 19.6, or 77%, to MSEK 45.0 (25.4). Slightly more than half of this growth derived from Probi's joint launch with Bringwell of ProbiMage and ProbiFrisk in the Nordic market.

In the fourth quarter of 2011, Probi signed a development agreement with a leading global food company. This cooperation will focus on joint clinical development of ProbiDefendum, Probi's platform technology for the immune system. By way of introduction, a major clinical immunology study will commence in the first quarter of 2012. The main part of the study is being financed by Probi's partner, which has been guaranteed global exclusivity to negotiate commercial agreements in immunological health for product areas in which Probi currently does not have any products. In late 2011, Probi also commenced a new clinical study in gastrointestinal health involving slightly more than 200 people. The results of both of these studies will complement previously produced clinical documentation and are primarily intended to comply with criteria communicated by the European Food Safety Authority (EFSA) for obtaining approval for health claims in the EU. Both of these studies will be included in the documentation for separate EFSA applications in 2012 under Article 13.5.

Probi's strategy is based on complementing business models for the two business areas of Functional Food and Dietary Supplements. The Functional Food business, which is mainly based on royalty revenue, provides strong profitability and a healthy cash flow. Over the past few years, this has provided conditions to increase efforts to develop the Dietary Supplement business area. In 2011, this business area accounted for 48% (32%) of Probi's net sales. Efforts within Dietary Supplements have included both distributor solutions and the establishment of proprietary brands. A breakthrough was achieved in the US in 2011 through an agreement with Pharmavite, the second largest player in the US market for dietary supplements. Probi's dietary supplements for gastrointestinal health based on the Lp299v probiotic strain will be launched in early 2012 under Nature Made, the largest dietary supplements brand in the US. In the Nordic market, the launch under Probi's own brands, ProbiMage and ProbiFrisk, through the cooperation with Bringwell has continued to develop positively. The range solidified its 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. In late 2011, Norsk Medisinaldepot decided to include the products in its assortment and the launch is scheduled for the first quarter of 2012.

Skandia Liv increased its holding in Probi in 2011 and is now the second-largest owner. At year-end, Skandia Liv's holding corresponded to 9.6% of the share capital and voting rights. In September 2011, Skånemejerier divested its entire holding in Probi, corresponding to 10.3% of the share capital and voting rights.

## SALES AND COSTS

### Full-year 2011

Probi's net sales during the year amounted to MSEK 94.4 (80.4). The total increase was MSEK 14.0, or 17%. Dietary Supplements rose MSEK 19.6 or 77%, while Functional Food declined MSEK 5.6. The compensation that Probi received when the Danone agreement came into effect was recognised under Functional Food in 2010. Excluding this compensation, net sales in Functional Food increased MSEK 4.4 or 10%.

The MSEK 4.4 increase in Functional Food resulted mainly from a royalty payment of MSEK 2.9 from NextFoods in March to retain its licensing rights for Lp299v in the North American market. The sales trend for ProViva also remained positive during the year and Probi's royalties rose 5% to MSEK 44.3 (42.1) compared with 2010.

Growth in Dietary Supplements is largely driven by the positive sales trend for ProbiMage and ProbiFrisk. Revenue from the Bringwell collaboration in the Nordic market totalled MSEK 20.9 (7.8) during the report period. After breaking even in the preceding year, the product line, which was launched in spring 2010, contributed positively to Probi's income in 2011. The volumes accounted for by most of Probi's other partners in Poland, Australia and South Africa also developed positively.

Operating expenses amounted to MSEK 77.2 (63.0). The increase of MSEK 14.2 derived primarily from goods and media costs for ProbiMage and ProbiFrisk. Probi also reported expenses in 2011 in connection with preparatory work prior to a potential launch of dietary supplements in additional European markets outside the Nordic region.

#### Fourth quarter, October - December 2011

Probi's net sales during the fourth quarter amounted to MSEK 24.6 (21.9). The fourth-quarter growth derived from Dietary Supplements where net sales increased MSEK 2.8 to MSEK 13.4 (10.6). This increase was largely attributable to revenue from ProbiMage and ProbiFrisk. In addition, the first delivery was made to Pharmavite in the US, with which Probi signed an agreement in August 2011. Net sales in Functional Food amounted to MSEK 11.1 (11.2), which is on a par with the fourth quarter of 2010.

Operating expenses amounted to MSEK 25.4 (19.4). Most of the increase derived from discarded capitalised development costs in an amount of MSEK 2.7. The costs for goods and media in the framework of the Bringwell collaboration also increased compared with the fourth quarter of 2010.

#### Distribution of operating revenue:

| KSEK  | Q4<br>2011    | Q4<br>2010    | Full-year<br>2011 | Full-year<br>2010 |
|---|---------------|---------------|-------------------|-------------------|
| Goods   | 12 928        | 8 702         | 37 413            | 18 479            |
| Royalty, licenses, etc.   | 11 632        | 13 166        | 56 966            | 61 902            |
| <b>Net sales</b>  | <b>24 560</b> | <b>21 868</b> | <b>94 379</b>     | <b>80 381</b>     |
| <i>Net sales excl. Danone agreement <sup>1)</sup></i>                   |               |               |                   | 70 381            |
| Other operating income  | 106           | 572           | 630               | 746               |
| <b>Total operating revenue</b>  | <b>24 666</b> | <b>22 440</b> | <b>95 009</b>     | <b>81 127</b>     |
| <i>Total operating revenue excl.<br/>Danone agreement <sup>1)</sup></i> |               |               |                   | 71 127            |

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.

#### Profit after tax

Profit after tax amounted to MSEK 14.2 (13.7) for the year and a loss of MSEK 0.3 (profit: 2.4) was reported for the fourth quarter. Tax expenses amounted to MSEK 5.3 (5.1) for the year. MSEK 4.7 (5.1) of the year's tax expenses had no effect on liquidity since part of taxable income for 2011 was deductible against tax-loss carry forwards at the beginning of the year. At the end of the year, Probi reported no deferred tax assets.

#### Earnings per share

Earnings per share amounted to SEK 1.54 (1.46) for the year, up 5%, while a loss per share of SEK 0.03 (earnings: 0.26) was reported for the fourth 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 2010 and 2011 Annual General Meetings. A total of 250,000 shares were bought back in 2011 at 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, with a quotient value of SEK 5 per share.

#### Cash flow

Total cash flow for the year was a negative MSEK 13.6 (positive: 18.1) and cash and cash equivalents amounted to MSEK 76.2 (89.8) at year-end. In 2011, Probi bought back own shares totalling MSEK 11.8 and

paid MSEK 9.2 (4.7) in dividends to shareholders in accordance with a resolution of the Annual General Meeting in April 2011. Total cash flow from operating activities amounted to MSEK 14.9 (28.7) during the year.

The comparative figure for 2010 includes MSEK 10.0 that Probi received from Skånemejerier in connection with the Danone agreement taking effect. Another reason for the decrease in cash flow from operating activities is that operating receivables were MSEK 12.0 higher than at year-end 2010, because a number of deliveries were completed late during the fourth quarter.

### Investments

Investments in intangible assets during the report period amounted to MSEK 6.7 (4.1), of which MSEK 1.9 (1.5) pertained to patents and MSEK 4.8 (2.6) to capitalised development costs. The year's capitalised development costs include MSEK 0.8 representing items discarded in the fourth quarter. Investments in tangible fixed assets amounted to MSEK 0.9 (2.0).

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% (38) 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, Q4:

| KSEK                    | Q4 2011   |             |                | Q4 2010      |            |                |
|-------------------------|-----------|-------------|----------------|--------------|------------|----------------|
|                         | FF        | DS          | Total          | FF           | DS         | Total          |
| Operating revenue       | 11 171    | 13 495      | <b>24 666</b>  | 11 498       | 10 942     | <b>22 440</b>  |
| Operating expenses      | -11 135   | -14 224     | <b>-25 359</b> | -9 393       | -10 013    | <b>-19 406</b> |
| <b>Operating income</b> | <b>36</b> | <b>-729</b> | <b>-693</b>    | <b>2 105</b> | <b>929</b> | <b>3 034</b>   |

### Operating income per segment, Full-year:

| KSEK   | Full-year 2011 |              |                | Full-year 2010 |              |                |
|--|----------------|--------------|----------------|----------------|--------------|----------------|
|  | FF             | DS           | Total          | FF             | DS           | Total          |
| Operating revenue  | 49 694         | 45 315       | <b>95 009</b>  | 55 400         | 25 727       | <b>81 127</b>  |
| <i>Operating revenue excl. Danone agreement<sup>1)</sup></i> |                |              |                | 45 400         | 25 727       | <b>71 127</b>  |
| Operating expenses   | -35 376        | -41 836      | <b>-77 212</b> | -38 957        | -24 073      | <b>-63 030</b> |
| <b>Operating income</b>                                      | <b>14 318</b>  | <b>3 479</b> | <b>17 797</b>  | <b>16 443</b>  | <b>1 654</b> | <b>18 097</b>  |
| <i>Operating income excl. Danone agreement<sup>1)</sup></i>  |                |              |                | 6 443          | 1 654        | <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 increased costs in the Dietary Supplements business area compared with 2010 pertained mainly to goods and media costs for ProbiMage and ProbiFrisk. Probi also implemented extensive preparatory work prior to a potential launch of dietary supplements in other European markets outside the Nordic region. As part of Probi's expansion in Dietary Supplements, some internal resources were also transferred to the business area. This entailed a corresponding decrease in the costs in Functional Food.

#### Operating revenue distributed by geographic markets:

| KSEK   | Q4<br>2011    | Q4<br>2010    | Full-year<br>2011 | Full-year<br>2010    |
|--|---------------|---------------|-------------------|----------------------|
| Nordic region  | 17 473        | 15 594        | 66 866            | 62 204 <sup>1)</sup> |
| Rest of Europe   | 1 618         | 4 843         | 7 598             | 9 754                |
| North America  | 2 183         | 672           | 7 304             | 3 072                |
| Rest of the world  | 3 392         | 1 331         | 13 241            | 6 097                |
| <b>Total</b>   | <b>24 666</b> | <b>22 440</b> | <b>95 009</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 year's increased revenue in the Nordic region 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 to retain its licensing rights for Lp299v in the North American market and the first delivery to Pharmavite. Revenue in the rest of the world increased through deliveries to Camox, South Africa, with which Probi signed an agreement in 2010, and a 49% increase in the revenue from Health World, Australia.

#### Functional Food

Revenue in the Functional Food business area declined 10% during 2011 to MSEK 49.7 (55.4). The full-year decline was due to Probi receiving 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, revenue increased MSEK 4.3 or 9%.

Royalty revenue from ProViva increased 5% compared with 2010 and amounted to MSEK 44.3 (42.1). In the fourth quarter of 2011, Danone conducted a relaunch of ProViva in Finland.

In 2011, Probi signed a development agreement with a leading global food company. This cooperation will focus on joint clinical development of ProbiDefendum, Probi's platform technology for the immune system. Probi's partner has been guaranteed global exclusivity to negotiate commercial agreements in immunological health, and the objective is for the cooperation to lead to the launch of food based on ProbiDefendum.

In accordance with its agreement, NextFoods in the US made a royalty payment of SEK 2.9 million in the first quarter of 2011 to retain licensing rights in the North American market. NextFood's sales are developing positively, although at a slower pace than expected at launch in 2008, and revenues in local currency increased 15% in 2011 compared with the preceding year.

#### Dietary supplements

During the year, revenue in the Dietary Supplements business area rose 76% to MSEK 45.3 (25.7) and operating income amounted to MSEK 3.5 (1.7). 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. In 2011, additional opportunities described below arose within the framework of this endeavour.

In August, an agreement of major significance to Probi was signed that covers the principal sales channels in the growing US market for probiotic dietary supplements. Probi's new partner, Pharmavite, is the second largest company in the US market for vitamins, minerals and supplements (VMS). Probi's Lp299v capsule will be launched under the Nature Made brand, and the ingredient brand ProbiDigestis will be on the package. Nature Made is the leading VMS brand in the US market. Probi's product for gastrointestinal health will be offered for sales in all channels where Nature Made is currently sold, including food stores, pharmacies, drugstores and club stores. The launch will begin in early 2012 and the first deliveries of finished product were made in late 2011.

In 2011, Probi 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 decided not to launch any products in new markets in Latin America after the company revised its product range strategy. Merck retains the rights to Probi's gastrointestinal health product in France, Belgium and Chile, where Merck has already launched the product under the Bion Transit brand. Probi can

now seek new business solutions based on product sales in Latin America. Compared with the concluded licence agreement, this kind of solution has the potential to contribute more to growth and profitability.

ProbiMage and ProbiFrisk consolidated their market-leading position in the Swedish market for probiotic dietary supplements. Revenue from the Bringwell collaboration totalled MSEK 20.9 (7.8). 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. In November, Norsk Medisinaldepot (NMD) also decided to include ProbiMage and ProbiFrisk in its assortment and the launch is scheduled for the first quarter of 2012. NMD is one of Norway's leading suppliers of pharmaceuticals and health-related products and its wholly owned Vitusapotek chain comprises 180 pharmacies. The products have been available in Finland, where they are sold in selected pharmacies and health food stores, since the first half of 2011.

In 2011, after the successful launch under the Nordic collaboration with Bringwell, Probi continued to focus on implementing a similar business model in certain other European markets outside the Nordic region. During the year, extensive preparatory work was completed, including market surveys, and final negotiations are now under way with a number of selected players in the relevant markets.

## RESEARCH AND DEVELOPMENT

In 2011, Probi focused primarily on preparing and designing clinical trials in accordance with the criteria communicated by EFSA with regard to requirements to approve specific health claims in the EU. As planned, a major study with just over 200 human subjects was initiated in the third quarter in the gastrointestinal health field with the aim of being concluded around year-end. However, some delay led to the recruitment of subjects being discontinued in December and the study will begin again with continued recruitment in January 2012. As previously reported, a major study in the immunology field is now also ready for a scheduled start in January 2012. This is being conducted within the framework of the development agreement Probi concluded with a leading global food company in the fourth quarter. The results of both studies will be included in separate 13.5 applications to EFSA in respect of specific health claims for Probi's products in the gastrointestinal and immunological fields.

On 5 December 2011, the Standing Committee on the Food Chain and Animal Health (SCFCAH), which comprises representatives from all EU countries, voted to approve an initial "13.1 list" of permitted health claims. The list contains 222 health claims that primarily concern vitamins and minerals. As expected, the list contains no approved health claims for probiotics. The list will now be subject to a three-month review period in the European Parliament and if a veto against the proposed list is not lodged here, the reviewed health claims will be approved by the European Commission. The list will then be published in the Official Journal of the European Union and become effective 20 days after publication. For products sold within the EU, the industries affected will then have six months to remove health claims not included on the list (or approved under e.g. Article 13.5), which in practice is estimated to be implemented in the fourth quarter of 2012.

Probi's objective is to submit applications in the second half of 2012 regarding health claims in the EU for both the gastrointestinal and immunological products under Article 13.5 and thus be able to secure health-claim approval for Probi's products as soon as possible.

For some time, Probi has conducted application-development work with the aim of micro-encapsulating bacteria to protect them from moisture and antimicrobial components. Since a subproject in this work has not achieved sufficiently favourable results to lead to a commercial venture, Probi decided to discard MSEK 2.7 of capitalised development costs in the fourth quarter of 2011.

Together with an international partner that is a world leader in encapsulation, Probi has tested a variety of technologies for protecting bacteria from moisture and antimicrobial components. Work with experts, mainly in the lipid field, has also been conducted to investigate how various formulations affect the bacteria. Probi now has a technology and formulation that works well with our bacteria. However, tests have shown that the protection is insufficient and moisture penetrates the encapsulation in water activities that exceed 0.3.

Probi's work on encapsulation is continuing with another international cooperation where new, more unconventional encapsulation methods will be evaluated.

## EMPLOYEES

At the end of the period, Probi had 21 employees, of whom 13 were women and eight men. The average number of employees was 20 (21).

During the year, Probi reinforced the organisation with a Director of Marketing & Sales Consumer Healthcare, in charge of Probi's dietary supplement business and a 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 it has had a 49% holding in ProViva AB since 30 September 2011, when Danone acquired 51% of the company.

Probi AB has licensing and supply agreements with Skånemejerier pertaining to the juice, 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.

In view of this, transactions with Skånemejerier and ProViva AB have been reported below only for the period from 1 January 2011 until 5 September 2011. 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 2011, 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 2011.

## 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. At 31 December 2011, no significant changes are considered to have occurred to these risks or uncertainties.

## PROPOSED ALLOCATION OF EARNINGS

In accordance with the current dividend policy, the Board of Directors will propose to the 2012 Annual General Meeting that the company pay dividends totalling MSEK 6.8 (9.2), corresponding to SEK 0.75 per share (Last year: SEK 0.50 plus an extraordinary dividend of SEK 0.50).

## CALENDAR

|                             |                 |
|-----------------------------|-----------------|
| 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 Annual General Meeting (AGM) regarding the 2011 financial year will be held 26 April 2012 at 3:00 p.m. at Edison Park, Emdalavägen 16, Lund, Sweden.

Shareholders who wish to have matters considered at the AGM 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".

The Annual Report for 2011 is expected to be published on the company's website [www.probi.se](http://www.probi.se) on 5 April 2012 and then distributed to the shareholders who have made such a request.

## **ACCOUNTING AND MEASUREMENT POLICIES**

### **The Group**

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, "RFR 1, Supplementary accounting regulations for Groups – January 2012" 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 in RFR 2 Accounting for legal entities – January 2012. The interim report complies with the Swedish Annual Accounts Act.

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

The Board of Directors and CEO provide their assurance that this interim report provides 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, 25 January 2012

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 financial statements for Probi AB (publ) as of 31 December 2011 and the twelve-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 financial statement in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this 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 financial statement has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act.

Malmö, 25 January 2012

Deloitte AB

Per-Arne Pettersson  
Authorized Public Accountant

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

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

|  | <b>Q4</b>             | <b>Q4</b>             | <b>Full-year</b>      | <b>Full-year</b>      |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Currency: KSEK   | <b>2011</b>           | <b>2010</b>           | <b>2011</b>           | <b>2010</b>           |
| <b>Operating revenue</b>   |                       |                       |                       |                       |
| Net sales  | 24 560                | 21 868                | 94 379                | 80 381                |
| Other revenue  | <u>106</u>            | <u>572</u>            | <u>630</u>            | <u>746</u>            |
| <b>Total operating revenue</b>   | <b>24 666</b>         | <b>22 440</b>         | <b>95 009</b>         | <b>81 127</b>         |
| <b>Operating expenses</b>  |                       |                       |                       |                       |
| Cost of goods sold   | -6 881                | -5 177                | -16 833               | -9 858                |
| Employee benefit expenses  | -5 993                | -6 601                | -21 174               | -21 041               |
| Other external costs   | -8 195                | -6 103                | -30 258               | -23 093               |
| Depreciation and impairment of fixed assets                                  | <u>-4 290</u>         | <u>-1 525</u>         | <u>-8 947</u>         | <u>-9 038</u>         |
| <b>Total operating expenses</b>  | <b><u>-25 359</u></b> | <b><u>-19 406</u></b> | <b><u>-77 212</u></b> | <b><u>-63 030</u></b> |
| <b>Operating income</b>  | <b>-693</b>           | <b>3 034</b>          | <b>17 797</b>         | <b>18 097</b>         |
| Financial income   | 571                   | 267                   | 2 138                 | 866                   |
| Financial expenses   | <u>-159</u>           | <u>-16</u>            | <u>-430</u>           | <u>-254</u>           |
| <b>Profit before tax</b>   | <b>-281</b>           | <b>3 285</b>          | <b>19 505</b>         | <b>18 709</b>         |
| Tax on profit  | <u>-24</u>            | <u>-890</u>           | <u>-5 312</u>         | <u>-5 048</u>         |
| <b>Net income</b>  | <b>-305</b>           | <b>2 395</b>          | <b>14 193</b>         | <b>13 661</b>         |
| Other comprehensive income   | <u>0</u>              | <u>0</u>              | <u>0</u>              | <u>0</u>              |
| <b>Total comprehensive income</b>  | <b>-305</b>           | <b>2 395</b>          | <b>14 193</b>         | <b>13 661</b>         |
| No. of shares  | 9 115 300             | 9 365 300             | 9 115 300             | 9 365 300             |
| No. of shares average  | 9 115 300             | 9 365 300             | 9 210 115             | 9 365 300             |
| <b>Earnings per share based on net income before and after dilution, SEK</b> | <b>-0,03</b>          | <b>0,26</b>           | <b>1,54</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>2011-12-31</b> | <b>2010-12-31</b> |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| <b>Fixed assets</b>  |                   |                   |
| Capitalised development expenses                           | 5 336             | 3 629             |
| Patents and licenses                                       | 10 316            | 13 047            |
| Goodwill   | 2 762             | 2 762             |
| Equipment, tools and fixtures                              | 3 265             | 3 766             |
| Deferred tax assets  | 0                 | 4 711             |
| <b>Total fixed assets</b>                                  | <b>21 679</b>     | <b>27 915</b>     |
| <b>Current assets</b>                                      |                   |                   |
| Inventories  | 4 404             | 2 263             |
| Current receivables  | 27 145            | 15 177            |
| Cash and cash equivalents                                  | 76 202            | 89 762            |
| <b>Total current assets</b>                                | <b>107 751</b>    | <b>107 202</b>    |
| <b>Total assets</b>  | <b>129 430</b>    | <b>135 117</b>    |
| <b>Equity and liabilities</b>                              |                   |                   |
| Equity   | 116 149           | 122 985           |
| Current liabilities  | 13 281            | 12 132            |
| <b>Total equity and liabilities</b>                        | <b>129 430</b>    | <b>135 117</b>    |

| <b><u>Parent company statement of financial position</u></b> | <b>2011-12-31</b> | <b>2010-12-31</b> |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| <b>Fixed assets</b>  |                   |                   |
| Capitalised development expenses                             | 5 336             | 3 629             |
| Patents and licenses   | 10 316            | 13 047            |
| Equipment, tools and fixtures                                | 3 265             | 3 766             |
| Participations in Group companies                            | 4 031             | 4 031             |
| Deferred tax assets  | 0                 | 4 711             |
| <b>Total fixed assets</b>                                    | <b>22 948</b>     | <b>29 184</b>     |
| <b>Current assets</b>  |                   |                   |
| Inventories  | 4 404             | 2 263             |
| Current receivables  | 27 145            | 15 177            |
| Cash and cash equivalents                                    | 76 202            | 89 762            |
| <b>Total current assets</b>                                  | <b>107 751</b>    | <b>107 202</b>    |
| <b>Total assets</b>  | <b>130 699</b>    | <b>136 386</b>    |
| <b>Equity and liabilities</b>                                |                   |                   |
| Equity   | 113 382           | 120 218           |
| Long-term liabilities  | 4 036             | 4 036             |
| Current liabilities  | 13 281            | 12 132            |
| <b>Total equity and liabilities</b>                          | <b>130 699</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 – 2010-12-31</b> |               |                              |                      |                |
| Opening balance 2010-01-01                      | 46 827        | 97 290                       | -30 110              | 114 007        |
| Total comprehensive income                      |               |                              | 13 661               | 13 661         |
| Dividend for 2009                               |               | -4 683                       |                      | -4 683         |
| <b>Equity 2010-12-31</b>                        | <b>46 827</b> | <b>92 607</b>                | <b>-16 449</b>       | <b>122 985</b> |
| <b>Reporting period 2011-01-01 – 2011-12-31</b> |               |                              |                      |                |
| Opening balance 2011-01-01                      | 46 827        | 92 607                       | -16 449              | 122 985        |
| Total comprehensive income                      |               |                              | 14 493               | 14 493         |
| Dividend for 2010                               |               | -9 215                       |                      | -9 215         |
| Repurchase treasury shares                      |               | -11 814                      |                      | -11 814        |
| <b>Equity 2011-12-31</b>                        | <b>46 827</b> | <b>71 578</b>                | <b>-2 256</b>        | <b>116 149</b> |

**Statement of cash flows**

|  | Full-year 2011 | Full-year 2010 |
|--|----------------|----------------|
| <b>Operating activities</b>  |                |                |
| Profit before tax  | 19 505         | 18 709         |
| Depreciation/amortisation  | 8 947          | 9 038          |
| Capital gains/losses from disposal of tangible fixed assets                  | -35            | 4              |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>28 417</b>  | <b>27 751</b>  |
| Change in inventories  | -2 141         | -1 025         |
| Change in operating receivables  | -11 968        | -2 855         |
| Change in operating liabilities  | 548            | 4 837          |
| <b>Cash flow from operating activities</b>                                   | <b>14 856</b>  | <b>28 708</b>  |
| <b>Investing activities</b>  |                |                |
| Acquisition of intangible fixed assets                                       | -6 713         | -4 077         |
| Acquisition tangible fixed assets  | -917           | -2 038         |
| Disposal of tangible fixed assets  | 242            | 145            |
| <b>Cash flow from investing activities</b>                                   | <b>-7 388</b>  | <b>-5 970</b>  |
| <b>Financing activities</b>  |                |                |
| Repurchase treasury shares   | -11 813        | 0              |
| Dividend to shareholders   | -9 215         | -4 683         |
| <b>Cash flow from financing activities</b>                                   | <b>-21 028</b> | <b>-4 683</b>  |
| <b>Change in cash and cash equivalents</b>                                   | <b>-13 560</b> | <b>18 055</b>  |
| Cash and cash equivalents at the beginning of the year                       | 89 762         | 71 707         |
| Cash and cash equivalents at end of period                                   | 76 202         | 89 762         |
| <b>Interest paid and received</b>  |                |                |
| Interest income according to profit and loss                                 | 1 652          | 430            |
| Interest expenses according to profit and loss                               | -1             | 0              |

**Probi AB (publ), Group**

Currency: KSEK

| <b>Key ratios</b>                           | <b>Def.</b> | <b>2011-12-31</b> | <b>2010-12-31</b> | <b>2009-12-31</b> |
|---|-------------|-------------------|-------------------|-------------------|
| Growth, %                                   | 1           | 17,4              | 22,8              | -3,7              |
| R&D expenses as part of operating income, % |             | 18                | 19                | 22                |
| Average no. of employees                    |             | 20                | 21                | 19                |
| Assets                                      |             | 129 430           | 135 117           | 121 302           |
| Working capital                             | 2           | 94 470            | 95 070            | 77 972            |
| Financial data                              |             |                   |                   |                   |
| Liquid ratio, %                             | 3           | 778               | 865               | 1 152             |
| Equity ratio, %                             | 4           | 89,7              | 91,0              | 94,0              |
| Debt/equity ratio, %                        | 5           | 0,0               | 0,0               | 0,0               |
| Equity per share, SEK                       |             | 12,74             | 13,13             | 12,17             |
| Cash flow per share, SEK                    |             | -1,49             | 1,93              | 1,11              |
| Share price, SEK                            |             | 52,50             | 48,70             | 61,75             |
| Market cap                                  |             | 491 678           | 456 090           | 578 307           |
| Profitability, %                            |             |                   |                   |                   |
| Return on total assets                      | 6           | 14,7              | 14,5              | 12,3              |
| Return on equity                            | 7           | 16,3              | 15,8              | 13,5              |
| Operating margin                            | 8           | 18,9              | 22,5              | 21,1              |
| Net margin                                  | 9           | 20,7              | 23,3              | 22,4              |

**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